SAN DIEGO HOUSING COMMISSION

Item 103

EXECUTIVE SUMMARY

MEETING DATE: November 5, 2026 HCR26-060

SUBJECT: Fiscal Year 2026 Annual Comprehensive Financial Report (ACFR) and Single Audit Reports

COUNCIL DISTRICT: Citywide

ORIGINATING DEPARTMENT: Financial Services

CONTACT/PHONE NUMBER: Christelle Van Der Windt (619) 578-7427

REQUESTED ACTION:
Accept the Fiscal Year 2026 (July 1, 2025 – June 30, 2026) Annual Comprehensive Financial Report (ACFR) and Single Audit Reports.

EXECUTIVE SUMMARY OF KEY FACTORS:

- The San Diego Housing Commission (SDHC) received an "unmodified" ("clean") opinion for the audit period July 1, 2025 - June 30, 2026.
- Total Revenues were $580.2 million, of which 75 percent was from federal grants.
- Total Expenses were $518.2 million, of which $355.1 million was related to Housing Assistance expenses.
- Total Assets were $1,285.9 million.
- Total Liabilities were $170.2 million.
- Total Net Position was $1,030.4 million and was composed of:
    - Net Investment in Capital Assets: $270.6 million – the amount spent on capital assets and is used for operations.
    - Restricted Net Position: $267.1 million – the amount is restricted by external creditors, grantors contributors, or laws or regulations of other governments.
    - Unrestricted Net Position: $492.7 million, which is an accounting definition and not necessarily indicative of funds available for discretionary use.
- On November 6, 2026, SDHC staff and the auditors will present the ACFR and attached financial reports to the SDHC Board of Commissioners' (Board) Audit Committee before it is presented to the full SDHC Board.

SAN DIEGO HOUSING COMMISSION

Item 103

REPORT

DATE ISSUED: October 30, 2026 **REPORT NO**: HCR26-060

ATTENTION: Chair and Members of the San Diego Housing Commission Board of Commissioners
For the Agenda of November 5, 2026

SUBJECT: Fiscal Year 2026 Annual Comprehensive Financial Report (ACFR) and Single Audit Reports

COUNCIL DISTRICT: Citywide

REQUESTED ACTION

Accept the Fiscal Year 2026 (July 1, 2025 – June 30, 2026) Annual Comprehensive Financial Report and Single Audit Reports.

STAFF RECOMMENDATION

That the San Diego Housing Commission (SDHC) Board of Commissioners (Board) accept the Fiscal Year (FY) 2026 (July 1, 2025 – June 30, 2026) Annual Comprehensive Financial Report (ACFR) and Single Audit Reports prepared by CohnReznick LLP, an independent audit firm, and attached to this staff report, which offer a clean, unmodified opinion about SDHC's financial statements.

SUMMARY

SDHC Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, presented in the ACFR (Attachment 1). This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

SDHC Management is also responsible for compliance with each federal program and for internal controls over compliance required by the Office of Management and Budget Compliance Supplement (Attachment 2).

In February 2024, following a formal Request for Proposal process, SDHC awarded a contract to CohnReznick LLP to conduct various SDHC financial audits for Fiscal Year 2024 (July 1, 2023 – June 30, 2024), with four options for annual renewals through Fiscal Year 2028 (July 1, 2027 – June 30, 2028).

CohnReznick, LLP is responsible for expressing an opinion on the financial statements based on its audit. In CohnReznick's opinion, the financial statements present fairly, in all material respects, SDHC's financial position as of June 30, 2026.

CohnReznick, LLP is also responsible for expressing an opinion on compliance for each of SDHC's major federal programs based on CohnReznick's audit of the types of compliance requirements identified. In CohnReznick's opinion, SDHC complied, in all material respects, with

the types of compliance requirements identified that could have a direct and material effect on each of its major federal programs for the fiscal year that ended on June 30, 2026.

The Report to the SDHC Board's Audit Committee (Attachment 3) provides required information from CohnReznick relating to the audits.

Certain projects require Financial Statements with Supplementary Information and Independent Auditor's Report. The SDHC projects subject to this requirement are the Otay Villas Housing Development (Attachment 4) and Adaptable Housing Development (Attachment 5). For both projects, the auditors' opinion was that the statement of project operations presents fairly, in all material respects, the operation of the project for the fiscal year that ended on June 30, 2026, in accordance with accounting principles generally accepted in the United States of America.

SDHC has three projects regulated by the U.S. Department of Housing and Urban Development (HUD) that have Federal Housing Administration (FHA) insured loans under Section 233(f) that require individual Financial Statements with Supplementary Information and Independent Auditor's Report. These projects are Northern SDHC FHA LLC (Attachment 6), Southern SDHC FHA LLC (Attachment 7) and Central SDHC FHA LLC (Attachment 8). CohnReznick, LLP completed the reports for Fiscal Year 2026. For each project, the auditors' opinion was that the statements of each project were presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. In addition, SDHC complied, in all material respects, with HUD program and internal control requirements that could have a direct and material effect on each of the FHA federal programs.

The audit reports comply with applicable laws and the scope of work contained in the contract between SDHC and CohnReznick, LLP. SDHC staff extended their appreciation to CohnReznick, LLP for the professional manner in which this audit was performed.

FISCAL CONSIDERATIONS

The proposed action has no fiscal impact.

SDHC STRATEGIC PLAN

This item relates to the Core Value "Commit to transparency and being strong financial stewards" in SDHC's Strategic Plan for Fiscal Years 2026-2030.

NONDISCRIMINATION ASSURANCE

At SDHC, we're about people. We are committed to ensuring a compassionate, person-centered approach to SDHC's programs, policies, projects and activities and to serving our community impartially, fairly and without bias. We are also committed to ensuring compliance with all applicable federal, state and local laws and protections to the extent that they affect this action relative to nondiscrimination.

Staff have requested a workforce report for record-keeping purposes only.

SDHC BOARD'S AUDIT COMMITTEE MEETING

On November 5, 2026, SDHC staff and the Auditors will present the Fiscal Year 2026 Annual Comprehensive Financial Report and attached financial reports to the SDHC Board's Audit Committee.

ENVIRONMENTAL REVIEW

California Environmental Quality Act
This activity is not a project as defined by the California Environmental Quality Act (CEQA) Section 21065 and State CEQA Guidelines Section 15378(b)(5), as it is an administrative activity of government that will not result in direct or indirect physical changes in the environment. The determination that this activity is not subject to CEQA, pursuant to Section 15060(c)(3), is not appealable and a Notice of Right to Appeal the Environmental Determination (NORA) is not required.

National Environmental Policy Act
Environmental review under the National Environmental Policy Act is not required because no federal funds are involved in this action.

Respectfully submitted by,
Christelle Van Der Windt
Christelle Van Der Windt
Vice President of Financial Services
Financial Services Department

Approved by,
Azucena Valladolid
Azucena Valladolid
Chief Operating Officer
San Diego Housing Commission

Attachments:
1) FY26 Annual Comprehensive Financial Report (ACFR)
2) FY26 Single Audit Reports
3) FY26 Report to the Audit Committee of the Board of Commissioners
4) FY26 Financial Statements on Otay Villas Housing Development
5) FY26 Financial Statements on Adaptable Housing Development
6) FY26 Northern SDHC FHA LLC Financial Statements
7) FY26 Southern SDHC FHA LLC Financial Statements
8) FY26 Central SDHC FHA LLC Financial Statements

A printed copy is available for review during business hours at the information desk in the main lobby of SDHC's offices at 1122 Broadway, San Diego, CA 92101. Docket materials are also available in the "Governance & Legislative Affairs" section of SDHC's website at www.sdhc.org.

Attachment 1

SAN DIEGO HOUSING COMMISSION

San Diego Housing Commission

A Component Unit of the
City of San Diego, California

Annual Comprehensive Financial Report

For the year ended June 30, 2026

San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101
www.sdhc.org

PRELIMINARY DRAFT - SUBJECT TO CHANGE

San Diego Housing Commission

A Component Unit of the
City of San Diego, California

Annual Comprehensive Financial Report

For the Year Ended
June 30, 2026

Prepared by:
Financial Services Department

Table of Contents

PRELIMINARY DRAFT - SUBJECT TO CHANGE

	PAGE
INTRODUCTORY SECTION (UNAUDITED)	
Letter of Transmittal	6
GFOA Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year 2024	16
Organizational Chart	17
Roster of Officials	18
FINANCIAL SECTION	
Independent Auditor's Report	20
Management's Discussion and Analysis (Unaudited)	24
Basic Financial Statements	
Government-Wide	
Statement of Net Position	34
Statement of Revenues, Expenses and Changes in Net Position	35
Statement of Cash Flows	37
Fiduciary Funds	
Statement of Fiduciary Net Position	39
Statement of Changes in Fiduciary Net Position	40
Notes to Financial Statements	41
Supplementary Information	
Combining Schedules	
Combining Schedule of Net Position - Enterprise Funds	104
Combining Schedule of Revenues, Expenses and Changes in Net Position - Enterprise Funds	105
Combining Schedule of Cash Flows - Enterprise Funds	107

Table of Contents - Continued

Combining Schedule of Fiduciary Net Position 109

Combining Schedule of Changes in Fiduciary Net Position 110

Financial Data Schedule

Entity Wide Balance Sheet Summary 112

Entity Wide Revenue and Expense Summary 118

STATISTICAL SECTION (UNAUDITED)

Net Position by Component 130

Revenue, Expenses and Changes in Net Position 131

Capital Assets by Category 132

Revenue on a Gross Basis 134

Ratios of Outstanding Debt 136

Demographic Statistics 138

Demographic and Economic Statistics for the City of San Diego 139

Principal Employers for the City of San Diego 140

Resident Household Information - Housing Choice Voucher Program 141

Resident Income Information - Housing Choice Voucher Program 142

Length of Residency - Housing Choice Voucher Program 143

Property Characteristics and Dwelling Units 145

Employee Demographics 150

Number of Employees by Department 151

PRELIMINARY DRAFT - SUBJECT TO CHANGE

SAN DIEGO HOUSING COMMISSION

Introductory Section



We're About People

Established in 1979, the San Diego Housing Commission (SDHC) is an award-winning public housing agency that serves the City of San Diego. SDHC's major program areas include providing rental assistance to approximately 17,000 households with low income; addressing homelessness; and creating and preserving affordable rental housing.

SAN DIEGO HOUSING COMMISSION

November xx, 2026

Mayor Todd Gloria,

Council President Joe LaCava, Members of the San Diego City Council, San Diego Housing Commission (SDHC) Chair of the Board Eugene "Mitch" Mitchell, Members of the SDHC Board of Commissioners, Citizens of the City of San Diego, California, and additional interested parties.

California state law requires all general purpose local governments to publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. As a component unit of the City of San Diego, and pursuant to the above-stated requirement, we hereby issue the San Diego Housing Commission's (SDHC) Annual Comprehensive Financial Report (Annual Report) for the fiscal year that ended on June 30, 2026.

This report consists of SDHC management's representations concerning SDHC's finances. Consequently, SDHC management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, SDHC management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of SDHC's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, SDHC's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As SDHC management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

SDHC's financial statements have been audited by CohnReznick LLP, a firm of licensed certified public accountants. The goal of this independent audit was to provide reasonable assurance that SDHC's financial statements for the fiscal year that ended on June 30, 2026, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based upon their audit, that there was a reasonable

PRELIMINARY DRAFT - SUBJECT TO CHANGE

basis for rendering an unmodified opinion that SDHC's financial statements for the fiscal year that ended on June 30, 2026, are fairly presented in conformity with GAAP.

The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of SDHC's financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in SDHC's Single Audit Reports, which are issued separately.

The Annual Report includes the Financial Data Schedule (FDS) required by the U.S. Department of Housing and Urban Development (HUD). FDS was created to standardize financial information reported by Public Housing Authorities (PHAs). The HUD Real Estate Assessment Center (REAC) requires that PHA accounting information be reported in accordance with GAAP, using either governmental or enterprise fund accounting. REAC analyzes the FDS to assess the financial condition, viability and effectiveness of overall resource management of PHAs compared to industry peers. The FDS discloses federal-, state- and local-funded activities reported to HUD. These activities are the basis of SDHC's enterprise fund program schedules, which are combined in the basic financial statements.

Established in 1979, SDHC has earned a national reputation as a model public housing agency, with innovative programs that preserve and create additional affordable housing in the City of San Diego. SDHC's award-winning programs and services stimulate the local economy, revitalize neighborhoods, and positively impact the lives of San Diegans with low income and/or experiencing homelessness. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SDHC for its Annual Report for the fiscal year that ended on June 30, 2024. This was the 17th consecutive year that SDHC has achieved this prestigious award, recognizing "transparency and full disclosure" in the Annual Report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that this Annual Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for a Certificate of Achievement.

The GFOA has also given an award for Outstanding Achievement in Popular Annual Financial Reporting to SDHC for its Popular Annual Financial Report for Fiscal Year 2024. This was the 15th consecutive year that SDHC has received this prestigious award.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

The Annual Report and the Popular Annual Financial Report for the fiscal years that ended June 30, 2025, have been submitted to the GFOA for award and are currently under review.

Governing Body and Strategic Guidance

SDHC is governed by the San Diego City Council, sitting as the Housing Authority of the City of San Diego (Housing Authority).

SDHC President & CEO Lisa Jones is the Executive Director of the Housing Authority.

The Housing Authority has final authority over SDHC's budget and major policy decisions. Housing Authority approval is required for amending the annual budget for amounts in excess of $500,000.

A seven-member Board of Commissioners (Board) oversees SDHC's operations and makes recommendations to the Housing Authority.

Commissioners are appointed through a process detailed in the San Diego Municipal Code.

The SDHC Board reviews proposed changes to housing policy, property acquisitions and other financial commitments. The SDHC Board offers policy guidance to SDHC staff through its communications with the agency's President & CEO.

SDHC Proposed FY2026-2030 Strategic Plan

During FY2025, SDHC conducted a comprehensive process to develop a new Strategic Plan to serve as a blueprint for the agency to emerge as a resilient, high-performing, focused and forward-thinking organization in a new and ever-changing environment with limited funds.

The FY2026-2030 Proposed Strategic Plan was presented to SDHC's Board of Commissioners as an informational workshop on September 12, 2025, and to the SDHC Board's Strategic Plan Committee on October 6, 2025. On October 10, 2025, the SDHC Board approved the FY2026-2030 Strategic Plan and authorized staff to implement it and provide annual updates. It includes adjustments to SDHC's vision, mission statement, purpose and core values and identifies five strategic priority areas with measurable goals that support them.

SDHC Vision

Everyone in the City of San Diego has a home they can afford.

SDHC Mission Statement

The San Diego Housing Commission fosters social and economic stability by ensuring the development and preservation of quality, affordable housing solutions for San Diegans.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Purpose

Provide stable, quality housing solutions so the community can thrive.

Core Values

At SDHC, we:

- Treat our clients, staff, community and partners fairly and with dignity and respect.
- Commit to excellence and innovation in all we do.
- Ensure that our programs are informed by the input of those we serve.
- Commit to transparency and being strong financial stewards.
- Collaborate with partners for the best outcomes for San Diegans.

Strategic Priority Areas

1. Reimagine the Agency
2. Reassess Annually
3. Create and Preserve Housing
4. Embody Person-Centered Operations
5. Address and Prevent Homelessness

SDHC Business Activities

Providing Rental Assistance

SDHC administers a variety of federally funded affordable housing programs and services, including the Section 8 Housing Choice Voucher Program, which provides rental assistance to approximately 17,000 families with low income in the City of San Diego.

New Voucher Awards

During Fiscal Year (FY) 2026, SDHC was awarded 17 additional tenant-based Veterans Affairs Supportive Housing (VASH) vouchers. These vouchers serve veterans experiencing homelessness who are eligible for a VASH voucher.

HUD awarded SDHC 75 Family Unification Program Vouchers in early FY 2026. These vouchers provide assistance to families whose children are at risk of out-of-home placement due to inadequate housing and for youth(s) who are at least 18 years old and not more than 24 years old who left foster care or will leave foster care within 180 days.

'Moving to Work' Agency

SDHC is one of only 39 original "Moving to Work" (MTW) agencies out of approximately 3,200 public housing authorities nationwide. Since the MTW Demonstration Program's initial inception, HUD has admitted an additional 99 public housing authorities to the expansion. There are currently only 138 MTW public housing authorities nationally.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

MTW status gives SDHC the flexibility to implement a variety of innovative, cost-effective approaches, subject to HUD approval, to provide housing assistance in the City of San Diego by waiving certain provisions, implementing requirements, and regulations of the Housing Act of 1937. As an MTW Agency, SDHC must meet the statutory requirements and statutory objectives of the MTW Demonstration Program.

SDHC's MTW initiatives provide opportunities for federal rental assistance recipients and public housing residents to become more financial self-reliant, funding toward the creation and preservation of affordable housing for San Diegans experiencing homelessness, and rental housing vouchers to address homelessness.

Committing Federal Rental Housing Vouchers to Address Homelessness

SDHC's MTW status has allowed SDHC to leverage its available resources to address homelessness.

At the close of FY 2026, more than 5,800 of SDHC's rental assistance subsidies were dedicated to families and individuals experiencing homelessness. This includes but is not limited to VASH vouchers, Sponsor-Based Subsidies, Project-Based Vouchers (including developments that are pending completion), Monarch School Project, and Emergency Housing Vouchers (EHV) through Fall 2026, as HUD is sunsetting the Federal EHV program.

Committing Federal Rental Housing Vouchers for Affordable Housing

In FY 2026, SDHC leased 448 Project-Based Vouchers at 10 new affordable housing developments that serve residents with low-income or experiencing homelessness.

Project-Based Vouchers are linked to specific housing units to which they are awarded so that when a tenant moves on, the voucher remains with the units to help other households. These vouchers provide rental assistance to households with low income in the City of San Diego, including individuals and families experiencing homelessness. Low-income applicants are selected through SDHC's Project-Based Voucher Wait List. Emergency Housing Voucher families have been and will continue to be prioritized for new Project-Based Voucher housing units that come online for up to one year after their rental assistance has ended.

Applicants for the Project-Based Voucher units allocated to permanent supportive housing to address homelessness are selected from the Continuum of Care's Coordinated Entry System (CES). The following Project-Based Voucher properties completed construction and were leased in FY 2026:

- Pacific Village – 62 total units: 15 units for veterans experiencing homelessness, 12 units for transition-age youth experiencing homelessness, 12 units for adults experiencing chronic homelessness, and 23 units for adults experiencing literal homelessness.

- Serenade on 43rd – 32 units for individuals experiencing homelessness.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

- Cuatro at City Heights – 48 units for low-income individuals and families.
- Harrington Heights – 10 units for veterans experiencing homelessness, 65 units for adults experiencing chronic and literal homelessness, and 40 units for low-income adults.
- Jacaranda on 9th – 14 units for adults experiencing chronic homelessness and 73 units for low-income individuals and families.
- Taormina Family Apartments – 8 units for low-income individuals and families.
- Iris at San Ysidro – 25 units for low-income families.
- SkyLINE – 30 units for low-income individuals and families.
- The Teralta – 33 units for low-income individuals and families.
- Terrasini Senior Apartments – 8 units for low-income seniors.

SDHC Achievement Academy

The SDHC Achievement Academy offers programs that emphasize career development, job skills, job placement and personal financial education. The SDHC Achievement Academy is available at no charge to families with low income in the City of San Diego, predominately those receiving federal Section 8 Housing Choice Voucher rental assistance, public housing residents and participants in certain homelessness programs.

In FY 2026, more than 1,410 SDHC Achievement Academy participants attended 162 workshops addressing various topics, such as financial education, life skills, workforce readiness, computer literacy and job recruitments. In addition to attending workshops, 1,089 participants received core services, including benefits screening and meeting with a certified financial counselor; 205 participants were placed in jobs; and 198 increased their earnings. In FY2026, the average hourly wage earned by SDHC Achievement Academy participants placed in jobs was $21.92, a 43 percent increase in the last five years. From recruitment fairs and employer presentations to small business classes and industry-specific trainings, the SDHC Achievement Academy and it's community based partners offer an array of services to meet the varying needs of its participants.

Path to Success

During FY 2026, SDHC received approvals to update its Path to Success initiative to implement adjustments to the way SDHC calculates the family contribution amounts for Housing Choice Voucher rental assistance participants and public housing residents. These changes will be implemented in FY 2027. SDHC found it necessary to increase these family contribution amounts because federal funding is not meeting the rental assistance needs of all the families SDHC currently serves. If these updates were not implemented, hundreds of families could lose their rental assistance entirely. SDHC's

PRELIMINARY DRAFT | SUBJECT TO CHANGE

goal is to make sure families continue with this assistance and remain housed. By making these changes, SDHC expects to be able to continue to assist all the eligible families currently in SDHC's rental assistance and public housing programs. With these updates, Elderly-Disabled households will pay 32 percent of their income toward their rental housing. SDHC will continue to not have any required minimum family contribution for Elderly-Disabled households. The family contribution amount for households that are Work-Able will be either 40 percent of their income or a minimum family contribution amount. The minimum family contribution amounts are based on the number of workable household members in family and the current minimum wage of $17.75 per hour in the City of San Diego.

SDHC sent letters to the affected families through the U.S. mail and email. SDHC has continued to send additional notices before the new family contribution amounts take effect on October 1, 2026. SDHC also provided information through frequently asked questions and explanatory videos on SDHC's website—available in English, Spanish and Vietnamese. Additionally, SDHC has a dedicated page on its website with a list of many community resources available for these families. SDHC also collaborated with community partners to host resource fairs for affected families.

Administration of City of San Diego's Homelessness Shelters and Services Programs

The City of San Diego's (City) Homelessness Shelters and Services Programs provide shelter and supportive services to some of the City's most vulnerable residents.

SDHC administers the following programs on behalf of the City through a single Memorandum of Understanding (MOU) with the City:

- Housing Instability Prevention Program (HIPP)
- Coordinated Shelter Intake Program
- Eviction Prevention Program
- Supportive Services
    - Day Center for Adults Experiencing Homelessness
    - Transitional Storage Center
    - Storage Connect Center
    - The Hub (formerly the Homelessness Response Center)
    - Multidisciplinary Outreach Team (Closed June 2026)
    - Emergency Solutions Grant Prevention Program
- Emergency/Interim Shelter Programs:
    - Connections Housing Downtown for Single Adults
    - Rachel's Promise Center for Women and Children
    - Bishop Maher Center Interim Shelter for Women
    - Bridget Shelter (16th & Newton) for Single Adults
    - Bridge Shelter (17th & Imperial) for Single Adults
    - Rosecrans Shelter for Single Adults (Closed July 2025)
    - Harm Reduction Interim Shelter for Single Adults
    - Interim Shelter for Transition-Age Youth
    - Youth Emergency Shelter for Unaccompanied Minors
    - Safe Shelter for Transition-Age Youth (SafeSTAY)

PRELIMINARY DRAFT - SUBJECT TO CHANGE

- San Diego Family Shelter Program
- Haven Interim Shelter for Single Women and Families with Children
- Alcohol Use Disorder Interim Shelter for Single Adults
- Lighthouse Interim Shelter for Men (Program No Longer Funded by the City of San Diego as of June 2026)
- Veteran's Interim Shelter
- Single Adults and Seniors Interim Shelter Program
- Central Elementary Safe Parking Program for Families with Children (Program Closed June 2026)

SDHC-administered homelessness programs

In FY 2026, SDHC also supported several homelessness programs funded through HUD Continuum of Care (CoC), Moving to Work, SDHC Local Funds, Affordable Housing Fund and City of San Diego General Fund.

These programs include:

- 10 CoC-funded Permanent Supportive Housing programs serving up to 330 households each year
- 5 CoC-funded Rapid Rehousing programs
- 2 Inclement Weather Shelter program providers
- 2 Transitional Housing programs, providing up to 106 beds to families
- Program for Engaged Education Resources (PEER) (SDHC collaboration with San Diego City College to support workforce development in homelessness services. Closed December 2025.)

The City of San Diego's Eviction Prevention Program (EPP) launched in December 2021 and continues to provide assistance, education, legal representation and public awareness to certain populations in the City of San Diego, and emergency and limited legal assistance to eligible tenants facing eviction for not paying their rent. EPP functions as a centralized resource for low-income renters facing eviction and is available to all qualified individuals regardless of their immigration status. In FY 2026 EPP provided full legal assistance to 268 eligible tenants and limited legal assistance to 2,363 eligible tenants. The program also conducted six public workshops and 15 public awareness events, received and responded to 2,698 hotline calls, and made 3,071 referrals to other community resources.

SDHC's Housing Stability programs continued to serve the various needs of those in the City of San Diego who are at risk of or experiencing homelessness. Direct Services include 10 programs that directly assist individuals and families with a wide range of services and financial and rental assistance needs. These housing interventions focus on housing households quickly and then provide case management services and financial assistance to support housing stability. These include various programs that make up each of the following programs: Homelessness Prevention and Diversion, Housing Instability Prevention Program, Moving Home Rapid Rehousing and Landlord Engagement and Assistance Programs (LEAP).

PRELIMINARY DRAFT SUBJECT TO CHANGE

Development Funds and Housing Vouchers have been awarded through SDHC's Notice of Funding Availability (NOFA) to create, rehabilitate or acquire permanent supportive housing for individuals and families with very high service needs and ongoing financial assistance. However, SDHC did not include Housing Vouchers in its FY 2026 NOFA and will not be including them in NOFAs for the foreseeable future due to insufficient funding. Special Program Housing Vouchers provide ongoing rental assistance and wraparound supportive services in collaboration with community-based nonprofits and agencies for a variety of special populations.

Creating Affordable Housing

As of June 30, 2026, SDHC owns 154 properties with 2,688 affordable rental housing units, of which 189 units are federal public housing units that SDHC operates in the City of San Diego.

In FY 2026, SDHC acquired Starling Place to create 80 affordable housing units for individuals who experienced homelessness, including veterans.

In addition, Housing Development Partners, SDHC's nonprofit affiliate, has developed more than 1,400 affordable rental housing units in the City at properties it has acquired and created through partnership developments, which include 759 units on SDHC-owned land that is ground leased to HDP: Casa Colina (74 affordable units), Parker Kier Apartments (33 affordable units), Hotel Churchill (72 affordable units), Village North Senior Garden Apartments (119 affordable units), Quality Inn (91 affordable units), West Park Inn (46 affordable units), San Diego Square (154 affordable units), and Mariner's Village (170 affordable units).

SDHC also is a lender and issuer of Multifamily Housing Revenue Bonds to support new affordable housing. The agency's hallmark has been its ability to foster affordable housing developments by forging partnerships with nonprofit and for-profit developers, and the City of San Diego.

In FY 2026, the following affordable housing developments, with SDHC as a financing partner, completed construction in the City of San Diego:

- Serenade on 43rd: 64 affordable rental housing units (and one manager's unit) for San Diegans with very- and low-income.
- Harrington Heights: 270 affordable rental housing units (and three managers' units) for very low-income, including previously unhoused, San Diegans.
- Modica: 93 affordable rental housing units (and one manager's unit) for very low- and low-income San Diegans. Twenty-four units are set aside for people with intellectual or developmental disability.
- Jacaranda on 9th: 87 affordable rental homes (and one manager's unit) for very-low and low-income San Diegans, including some that have experienced chronic homelessness.

PRELIMINARY DRAFT SUBJECT TO CHANGE

- The Iris at San Ysidro: 99 affordable rental homes (and one manager's unit) for very low- and low-income San Diegans, including 15 units for households experiencing homelessness.
- The Bel: 79 affordable rental homes (and one manager's unit) for very low- and low-income San Diegans.

Management's Discussion & Analysis

In addition to the above discussion, the Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. SDHC's MD&A can be found immediately following the report of the independent auditor in the financial section of this report.

The preparation of this report is made possible through the ongoing and dedicated service of the entire staff of SDHC's Financial Services Department. We also thank the Housing Authority of the City of San Diego, the SDHC Board of Commissioners and the management team for their ongoing leadership, guidance and oversight, which ensure SDHC maintains the highest standards of professionalism in the management of SDHC's finances.

Azucena Valladolid

Azucena Valladolid
Chief Operating Officer
San Diego Housing Commission

Christelle Van Der Windt

Christelle Van Der Windt
Vice President of Financial Operations
San Diego Housing Commission

PRELIMINARY DRAFT - SUBJECT TO CHANGE

PRELIMI



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Diego Housing Commission
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

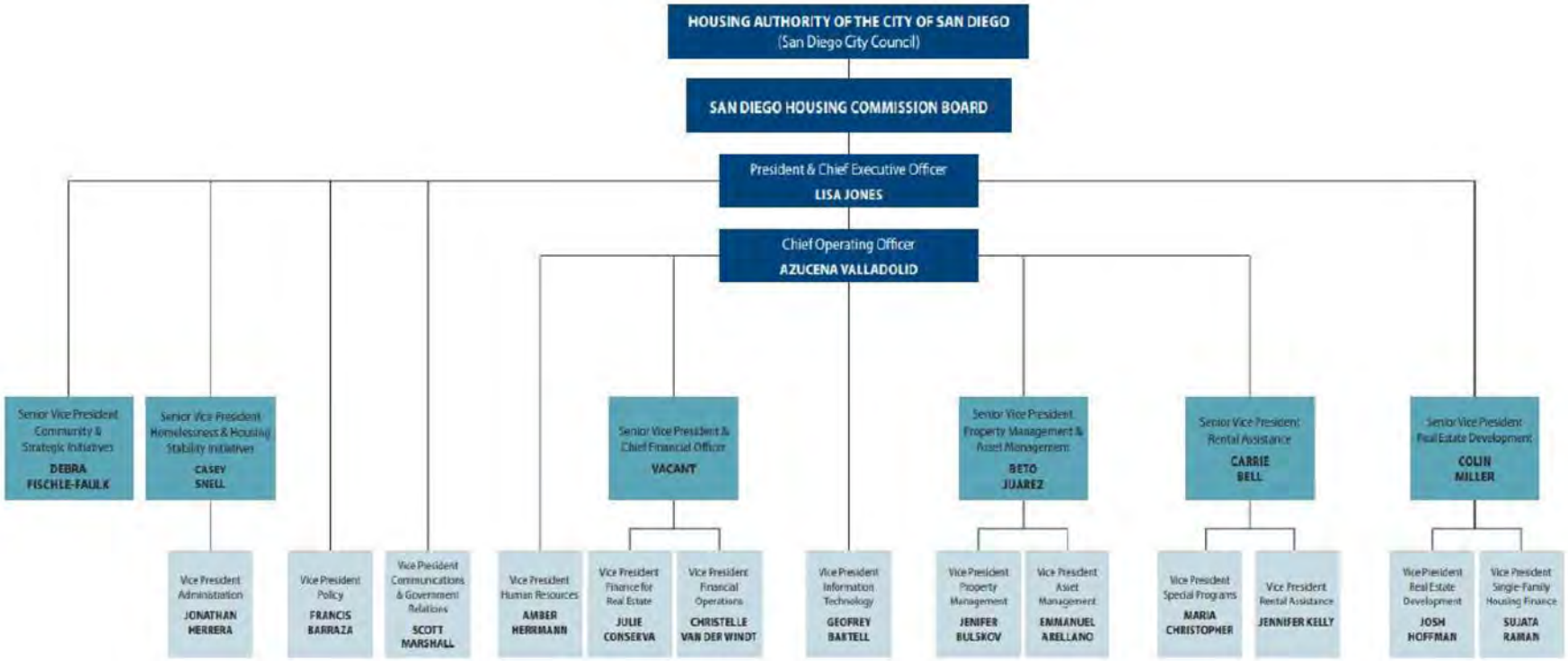
Christopher P. Morrill

Executive Director/CEO

CHANGE

SAN DIEGO HOUSING COMMISSION

SDHC Organizational Chart



As of September 10, 2026

PREVIEW TO CHANGE

SAN DIEGO HOUSING COMMISSION
ROSTER OF OFFICIALS

AS OF JUNE 30, 2026

SDHC was formed by the City of San Diego in accordance with the Housing Authority Law of the State of California. The City Council, acting in its capacity as the Housing Authority of the City of San Diego, has final authority over SDHC's budget and major policy decisions.

Housing Authority of the City of San Diego

City Council President	Joe LaCava, District 1
City Council President Pro Tem	Kent Lee, District 6
Councilmember	Jennifer Campbell, District 2
Councilmember	Stephen Whitburn, District 3
Councilmember	Henry Foster III, District 4
Councilmember	Marni von Wilpert, District 5
Councilmember	Raul Campillo, District 7
Councilmember	Vivian Moreno, District 8
Councilmember	Sean Elo-Rivera, District 9

Members of the SDHC Board of Commissioners are appointed by the Mayor and confirmed by the City Council. Two Commissioners must be residents of assisted housing, and one of the resident Commissioners must be age 62 or older.

SDHC Board of Commissioners

Chair	Eugene “Mitch” Mitchell
Vice Chair	Melinda Vasquez
Commissioner	Stephen P. Cushman
Commissioner	Kellee Hubbard
Commissioner	Antoine “Tony” Jackson
Commissioner	Kwofi Reed

PRELIMINARY DRAFT - SUBJECT TO CHANGE

SAN DIEGO HOUSING COMMISSION

Financial Section



We're About People

For the 17th consecutive year, the SDHC Financial Services Department was recognized by the Government Finance Officers Association (GFOA) of the United States and Canada with the "Certificate of Achievement for Excellence in Financial Reporting" for the fiscal year 2024 (July 1, 2023 – June 30, 2024) Annual Comprehensive Financial Report (ACFR). SDHC's FY 2025 ACFR is being considered for a potential award.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Independent Auditor's Report

To the Board of Commissioners
San Diego Housing Commission

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units and the fiduciary fund of the San Diego Housing Commission (SDHC), a component unit of the City of San Diego, California, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise SDHC's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditor, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units and the fiduciary fund of the San Diego Housing Commission, as of June 30, 2026, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the fiduciary fund financial statements included in the basic financial statements of SDHC. Those financial statements were audited by another auditor whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the fiduciary fund is based solely on the reports of the other auditor.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of the discretely presented component units and the fiduciary fund were not audited in accordance with *Government Auditing Standards*. We are required to be independent of SDHC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SDHC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SDHC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SDHC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

PRELIMINARY DRAFT SUBJECT TO CHANGE

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SDHC's basic financial statements. The Combining Schedules and the Financial Data Schedule required by the U.S. Department of Housing and Urban Development ("HUD") are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Schedules and the Financial Data Schedule required by HUD listed in the table of contents as supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Schedules and the Financial Data Schedule required by HUD listed in the table of contents as supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections included in the annual comprehensive financial report but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PRELIMINARY DRAFT SUBJECT TO CHANGE

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated (Report date), on our consideration of SDHC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 SDHC'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 SDHC's internal control over financial reporting and compliance.

Sacramento, California
(Report date)

PRELIMINARY DRAFT - SUBJECT TO CHANGE

San Diego Housing Commission

Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2026

The purpose of Management's Discussion and Analysis (MD&A) is to help SDHC's readers understand what the financial statements and notes in this financial report say about SDHC's financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the finance staff's knowledge of SDHC's finances.

If you have any questions about this report or require further information, contact the San Diego Housing Commission, Financial Services Department at 1122 Broadway, Suite 300, San Diego, California, 92101.

Overview of the Financial Statements

SDHC financial statements report information using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about SDHC activities. Basic Financial Statements include both Government-Wide and Fiduciary Fund Statements.

SDHC reports all its operations as "business-type" activities and its government-wide financials include:

The ***Statement of Net Position*** includes all of SDHC's assets and liabilities for the year ended June 30, 2026, and provides information about the nature and amounts of investments in resources (assets) and obligations to SDHC's creditors (liabilities). It also provides the basis for computing rates of return, evaluating the capital structure of SDHC, and assessing the liquidity and financial flexibility of SDHC.

The ***Statement of Revenues, Expenses and Changes in Net Position*** accounts for all of SDHC's revenues and expenses for the year ended June 30, 2026. The statement reflects the results of SDHC's operations over the year and can be used to determine SDHC's credit worthiness and its ability to successfully recover all its costs through grants, tenant charges and other income.

The ***Statement of Cash Flows*** provides information about SDHC's cash receipts and cash payments during the year ended June 30, 2026. This statement reports on cash receipts, cash payments, and net changes in cash resulting from operations, capital and noncapital related financing activities, and investment activities. The statement provides answers to questions about where the cash came from, what cash was used for and what caused changes in cash for the reporting periods covered.

SDHC's Fiduciary Fund is comprised of a pension trust fund and a deferred compensation plan, both defined contribution plans that are for the benefit of employees and retirees, as applicable and presents financial information about the pension trust and deferred compensation plan activities. SDHC acts solely as an agent for the benefit of its employees

and retirees and fiduciary activities do not support SDHC's government-wide activities. The basic financial statements of the Fiduciary Fund include:

The ***Statement of Fiduciary Net Position*** reports the fiduciary net position as of the fiscal year-end, where net position equals assets, plus deferred outflows of resources (if applicable) minus liabilities and minus deferred inflows of resources (if applicable).

The ***Statement of Changes in Fiduciary Net Position*** reports all additions and deductions from plan resources. Additions include contributions and investment earnings. Deductions include benefits payments and administrative costs.

The accompanying Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements presented.

In addition to the basic financial statements and accompanying notes, the final section in this report also presents certain supplementary information for SDHC, the Primary Government. This supplementary information section contains the Combining Schedule of Net Position, Combining Schedule of Revenues, Expenses and Changes in Net Position, and Combining Schedule of Cash Flows, along with the annual Financial Data Submission Summary (FDS) report electronically submitted to HUD.

Supplementary information is also presented for the fiduciary fund and consists of the combining schedule of fiduciary net position and the combining schedule of changes in fiduciary net position.

PRELIMINARY
SUBJECT TO CHANGE

Financial Summary and Detailed Analysis

TABLE 1
Net Position
(Dollars in Thousands)

	June 30, 2026	June 30, 2025	Change $	Change %
Assets				
Current assets	$ 145,867	$ 155,394	$ (9,527)	-6%
Noncurrent assets	732,046	690,163	41,883	6%
Capital assets net of depreciation	407,958	382,296	25,662	7%
Total assets	**$1,285,871**	**$ 1,227,853**	**$ 58,018**	**5%**
Liabilities				
Current liabilities	$ 38,577	$ 49,551	$ (10,974)	-22%
Notes payable and non-current liabilities	131,650	122,923	8,727	7%
Total liabilities	170,227	172,474	(2,247)	-1%
Deferred inflows of resources	85,273	87,016	(1,743)	-2%
Net Position				
Net investment in capital assets	270,559	259,055	11,504	4%
Restricted	267,070	248,262	18,808	8%
Unrestricted	492,742	461,046	31,696	7%
Total net position	1,030,371	968,363	62,008	6%
Total liabilities, deferred inflows and net position	**$1,285,871**	**$ 1,227,853**	**$ 58,018**	**5%**

Table 1 shows that as of June 30, 2026, SDHC's total net position – assets and deferred outflows minus liabilities and deferred inflows – was over $1 billion, an increase of $62 million or 6 percent compared with 2025. This increase is primarily due to a $31.7 million or 7 percent increase in unrestricted net position.

PRE
CHANGE

TABLE 2
Changes in Net Position
(Dollars in Thousands)

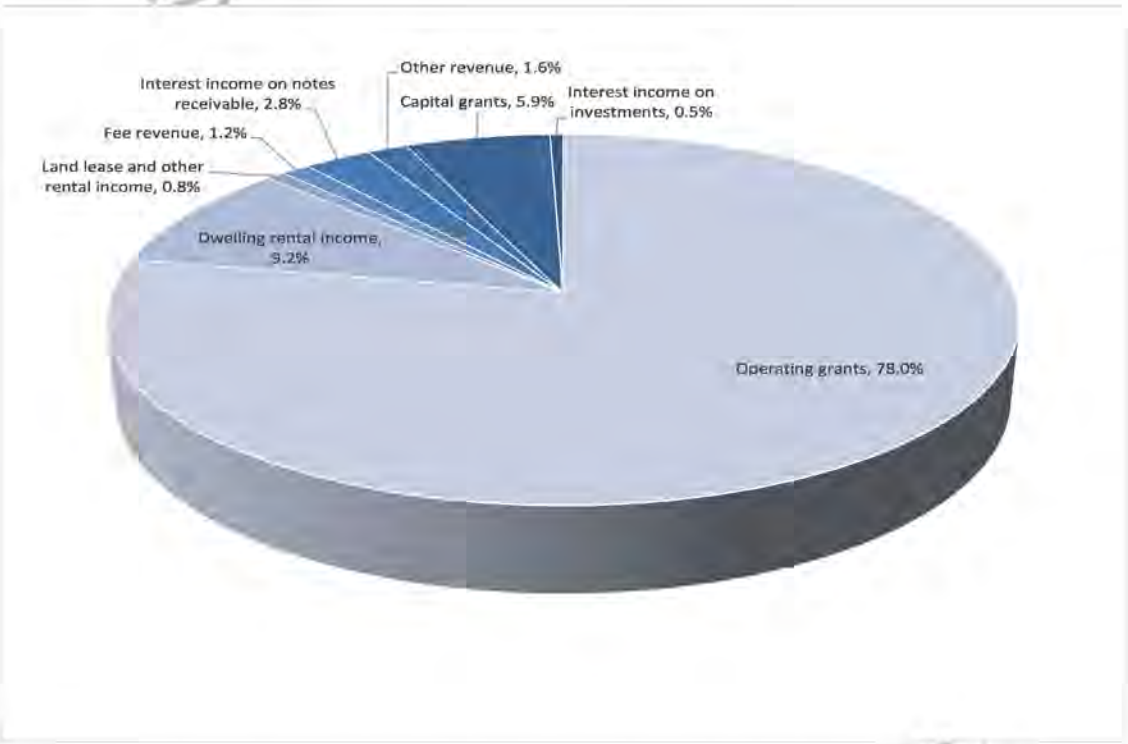
	June 30, 2026	June 30, 2025	Change $	Change %
Operating revenues				
Operating grants	$ 452,431	$ 418,173	$ 34,258	8%
Dwelling rental income	53,514	43,151	10,363	24%
Land lease and other rental income	4,595	4,337	258	6%
Fee revenue	6,704	5,965	739	12%
Interest income on notes receivable	16,084	16,570	(486)	0%
Other revenue	9,467	5,690	3,777	66%
Total operating revenues	542,795	493,886	48,909	10%
Operating expenses	512,880	492,581	20,299	4%
Operating income (loss)	29,915	1,305	28,610	2192%
Total other nonoperating revenues (expense)	32,093	63,501	(31,408)	-49%
Change in net position	62,008	64,806	(2,797)	-4%
Net position beginning of year	968,363	903,557	64,806	7%
Net position end of year	$1,030,371	$ 968,363	$ 62,008	6%

Table 2 shows that revenues continued to exceed expenses in the current fiscal year, resulting in an increase in net position (fiscal year 2025 data was restated to conform to the presentation requirements of GASB 103). Various events contributed to this increase in net position; however, the main primary factors affecting the change in net position are as follows:

- Increases in operating grants, particularly related to housing assistance payments
- Increases in dwelling rental income
- Increases in operating expenses

TABLE 3
Revenues by Sources

Revenue Source	Percentage
Operating grants	78.0%
Dwelling rental income	9.2%
Land lease and other rental income	0.8%
Fee revenue	1.2%
Interest income on notes receivable	2.8%
Other revenue	1.6%
Capital grants	5.9%
Interest income on investments	0.5%
Total	**100.0%**



Operating grants, which represent 78 percent of the total revenue, as shown in Table 3, increased 8 percent or $34.3 million. This growth was driven primarily by an increase in the Housing Choice Voucher (HCV) grants from the U.S. Department of Housing and Urban Development (HUD), which totaled $332.1 million, accounting for more than 73.4 percent of operating grants. The HCV program is HUD's major program for assisting very low-income families, the elderly, and people with disabilities to afford decent, safe, and sanitary housing in the private market.

Dwelling rental income, which represents 9.2 percent of the total revenue, increased 24 percent or $10.4 million. This increase was primarily due to additional rental income generated by two large developments, Presidio Palms and Pacific Village. Presidio Palms began leasing in May 2025, while Pacific Village began leasing in September 2025. The addition of these developments to the rental portfolio resulted in increased dwelling rental activity during the fiscal year and contributed significantly to the overall increase in dwelling rental income.

Capital grants, which represent 5.9 percent of the total revenue, decreased 44.6 percent or $27.7 million from fiscal year 2025 to fiscal year 2026. A major portion of this decrease was due to the $53.8 million funds received in 2025, from both state and federal sources, to support the acquisition and rehabilitation of the Presidio Palms and Pacific Village development projects. The decrease was offset by a $33.3 million funds incurred in 2026 for the acquisition of the Starling Place development project.

Operating expenses increased 4 percent or $20.3 million from the previous year. The increase was primarily due to a $33.8 million increase in housing assistance payments (HAP) resulting from higher average HAP cost per voucher and increased utilization for the HCV program. The increase was partially offset by an $11.8 million decrease in grant expenses, primarily due to the conclusion of the Emergency Temporary Lodging (ETL) Flood Program in fiscal year 2025 and the closure of the Sprung Shelter in September 2025.

Significant Capital Asset and Long-term Financing Activity

TABLE 4
Net Capital Assets
(Dollars in Thousands)

	June 30, 2026	June 30, 2025	Change $	Change %
Land	$ 132,497	$ 127,097	$ 5,400	4%
Construction-in-progress	3,027	16,635	(13,608)	-82%
Buildings and improvements	260,374	228,110	32,264	14%
Office furniture and equipment	8,289	6,927	1,362	20%
Subscription based IT agreements	3,771	3,527	244	7%
Total	$ 407,958	$ 382,296	$ 25,662	7%

Overall, the carrying value of SDHC's capital assets – original cost minus accumulated depreciation – increased 7 percent over 2025. However, that relatively small change does not completely capture the substantial amount of capital investment activity that occurred in 2026.

SDHC had $228.1 million in its beginning balance of buildings and improvements. SDHC purchased Starling Place in April 2026 to create affordable rental housing units with supportive services for households experiencing homelessness in the City of San Diego. Starling Place was originally built in 1975 and expanded in 2020 and consists of one three-story elevator-served structure with 90 units. The purchase of Starling Place increased the ending balance of buildings and improvements to $260.4 million.

SDHC had $16.6 million in its beginning balance of construction-in-progress. Of these amounts, SDHC put $14.4 million into operations during the fiscal year, and therefore, reclassified the amount to the other capital asset classification of building improvements. This

PRELIMINARY DRAFT SUBJECT TO CHANGE

resulted in an ending balance of construction-in-progress of $3 million. Many of the completed capital projects were part of the comprehensive rehabilitation of the Pacific Village project.

Additional information on SDHC's capital assets can be found in Note 7 to the Basic Financial Statements.

TABLE 5
Long-Term Financings
(Dollars in Thousands)

	June 30, 2026	June 30, 2025	Change $	Change %
Notes payable	$ 130,822	$ 122,046	$ 8,776	7%
Subscriptions payable	2,753	2,802	(49)	-2%
Total	$ 133,575	$ 124,848	$ 8,727	7%

At the end of current fiscal year, SDHC had a long-term financing liability of $133.6 million, composed of notes payable and subscription payable. Total notes payable outstanding increased 7 percent to $130.8 million in 2026. The significant aspect of that change was the issuance of a new loan from the County of San Diego to support the acquisition of the Starling Place development project, of which $6 million was drawn during the fiscal year. The loan is to be repaid from available cash flows from the property.

Further details related to debt obligations and payments can be found in Note 9 to the Basic Financial Statements. Additionally further details related to subscriptions payable can be found in Note 10.

Currently Known Facts, Decisions, or Conditions

SDHC is aware of two developments that will have an impact on SDHC's finances in the future and have therefore been incorporated into next fiscal year's budget:

- Recent economic reports
- Adoption of SDHC budget

Recent Economic Reports

The majority of SDHC's programs depend on federal financial assistance from HUD to continue operations. In fiscal year 2026, SDHC received 75% of its revenue from HUD and the U.S. Treasury, most of which was awarded to SDHC for Moving to Work (MTW) initiatives. SDHC's budget and financial condition are greatly affected by the financial condition of the federal government and Congress' annual appropriation to HUD.

HUD grants for housing programs and program administration funding may decrease due to the national economic and political climate. As good stewards of the taxpayer's money, it is SDHC's responsibility to strive to do more with less. Through a combination of expense

PRELIMINARY - SUBJECT TO CHANGE

reduction and the prudent utilization of available programmatic reserves, SDHC was able to maintain a balanced budget in fiscal year 2026 and will have a balanced budget in fiscal year 2027

Local employment is an indicator of the economy. According to a report issued on August 21, 2026, by the State of California Employment Development Department, the unemployment rate in San Diego County was 4.7 percent in July 2026, up from a revised 4.5 percent in June 2026, and below the year-ago estimate of 5 percent. This compares with an unadjusted unemployment rate of 5.3 percent for California and 4.4 percent for the nation during the same period. The report can be viewed here:

https://labormarketinfo.edd.ca.gov/file/lfmonth/sand$pds.pdf

The high cost of living and affordability of homes continues to be a challenge in San Diego and contributes to the homelessness crisis. The San Diego Point-in-Time Count, known as #We All Count was conducted on January 29, 2026. HUD requires that cities receiving federal funding to combat homelessness complete the Point-In-Time Count each year and it was coordinated by the Regional Task Force on Homelessness. The count typically identifies both sheltered and unsheltered individuals. This year's count of homeless persons identified 9,803 individuals in the San Diego Region. This number is down 1 percent from the count in 2025 of 9,905. Their 2026 report is located here:

https://www.rtfhsd.org/wp-content/uploads/2026/05/2026-PIT-City-of-San-Diego_Final.pdf

Adoption of SDHC Budget

Through the execution of SDHC's fiscal year 2027 budget of $694 million, SDHC plans to:

- Assist approximately 17,000 households with low income by providing rental assistance through the federal Section 8 HCV program
- Support career planning, job readiness, and financial education through the SDHC Achievement Academy
- Assist households to become first-time homebuyers
- Continue to develop affordable housing units, including units for San Diegans experiencing homelessness
- Renovate and rehabilitate SDHC-owned affordable rental housing units
- Continue to own and/or manage more than 4,100 affordable housing units in the City of San Diego, including SDHC's nonprofit affiliate, Housing Development Partners (HDP), and federal public housing units
- Continue SDHC's strategic homelessness initiatives by providing expanded and additional, multifaceted solutions to address homeless in the City of San Diego

PRELIMINARY DRAFT - SUBJECT TO CHANGE

- Directly operate programs through SDHC's strategic homelessness initiatives and administer and provide oversight for over 45 contracted programs that align with the City of San Diego's FY27 priorities regarding the provision of services to the persons experiencing homelessness in the City of San Diego.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

SAN DIEGO HOUSING COMMISSION

Basic Financial Statements



We're About People

SDHC is a leading partner in collaborative efforts to address homelessness, including the Community Action Plan on Homelessness for the City of San Diego. SDHC's activities include operating programs that provide services directly to San Diegans at risk of or experiencing homelessness; administering City of San Diego homelessness shelters and services programs; and participating in many different programs that help people at risk of or experiencing homelessness, depending on their needs.

San Diego Housing Commission
STATEMENT OF NET POSITION
June 30, 2026
(Dollars in Thousands)

PRELIMINARY DRAFT - SUBJECT TO CHANGE

	Primary Government	Component Units
Assets and Deferred Outflows		
Current assets		
Cash and cash equivalents	$ 55,236	$ 29,458
Restricted cash and cash equivalents	4,516	1,002
Short-term investments	37,010	-
Accounts receivable - tenants, net	423	23
Accounts receivable - funding sources	27,942	133
Accounts receivable - other, net	13,727	275
Lease receivable - current	1,423	-
Notes and mortgages receivable, current portion	1,320	-
Accrued interest receivable - investments	646	-
Prepaid items and other assets	3,624	560
Total current assets	145,867	31,451
Noncurrent assets		
Restricted cash and cash equivalents	81	12,123
Lease receivable - noncurrent	87,343	-
Long-term investments	45,202	-
Accrued interest receivable - notes and mortgages receivable	99,511	-
Notes and mortgages receivable, net of allowance for loan losses	499,909	-
Investment in partnerships	-	90
Other assets	-	3,115
Capital assets not being depreciated	135,524	4,514
Capital assets, net of accumulated depreciation and amortization	272,434	115,435
Total noncurrent assets	1,140,004	135,277
Total assets	$ 1,285,871	$ 166,728
Deferred outflows of resources	$ -	$ -
Total assets and deferred outflows	$ 1,285,871	$ 166,728

San Diego Housing Commission
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2026
(Dollars in Thousands)

PRELIMINARY DRAFT - SUBJECT TO CHANGE

	Primary Government	Component Units
Liabilities and Deferred Inflows		
Current liabilities		
Accounts payable	$ 17,246	$ 2,207
Accounts payable - funding sources	36	21
Accrued payroll and benefits	2,041	79
Accrued compensated absences	4,276	-
Accrued interest payable	353	204
Notes payable, current portion	3,570	1,468
Subscriptions payable, current portion	1,902	-
Deposits payable	3,006	901
Unearned revenue	4,735	49
Other current liabilities	1,412	-
Total current liabilities	38,577	4,929
Noncurrent liabilities		
Accrued interest payable - noncurrent	2,875	17,350
Notes payable noncurrent, net	127,252	148,077
Subscriptions payable, noncurrent	851	-
Other liabilities	672	10,664
Total noncurrent liabilities	131,650	176,091
Total liabilities	$ 170,227	$ 181,020
Deferred inflows of resources	$ 85,273	$ -
Total liabilities and deferred inflows	$ 255,500	$ 181,020
Net Position		
Net investment in capital assets	$ 270,559	$ -
Restricted		
HOME notes receivable reserve	227,816	-
CDBG notes receivable reserve	28,554	-
NSP notes receivable reserve	5,952	-
Replacement reserves	3,278	-
Housing assistance reserves	1,470	-
Non-controlling interest - tax credit partnerships	-	44,629
Total restricted	267,070	44,629
Unrestricted	492,742	(58,921)
Total net position	$ 1,030,371	$ (14,292)
Total liabilities, deferred inflows and net position	$ 1,285,871	$ 166,728

See notes to financial statements

San Diego Housing Commission
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2026
(Dollars in Thousands)

	Primary Government	Component Units
Operating revenues		
Operating grants	$ 452,431	$ 67
Dwelling rental income	53,514	23,794
Land lease and other rental income	4,595	157
Fee revenue	6,704	-
Interest income on notes receivable	16,084	6
Other revenue	9,467	627
Total operating revenues	542,795	24,651
Operating expenses		
Administrative expenses	61,912	5,450
Tenant services	2,684	312
Asset management	25,482	6,574
General expenses	4,380	1,841
Grant expense	45,502	-
Housing assistance	355,138	-
Depreciation and amortization	17,782	4,697
Total operating expenses	512,880	18,874
Operating income (loss)	29,915	5,777
Other nonoperating revenues (expenses)		
Capital grants	34,341	-
Interest income on investments	3,075	709
Interest expense and other expenses	(5,268)	(6,742)
Loss on sale of capital asset	(55)	-
Contributions, net of distributions	-	(7)
Total other nonoperating revenues (expenses)	32,093	(6,040)
Change in net position	62,008	(263)
Net position		
Beginning of year	968,363	(14,029)
End of year	$ 1,030,371	$ (14,292)

See notes to financial statements

San Diego Housing Commission
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2026
(Dollars in Thousands)

	Primary Government
Cash flows from operating activities	
Cash received from operating grants	$ 451,642
Cash received from tenants and other revenue	71,848
Cash payments to suppliers for goods and services	(442,554)
Cash payments to employees for services	(69,725)
Interest on notes receivable	3,316
Net cash provided by operating activities	14,527
Cash flows from capital and related financing activities	
Principal paid on notes payable	(3,137)
Proceeds from notes payable	11,845
Proceeds from capital grants	36,611
Acquisition and construction of capital assets	(44,638)
Interest payments	(4,547)
Net cash used by capital and related financing activities	(3,866)
Cash flows from investing activities	
Interest on investments	8,080
Collection of notes receivable	4,631
Cash loaned on notes receivable	(33,647)
Purchases of investments	(80,053)
Proceeds from sale of investments	87,390
Net cash used by investing activities	(13,599)
Net decrease in cash and cash equivalents	(2,938)
Cash and cash equivalents	
Beginning of year	62,771
End of year	$ 59,833
Financial statement presentation	
Cash and cash equivalents	$ 55,236
Restricted cash and cash equivalents	4,597
Total cash and cash equivalents	$ 59,833

San Diego Housing Commission
STATEMENT OF CASH FLOWS - CONTINUED
For the Year Ended June 30, 2026
(Dollars in Thousands)

	Primary Government
Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ 29,915
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	17,782
Amortization of debt issuance costs	68
Allowance for accounts receivable	(1,545)
Provision for loan losses	(871)
Allowance for forgivable loans	(394)
Changes in operating assets and liabilities:	
Decrease (increase) in tenant receivables	3,042
Decrease (increase) in other receivables	(8,212)
Decrease (increase) in interest receivables	(12,767)
Decrease (increase) in prepaid items and other assets	(139)
Increase (decrease) in accounts payable	(10,696)
Increase (decrease) in accrued payroll and benefits	(2,208)
Increase (decrease) in deposits payable	1,115
Increase (decrease) in unearned revenues	(714)
Increase (decrease) in other liabilities	151
Net cash provided by operating activities	$ 14,527
Supplemental Disclosure of Cash Flow Information:	
Significant noncash capital and related financing activities :	
Increase in accounts payable for capital assets	$ 1,692
Increase in right to use software arrangements	2,043
Total noncash capital and related financing activities	$ 3,735

See notes to financial statements

San Diego Housing Commission
FIDUCIARY FUND
PENSION AND OTHER EMPLOYEE BENEFIT TRUSTS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2026
(Dollars in Thousands)

Assets		
Cash and investments:		
Mutual funds	$	73,032
Common collective trust funds		13,940
Participant-directed brokerage accounts		3,965
Pooled separate accounts, at fair value		37,399
Guaranteed interest accounts, at contract value		5,384
Guaranteed interest accounts, at fair value		309
Cash		23
Total cash and investments		134,052
Receivables:		
Notes receivable from participants		1,147
Total receivables		1,147
Total assets	$	135,199
Liabilities	$	-
Fiduciary net position	$	135,199
Restricted for		
Pension	$	89,654
Other employee benefit other than pension		45,545
	$	135,199

PRE-
TO CHANGE

See notes to financial statements

San Diego Housing Commission
FIDUCIARY FUND
PENSION AND OTHER EMPLOYEE BENEFIT TRUSTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2026
(Dollars in Thousands)

PREL

Additions to net position		
Investment income:		
Net appreciation in fair value of investments	$	17,555
Interest and dividends		2,868
Total investment income		20,423
Interest on notes receivable from participants		84
Contributions:		
Employer contributions		6,561
Participant contributions		2,830
Rollover contributions		139
Total contributions		9,530
Total additions		30,037
Deductions from net position		
Benefits paid directly to participants or beneficiaries, including direct rollovers		19,543
Administrative fees and expenses		238
		19,781
Change in net position		10,256
Fiduciary net position		
Beginning of year		124,943
End of year	$	135,199

CHANGE

See notes to financial statements

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS

June 30, 2026

PRELIMINARY DRAFT SUBJECT TO CHANGE

Note 1 - The Financial Reporting Entity

The financial reporting for the San Diego Housing Commission includes its Government-Wide and Fiduciary Fund financial statements.

Government-Wide Financial Statements

Under the government-wide financial statements, the primary government and its component units are presented, wherein the San Diego Housing Commission and its blended component units are combined and reported together under the primary government column and certain legally separate discrete component units of the primary government are reported under the component units column. Intercompany transactions are eliminated, accordingly.

Primary Government

The San Diego Housing Commission (SDHC and Agency), a governmental agency, was formed by the City of San Diego (City) in accordance with the Housing Authority Law of the State of California, through the adoption of Ordinance No. 2515 on December 5, 1978. SDHC is governed by the Housing Authority of the City of San Diego (Housing Authority), which is composed of the nine members of the San Diego City Council. The Housing Authority has final authority over SDHC's budget and major policy changes. SDHC is considered an integral part (component unit) of the City and the accounts of SDHC have been included within the scope of the basic financial statements of the City.

SDHC's priority is to serve low and moderate income persons by providing rental assistance payments, rental housing, loans and grants to families, individuals and not-for-profit organizations to create and preserve affordable housing. SDHC is also committed to special programs aimed at breaking the cycle of poverty by providing opportunities for individuals to become more financially self-reliant through various programs such as Choice Communities to move closer to work, Achievement Academy to emphasize job skills, personal financial education and career planning and Veterans supportive housing to assist veterans in rebuilding their lives.

Component Units

The governmental reporting entity for which these financial statements have been prepared consists of SDHC (the primary government) and its component units. Component units are legally separate organizations for which the primary government is financially accountable, or other organizations whose nature and significant relationships with SDHC are such that exclusion would cause SDHC's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either SDHC's ability to impose its will on the organization or (ii) there is

PRELIMINARY DRAFT SUBJECT TO CHANGE

potential for the organization to provide a financial benefit to or impose a financial burden on SDHC. The basic financial statements include both blended and discretely presented component units. Although the component units follow accounting principles of the Financial Accounting Standards Boards (FASB), certain transactions may be reflected differently in these statements than in the separately issued information in order to conform to the presentation of the primary government.

Blended Component Units

SDHC's blended component units reflect LLCs and a 501(c)(3) California Nonprofit Public Benefit Corporation.

SDHC has five active LLC blended component units: Belden SDHC FNMA LLC, Northern SDHC FNMA LLC, Northern SDHC FHA LLC, Southern SDHC FHA LLC, Central SDHC FHA LLC and Mercado SDHC LLC (together collectively referred to as the LLCs). With the exception of Mercado SDHC LLC the active LLC's hold the title to 50 properties formerly held by SDHC. Central SDHC FNMA, LLC became inactive in FY24 transferring back 27 properties from the LLC to SDHC. In FY 26 the LLC was dissolved. SDHC includes its blended component units within its business-type activities in the financial statements. See Note 18 for additional information about the blended component units.

While these blended component units are legally separate entities, they are, in substance, part of SDHC's operations as the LLCs and SDHC share the same management team, which has operational responsibility over the LLCs. The LLCs and SDHC have the same Board of Commissioners and SDHC is financially responsible for the LLCs. Because of the LLCs' direct financial benefit/burden relationship with SDHC and in accordance with Governmental Accounting Standards Board (GASB) Statement 61, the LLCs are component units whose financial information are blended (combined) within the financial information of the primary government.

SDHC has one 501(c)(3) California Nonprofit Public Benefit Corporation blended unit, SDHC Building Opportunities, Inc. (Building Opportunities).

The specific purpose of Building Opportunities is to improve the quality of life of low- and moderate- income residents of the City of San Diego and County of San Diego. Building Opportunities has received Internal Revenue Code Section 501(c)(3) status from the Internal Revenue Service, which has classified it as a public charity. Building Opportunities has no members and any action would only require approval of its Board of Directors (Board). Its Board is comprised of persons appointed by the President and Chief Executive Officer of SDHC. The appointed Board members are employees of SDHC, as are its officers. Building Opportunities did not have significant activities during the year ended June 30, 2026 and pursuant to GASB Statement 80, it has been included in the financial

statements as a blended component unit of SDHC. See Note 18 for further information on Building Opportunities.

Discretely Presented Component Units

SDHC's discretely presented component units reflect the financial reporting entity of consolidated Housing Development Partners, which includes the following legal entities: Housing Development Partners of San Diego (HDP), HDP Mason Housing Corporation (HDP Mason), Casa Colina, LP (Casa Colina), Logan Development II, LP (Logan), HDP Broadway, LP (Broadway), HDP Churchill, LP, HDP Parkier Kier, LLC, HDP New Palace, LP (New Palace), Logan Development Management, LLC, HDP Broadway Management, LLC, HDP Churchill, LLC, HDP Island Village, LLC, HDP New Palace Management, LLC, HDP Village North, LLC (Village North), HDP West Park, LP, HDP West Park Management, LLC, HDP Quality Inn, LLC, HDP Town & Country, LP (Town & Country), HDP Town & Country, LLC, HDP Mariner's Village, LP, HDP Mariner's Village Management, LLC, HDP Casa Colina Management, LLC and HDP ADU, LLC, collectively referred to as the "Corporation".

The Corporation is comprised of nonprofit organizations, limited partnerships and limited liability companies, each of which is a separate legal entity from SDHC. The Corporation also shares staff and Board of Directors with SDHC and the Corporation's by-laws state that two of the Corporation's board members are also SDHC board members and a third Corporation board member is the Chief Executive Officer of SDHC. Due to the shared governance between the Corporation and SDHC, SDHC can exercise considerable influence over the Corporation.

While the Corporation has substantially the same governing body as SDHC, the Corporation is managed differently than SDHC and operationally the Corporation has its own procurement practices, its own legal counsel and its own separate accounting system in place. In addition, SDHC is not legally entitled to the Corporation's resources, nor is SDHC legally obligated to financially support the Corporation. As there is no financial benefit or burden relationship between the Corporation and SDHC, nor is SDHC expected to repay any of the Corporation's outstanding debts or leases, in accordance with GASB Statement 61, the Corporation is discretely presented, wherein these entities are reported as a separate column in the basic financial statements. In addition, the Corporation has been audited by CohnReznick LLP and reports on a calendar year basis. See Note 19 for additional information about the discretely presented component units. The financial statements for the Corporation can be obtained upon request at https://hdpartners.org.

PRELIMINARY DRAFT FOR INSPECTION PURPOSES ONLY

Fiduciary Fund Financial Statements

SDHC's Fiduciary Fund is comprised of a pension trust fund and a deferred compensation plan, both defined contribution plans, that are for the benefit of employees and retirees, as applicable. The pension plan and deferred compensation plan are each independently audited by an outside firm, and a copy of the audit reports can be obtained by contacting the San Diego Housing Commission at 1122 Broadway, Suite 300, San Diego, CA 92101.

Note 2 - Summary of Significant Accounting Policies (Dollars in Thousands)

Government-Wide and Fiduciary Funds Financial Statements

The government-wide financial statements report information of the primary government and its component units. The primary government is reported separately from certain legally separate discrete component units for which the primary government is not financially accountable. For financial reporting purposes, SDHC reports all of its operations as a single business activity in a single enterprise fund.

Pursuant to the adoption of GASB No. 84, "Fiduciary Activities", SDHC is required to present Fiduciary Funds financial statements. These fiduciary activities do not support SDHC's business activities.

Basic Financial Statements

The government-wide basic financial statements (i.e. the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows) report information on all of the business-type activities of SDHC, its wholly owned LLCs and 501c(3) public charity, as well as its discretely presented component units. These basic financial statements are presented in accordance with the GASB standards, with the exception of the LLC's and the discretely presented component units which follow FASB standards and present their unamortized debt issuance costs, in accordance with Accounting Standards Update (ASU) No. 2015 - 03, Interest-Imputation of Interest (Subtopic 835 - 30): Simplifying the Presentation of Debt Issuance Costs, wherein the unamortized debt issuance costs are presented as a direct deduction from the carrying amount of the related debt liability. See Note 9 for additional information on Notes Payable.

The Fiduciary Funds basic financial statements (i.e. the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position) report information about the pension plan and deferred compensation plan activities for which SDHC acts solely for the benefit of its employees and retirees.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

PRELIMINARY DRAFT SUBJECT TO CHANGE

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The Fiduciary Funds basic financial statements are prepared using the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources and liabilities and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

SDHC distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses are revenues and expenses other than nonoperating revenues and expenses.

SDHC records all revenues and expenses related to its rental housing activities and loan programs (including rental income, operating grants and interest income on the affordable housing notes receivable) as operating revenues and expenses because they are generated from SDHC's principal ongoing operations and are necessary to carry out its statutory purpose.

Transfers-in and transfers-out among the programs are classified as noncapital subsidies and are presented separately from operating income (loss) and other nonoperating revenues and expenses. Such transfers-in and transfers-out have been eliminated in the statement of revenues, expenses and changes in net position.

Other nonoperating revenues and expenses are subsidies received and provided (including capital grants), revenues and expenses related to financing, capital contributions, resources from the disposal of capital assets and investment income and expenses.

Fair Value

Authoritative guidance establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values, requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets.

Level 2: Unadjusted quoted market prices for similar assets or liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in

markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Significant unobservable inputs for the asset or liability.

New Accounting Pronouncements

During the fiscal year ending June 30, 2026, SDHC has adopted the following new accounting standards issued by the GASB:

Statement No. 103 "Financial Reporting Model Improvements". Statement No. 103 establishes standards to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The adoption of this Statement resulted in changes to the presentation and disclosures of certain financial statement information and did not have a significant effect on the financial statements of SHDC.

Statement No. 104, "Disclosure of Certain Capital Assets". Statement No. 104 requires certain types of capital assets to be disclosed separately by major class of underlying asset in the capital assets note disclosures. The adoption of this Statement did not have a significant effect on the financial statements of SHDC.

SDHC is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statement:

Statement No. 105, "Subsequent Events". Statement No. 105 establishes standards to improve the financial reporting requirements for subsequent events. The requirements of this Statement are effective for Agency's year ending June 30, 2027.

Cash and Cash Equivalents

SDHC's cash and cash equivalents are considered to be cash on hand, demand deposits, reserves for replacements, certificates of deposits and securities with original maturities of three months or less from the date of acquisition that are not specifically restricted as to use.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents represent deposits to lender required reserves for replacements, HUD's family self-sufficiency program, insurance reserve and security deposit accounts.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Transaction Flow Assumption

For expenses that are eligible for payment from either restricted or unrestricted resources, SDHC uses a combination of resources depending on certain criteria at the time of each disbursement. The criteria include amount of disbursement, expiry of available resources and the liquidity of each source.

Investments

Government-wide investments are stated at fair value, except for some certificates of deposit and pooled investments. These investments are instead stated at amortized cost and net asset value, respectively.

Interfund Transactions

Interprogram due from/to have been eliminated as prescribed by GASB standards in regard to interfund activities, payables and receivables.

Notes and Interest Receivable

Funds loaned by SDHC are recorded as notes receivable. Interest on notes receivable is accrued at least annually. A contra-asset account, allowance for loan and interest losses, represents the current estimates of the amount of loans and interest that will become uncollectible.

Capital Assets

Capital assets are stated at cost or estimated historical cost. Contributed capital assets are recorded at acquisition value at the time received. Donated capital assets, donated works of art and similar items are reported at acquisition value rather than fair value. Capital assets received in a service concession agreement (if applicable) are also reported at acquisition value. The capitalization threshold for all capital assets is five thousand dollars.

Depreciation is charged to operations using the straight-line method based on the estimated useful life of the related asset. The estimated useful life of the assets is as follows:

	Years
Buildings	40
Building improvements	15
Office equipment	5
Dwelling equipment	5
Vehicles	5
Computers/software	3

Property acquired with HUD funds is considered to be owned by SDHC while used in the program for which it was purchased. However, HUD may have a reversionary interest in the property and ownership of any proceeds from disposition thereof.

The costs of normal maintenance and repair that do not materially extend asset lives, enhance its efficiency or increase or amend asset usefulness are not capitalized.

Impairment of Capital Assets

SDHC reviews its capital assets for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. As of June 30, 2026, there has been no impairment of the capital assets.

Accrued Compensated Absences

It is SDHC's policy to permit employees hired prior to July 1, 1994, to accumulate up to 700 hours of annual leave. Employees hired after July 1, 1994, are permitted to accumulate a maximum of 420 hours. All employees whose service is terminated shall be entitled to receive the equivalent amount of pay for the balance in their annual leave account at the time of termination.

In accordance with GASB standards, vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees, if the leave is attributable to past service and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means such as cash payments at termination or retirement. The liability for compensated absences reported on the statement of net position consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than

PRELIMINARY - SUBJECT TO CHANGE

not to be used for time off or otherwise paid in cash. The liability for compensated absences was approximately $4,276 at June 30, 2026.

In providing direction for conversion to the GAAP basis of accounting, HUD's Accounting Brief No. 6 discusses the conflicting direction given in HUD grant handbooks, which are not considered GAAP, and the cost principles of GAAP. In its final analysis, HUD opines that "Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under federal awards, including but not necessarily limited to wages, salaries, and fringe benefits." Since federal awards extend for a limited time period, and accrued benefits may not be paid out during the term of the award, the above analysis can be reasonably interpreted to mean that costs may be drawn down at the close of the award period to fund unpaid compensated absences.

As a matter of convenience, to allow SDHC to close inactive funds and to lessen the administrative burden, SDHC tracks all compensated absence liabilities in the business activities fund.

Notes Payable and Interest Payable

Notes payable consists of notes from banks, the City, State, County, and Federal agencies. Interest on these notes is accrued at year-end.

Unearned Revenue

Unearned revenue includes rents received in advance from tenants, unearned interest income, and grant funds received from other governmental agencies, which are conditioned upon incurring certain qualifying costs or meeting other conditions. The rents from tenants will be recognized as revenue when earned and the grant funds will be recognized as revenue when qualifying costs are incurred.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. SDHC does not have any items that currently meet this criterion as of June 30, 2026.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. SDHC has one item that qualifies for reporting in this category: Deferred Inflows – Leases.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

PRELIMINARY DRAFT SUBJECT TO CHANGE

Net Position

In the Statement of Net Position, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Compensation Plan

SDHC offers a deferred compensation plan which is a defined contribution plan as permitted under the Internal Revenue Code Section 457 Deferred Compensation Plan. The deferred compensation plan is available to all permanent and temporary non-benefited employees who have completed one hour of service and it permits qualified employees to defer a portion of their salary until separation, retirement, death or unforeseeable emergency. All assets and income of the deferred compensation plan are held in trust by a third party for the exclusive benefit of the participants and their beneficiaries, and are not available to SDHC or its creditors. In accordance with the deferred compensation plan provisions, SDHC has the ability to select and terminate the third party trustee. In addition, while SDHC has not expressed any intent to do so, SDHC has the right under the deferred compensation plan to discontinue its contributions at any time, and to terminate the deferred compensation plan.

Employee and Employer contributions are recognized in the period that contributions are due. Investments held in pooled separate accounts, and participant directed brokerage accounts and certain guaranteed interest accounts, are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments held in fully benefit-responsive guaranteed interest accounts are reported at contract value.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Pension Plan

SDHC offers a pension plan which is a defined contribution plan effective July 1, 1979 and restated on July 1, 2006. The pension plan is intended to be a "governmental plan" as defined in Sections 411(e)(1)(a) and 414(d) of the Internal Revenue Code and Section 3(32) of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The pension plan covers all employees of SDHC classified as permanent full-time and permanent part-time hired to work a minimum of 20 hours per week. Eligible employees become participants in the pension plan on their date of hire. The pension plan is an alternative retirement plan to Social Security, and participants do not contribute to Social Security under the Omnibus Budget Reconciliation Act of 1991. In accordance with the pension plan provisions, SDHC has the ability to select and terminate the third party trustee. In addition, while SDHC has not expressed any intent to do so, SDHC has the right under the pension plan to discontinue its contributions at any time, and to terminate the pension plan.

Employee and Employer contributions are recognized in the period that contributions are due. Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the pension plan's gains and losses on investments bought and sold as well as held during each year.

PRELIMINARY SUBJECT TO CHANGE

Note 3 - Cash, Cash Equivalents and Investments (Dollars in Thousands)

GOVERNMENT-WIDE FUND

Cash, cash equivalents and investments at June 30, 2026 consist of the following:

Deposits and petty cash	$	55,236
Local Agency Investment Fund		9,606
San Diego County Investment Pool		8,929
Agency Bonds		31,747
US Treasuries		30,061
Money Market Exchange - Traded Funds		1,869
Total investments		82,212
Restricted cash and cash equivalents		4,597
Total	$	142,045

Cash, Cash Equivalents and Investments are not indicative of funds available for discretionary use as they have been earmarked for loans and grants that SDHC has already committed to fund through Board approval or have federal/state/local programmatic requirements that are designated for HAP payments, property maintenance, etc., or operating reserves as required by the City of San Diego for future contingencies. (See Note 14 Net Position for further information).

Deposits

The fair value of SDHC's cash deposits and petty cash are $59,833 at June 30, 2026. Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250 and for amounts over $250 collateralized with securities held by the pledging financial institutions in SDHC's name in accordance with California Government Code as discussed below. $59,829 is collateralized as of June 30, 2026, and the remaining $4 is uncollateralized cash deposits and cash equivalents.

The California Government Code requires California financial institutions to secure cash deposits of public institutions not covered by federal deposit insurance by pledging government securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. As a result, for the purpose of custodial credit risk the collateral for cash deposits is considered to be held in SDHC's name.

PRELIMINARY DRAFT SUBJECT TO CHANGE

The fair market value of pledged securities must equal at least 110% of SDHC's cash deposits. California law also allows financial institutions to secure Commission deposits by pledging first trust deed mortgage notes having a value of 150% of SDHC's total cash deposits.

Investment Policy

In accordance with California state statute and HUD regulations, SDHC has authorized the Chief Financial Officer or designee to invest in obligations of the U.S. Treasury, U.S. Government agencies or other investments as outlined in SDHC's Investment Policy.

SDHC utilizes the services of an experienced financial advisor to aid in making investment decisions. The advisor provides guidance on creating a diversified portfolio and a secure investment mix. The advisor's ongoing role is to provide staff with sound investment opportunities that will maximize liquidity and yield without sacrificing principal value and safety of the investment securities.

Investments in the State's Local Agency Investment Fund (LAIF) and the San Diego County Investment Pool (SDCIP) represent SDHC's equity in pooled investments. Other investments such as CDs, bonds, government agency securities and demand deposit accounts are safe kept with commercial banking institutions.

Local Agency Investment Fund Investments

SDHC participates in the State's LAIF, which is regulated by California Government Code. LAIF is part of the State of California Pooled Money Investment Account (PMIA) and is protected by statute ensuring invested funds remain Commission assets. The LAIF investments are backed with the full faith and credit of the State of California as the State of California cannot declare bankruptcy under Federal law and monies placed for deposit in LAIF are not subject to a) transfer or loan pursuant to Sections 16310, 16312, or 16313, or (b) impoundment or seizure by any state official or state agency. The fair value of the investment portfolio of PMIA at June 30, 2026, was approximately $194,482,118. PMIA is not registered with the Securities and Exchange Commission (SEC) but is required to invest in accordance with California State Code. The average maturity of PMIA investments was 269 days as of June 30, 2026.

As of June 30, 2026, SDHC had $9,606 invested in LAIF. At that date, LAIF fair value factor of 0.998872382 was used to calculate the fair value of the investments in LAIF. More information on LAIF investment pool can be found at http://www.treasurer.ca.gov/pmia - laif/laif.asp

PRELIMINARY DRAFT SUBJECT TO CHANGE

San Diego County Investment Pool Investments

SDHC voluntarily participates in the SDCIP. SDCIP is a Standard & Poor's AAA - rated fund managed by the San Diego County Treasurer - Tax Collector. The fair value of the investment portfolio of SDCIP on June 30, 2026 was $16,631,996. and had a weighted average yield to maturity of 3.93%, a weighted average days to maturity of 464 days and an effective duration of 1.04 years. In addition to voluntary participants such as SDHC, the pool is largely made up of mandatory participants such as the County of San Diego (30.29%), public schools (51.72%), community colleges (12.54%) and non-County funds (0.70%). Voluntary depositors make up only 4.76% of the invested funds as of June 30, 2026.

California Government Code Section 63652 et. seq. and SDCIP's Investment Policy prescribe the amount of collateral required to secure the deposit of public funds in state or national banks, state or federal savings and loan associations, federal credit unions, or FDIC-insured industrial loan companies in California. The aforementioned Government Code and Investment Policy require that depositories collateralize public funds with securities having a market value of a least 10% in excess of the total amount of the deposits. These securities shall be placed in the institutions pooled collateral account and monitored by the State Treasurer of California or a mutually agreed upon third party custodian bank.

As of June 30, 2026, SDHC had $8,929 invested in SDCIP. More information on SDCIP can be found at: https://www.sdttc.com/content/ttc/en/treasury/financial-reports.html

Agency Bonds

SDHC's investments under U.S. Government Agency bonds are mortgage-backed securities (MBS) bonds and debentures and U.S. Treasuries traded on an active secondary market. MBS bonds are a security or debt obligation that represents a claim on the monthly cash flows from mortgage loans. They represent investments in securities that are backed by pools of high quality multi-family mortgages guaranteed by a government agency or Government Sponsored Enterprises (GSE). Government Agency Debentures are also bonds traded on an active secondary market and represent a security or debt obligation of the issuer. U.S. Treasuries are long-term, government-backed debt securities that pay fixed interest until maturity. While Standard & Poor's and Moody's does not specifically rate MBS, they carry an implied rating based on the credit worthiness of FNMA (Federal National Mortgage Association), FHLMC (Federal Home Loans Money Corporation) and FRESB (Freddie Mac Small Balance Loans). Moody rate FNMA, FHLMC and FRESB as Aa1 while Standard & Poor's rate FNMA, FHLMC and FRESB as AA+. At June 30, 2026, SDHC had $31,747 invested in Agency MBS bonds, $30,061 invested in U.S. Treasuries and $1,869 invested in Money Market Exchange-Traded Funds.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Fair Value Classification

Management has determined that investments in LAIF and SDCIP are reported at net asset value and are not included in the fair value hierarchy categories. In addition, certificates of deposit reported at amortized costs are not included under fair value hierarchy categories.

SDHC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the fair value hierarchy under the guidance are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets.
- Level 2 inputs are inputs—other than quoted prices included within Level 1 - that are observable for the asset, either directly or indirectly.
- Level 3 inputs are unobservable inputs. The Authority doesn't hold any level 3 investments.

Management has determined that MBS, Government Agency Bond, and ABS investments are classified as Level 2 as there are no quoted market prices published. MBS, Government Agency Bond, and ABS investments are fair valued on a recurring basis. The valuation technique used to determine the fair value on the actively traded secondary market is the pricing provided on the secondary market.

The following table summarized the valuation of SDHC's fair value measurements in accordance with authoritative guidance at June 30, 2026:

	Level 1	Level 2	Level 3	Total
Agency Bonds	$ -	$ 31,747	$ -	$ 31,747
US Treasuries	30,061	-	-	30,061
Money Market ETF	1,869	-	-	1,869
Total	$ 31,930	$ 31,747	$ -	$ 63,677

FIDUCIARY FUND

SDHC's Fiduciary Fund is comprised of a pension plan and a deferred compensation plan, both defined contribution plans that are for the benefit of employees and retirees, as applicable.

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2026

Cash, cash equivalents and investments at June 30, 2026 consist of the following:

Assets		
Cash and investments:		
Mutual funds	$	73,032
Common collective trust funds		13,940
Participant-directed brokerage accounts		3,965
Pooled separate accounts, at fair value		37,399
Guaranteed interest accounts, at contract value		5,384
Guaranteed interest accounts, at fair value		309
Cash		23
Total cash and investments	$	134,052

Fair Value Classification

Under the pension plan, investments are reported at fair value and the following financial instruments are required to be measured at fair value on a recurring basis:

- Investments in mutual funds are considered Level 1 assets and are reported at fair value based on quoted net asset values of the shares held by the pension plan at year-end.

- The investment in common collective trust funds are reported at fair value using Net Asset Value (NAV). The collective trust fund offered by the pension plan, which is the Diversified Investment Advisors Stable Pooled Fund (the "Stable Pooled Fund"), invests in fully benefit-responsive investments through its indirect investment in the Wells Fargo Stable Return Fund G, a collective trust fund sponsored by Wells Fargo Bank, N.A. that invests in stable value investment vehicles such as guaranteed investment contracts, bank investment contracts and synthetic guaranteed investment contracts issued by highly-rated financial institutions and corporations, as well as obligations of the U.S. Government or its agencies. Participant assets may be deposited to or withdrawn from the Stable Pooled Fund at the stated unit value as of the close of business on any business day, and there are no unfunded commitments. The Stable Pooled Fund calculates fair value using net asset value per share, and the relevant measurement attribute is contract value because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. As such, the fair value of the Stable Pooled Fund is equal to the contract value of the Stable Pooled Fund as of June 30, 2026.

PRELIMINARY - SUBJECT TO CHANGE

PRELIMINARY DRAFT, SUBJECT TO CHANGE

- Investments held in the participant directed brokerage accounts consist of equities and fixed income securities, mutual funds, index and trust funds, certificates of deposit and cash and cash equivalents, which are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets and liabilities at the measurement date.

Under the deferred compensation plan, investments held in pooled separate accounts and participant directed interest accounts are reported at fair value. Investments held in fully benefit-responsive Guaranteed Interest Accounts are reported at contract value. The following financial instruments are required to be measured at fair value on a recurring basis:

- Pooled separate accounts ("PSA") represent units held in pooled separate accounts that are valued using the Net Asset Value ("NAV") of the fund. The NAV of a PSA is based on the fair value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of units outstanding. The NAV of a PSA is calculated based on a compilation of primarily observable market information. The number of units of the fund that are outstanding on the calculation date is derived from observable purchase and redemption activity in the fund.

- Investments held in the Participant Directed Brokerage Accounts consist of equities, mutual funds, index and trust funds, and cash and cash equivalents, which are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets and liabilities at the measurement date.

- The Empower Guaranteed Certificate Fund, Guaranteed Interest Account is considered a Level 2 asset and is reported at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2026

PRELIM

The following tables summarize assets in the pension trust and deferred compensation plan measured at fair value by classification within the fair value hierarchy at June 30, 2026:

Deferred Compensation Plan	**Level 1**	**Level 2**	**Level 3**	**Total**
Participant directed brokerage accounts:				
Money market funds	$ 423	$ -	$ -	$ 423
Equities	389	-	-	389
Other assets	494	-	-	494
Guaranteed interest accounts	-	308	-	308
Total assets in the fair value hierarchy	1,306	308	-	1,614
Investments measured at net asset value	-	-	-	37,399
Investments at fair value	$ 1,306	$ 308	$ -	$ 39,013

Pension Trust	**Level 1**	**Level 2**	**Level 3**	**Total**
Mutual funds	$ 73,032	$ -	$ -	$ 73,032
Participant directed brokerage accounts	2,659	-	-	2,659
Total assets in the fair value hierarchy	75,691	-	-	75,691
Investments measured at net asset value	-	-	-	13,941
Investments at fair value	$ 75,691	$ -	$ -	$ 89,632

CHANGE

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Note 4 - Investment Risk Factors (Dollars in Thousands)

GOVERNMENT-WIDE FUND

SDHC's investment policy allows the agency to invest surplus funds in accordance with the provisions of the U.S. Department of Housing and Urban Development (HUD) Notice PIH 96 - 33 and California Government Code Sections 5922 and 53601. The investment policy's foremost objective is the safety of principal, which is achieved by mitigating credit risk and interest rate risk. These risks, along with custodial risk, concentration of credit risk and market risk, all affect the value of investments to a varying degree. Equity and debt securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risk and changes in interest rates.

FIDUCIARY FUND

The plans within the Fiduciary Fund do not have a Board-approved investment policy for interest rate risk. The plans within the Fiduciary Funds have an Investment Committee that meet quarterly to review investment performance against investment class performance benchmarks. If an investment falls below its investment class benchmark, the investment is put on watch and will be replaced if the investment fails to improve over the next two quarters.

Credit Risk

Credit risk is the risk that an issuer of an investment will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline.

GOVERNMENT-WIDE FUND

Certain fixed income securities, including obligations of the U.S. Government or those explicitly guaranteed by the U.S. Government, are considered to have minimal credit risk. SDHC minimizes credit risk by limiting investments to those listed in its Investment Policy. In addition, SDHC pre-qualifies the financial institutions, broker/dealers, intermediaries, and advisors with which SDHC will do business in accordance with the Investment Policy. Finally, SDHC diversifies the investment portfolio to minimize potential losses from any one type of security or issuer.

FIDUCIARY FUND

The pension plan offers a variety of mutual funds, participant-directed brokerage accounts and proprietary collective trust funds and the deferred compensation plan offers a variety of pooled separate accounts, participant-directed brokerage accounts and guaranteed interest accounts. Participants direct their investment choices based on their individual risk tolerance and performance objectives to minimize the potential losses from any one type of security or issuer.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of the custodian, the investment may not be returned, or the deposits fully recovered.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2026

PRELIMINARY

GOVERNMENT-WIDE FUND

All bonds are purchased through SDHC's primary financial institution's clearing account in SDHC's name where they are all held in safekeeping and certificates of deposit are purchased at values less than the federally insured limit.

SDHC's debt securities exposure to credit risk and custodial risk as of June 30, 2026 is as follows:

		Standard and Poor's Credit Rating					
	Total fair	AAA	AA+	AA	A	A-1+	Not Provided
Cash and cash equivalents							
Cash and cash equivalents	$ 55,236	$ -	$ -	$ -	$ -	$ -	$ 55,236
Restricted cash and cash equivalents	4,597	-	-	-	-	-	4,597
Total cash and cash equivalents	$ 59,833	$ -	$ -	$ -	$ -	$ -	$ 59,833
Short-term investments							
Local Agency Investment Fund	$ 9,606	$ -	$ -	$ -	$ -	$ -	$ 9,606
San Diego County Investment Pool	8,929	-	-	-	-	-	8,929
Agency Bonds	-						
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	8,299	-	8,299	-	-	-	-
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	715	-	715	-	-	-	-
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	342	-	342	-	-	-	-
US Treasuries	7,250	-	4,681	-	-	2,569	-
Money Market Exchange-Traded Funds (ETF)	1,869	1,869	-	-	-	-	-
Total short-term investments	$ 37,010	$ 1,869	$ 14,037	$ -	$ -	$ 2,569	$ 18,535
Long-term investments							
Agency Bonds							
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	$ 10,294	$ -	$ 10,294	$ -	$ -	$ -	$ -
Fannie Mae Mortgage Backed Securities	5,126	-	5,126	-	-	-	-
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	2,025	-	2,025	-	-	-	-
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	4,946	-	4,946	-	-	-	-
US Treasuries	22,811	-	22,811	-	-	-	-
Total long-term investments	$ 45,202	$ -	$ 45,202	$ -	$ -	$ -	$ -

CHANGE

PRELIMINARY DRAFT SUBJECT TO CHANGE

FIDUCIARY FUND

For the pension plan, SDHC has appointed State Street Bank as the Trustee of the plan assets with authority over management and investment of plan assets. For the deferred compensation plan, SDHC has appointed Transamerica Retirement Solutions as Trustee of the plan assets with authority over management and investment of plan assets.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing SDHC to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments.

GOVERNMENT-WIDE FUND

The U.S. Government Agency securities in SDHC's portfolio include U.S. Treasury Bills, Fannie Mae Federal National Mortgage Association (Fannie Mae) and Freddie Mac Federal Home Loan Mortgage Corporation (Freddie Mac). Of the $31,747 invested in agency bonds and debentures as of June 30, 2026, all are mortgage-backed securities (MBS) issued either by Fannie Mae or Freddie Mac.

MBS are not rated by credit rating agencies. While the rating agencies do not specifically rate MBS, they carry an implied AA+ rating based on the collateral that backs the bond and the AA+ rating of the Agency that issues/guarantees them. MBS are not considered subject to concentration of credit risk.

SDHC may choose to maintain 100% of its investment portfolio in U.S. Treasuries, notes, bonds, bills and collateralized certificates of deposit. Certificates of deposit are, according to SDHC's Investment Policy, to be collateralized at least 100% of the amount that is not federally insured. Securities pledged as collateral are held by a third party. Joint custody safekeeping receipts are held in the name of the depository institution but pledged to SDHC. The security cannot be released, substituted, or sold without the approval of SDHC.

FIDUCIARY FUND

Except for certain investments held in publicly traded mutual funds or pooled separate accounts, there are no investments at year-end that represent 5% or more of the fiduciary fund net position.

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2026

PRELIMINARY DRAFT SUBJECT TO CHANGE

Market Risk

Market risk is the risk that the value of an investment will change due to changes in the financial market. Changes in market conditions can increase Interest Rate Risk, Liquidity Risk and Reinvestment Risk.

GOVERNMENT-WIDE FUND

Interest Rate Risk is the risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value. The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. SDHC does not have a formal policy related to interest rate risk.

Liquidity Risk is the risk of being unable to liquidate an investment prior to maturity. Related to liquidity risk is the concept of marketability, or the ability to sell an instrument on short notice without incurring a meaningful loss in price.

Reinvestment Risk is the risk that the proceeds from a fixed-income security cannot be reinvested at less than the same rate of return currently generated by that holding. This risk is common with securities that are callable.

In accordance with its Investment Policy, SDHC manages market risk by matching portfolio maturities to projected liabilities and monitoring the weighted average maturity of its portfolio. This is done by maintaining a portion of the portfolio in readily available funds and investing in securities with limited call features and an active secondary market. These measures ensure that appropriate liquidity is maintained in order to meet ongoing operations, maximize return and limit exposure to changing market conditions.

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2026

SDHC's exposure to market risk as of June 30, 2026, is as follows:

		Investment maturities		
	Total fair value	Less than 3 months	4 - 12 months	1 - 5 years
Cash and cash equivalents				
Deposits	$ 55,232	$ 55,232	$ -	$ -
Petty cash	4	4	-	-
Total cash and cash equivalents	$ 55,236	$ 55,236	$ -	$ -
Restricted cash and cash equivalents	$ 4,597	$ 4,516	$ -	$ 81
Short-term investments				
Local Agency Investment Fund	$ 9,606	$ 9,606	$ -	$ -
San Diego County Investment Pool	8,929	8,929	-	-
Agency Bonds				
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	8,299	-	8,299	-
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	715	715	-	-
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	342	342	-	-
US Treasuries	7,250	-	7,250	-
Money Market Exchange-Traded Funds (ETF)	1,869	1,869	-	-
Total short-term investments	$ 37,010	$ 21,461	$ 15,549	$ -
Long-term investments:				
Agency Bonds				
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	$ 10,294	$ -	$ -	$ 10,294
Fannie Mae Mortgage Backed Securities	5,126	-	-	5,126
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	2,025	-	-	2,025
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	4,946	-	-	4,946
US Treasuries	22,811	-	-	22,811
Total long-term Investments	$ 45,202	$ -	$ -	$ 45,202

FIDUCIARY FUND

Due to the level of risk associated with certain investment securities held within the fund plans, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect participants' account balances and the amounts reported in Fiduciary Fund statements.

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2026

PRELIM

Note 5 - Accounts Receivable - Funding Sources (Dollars in Thousands)

At June 30, 2026, amounts due from funding sources consist of the following:

Source / Program	Amount
Business	
City of San Diego	$ 7,193
Total business	7,193
Federal	
Moving to Work (MTW)	2,498
Continuum of Care	2,117
HOME Investment Partnerships (HOME)	1,614
Youth Shelter Smart Corner Federal T-HUD	1,500
Capital Fund	431
Emergency Solutions Grant	169
Federal - Various	68
Operating Fund	22
Total federal	8,419
State	
HHAP - state	10,015
Various - state	2,248
Total state	12,263
Local	
Various - local	67
Total local	67
Total	$ 27,942

All amounts are expected to be collected in the next fiscal year.

'ANGE

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2026

PRELIMINARY

Note 6 - Notes, Mortgages and Interest Receivable (Dollars in Thousands)

Loans made by SDHC consist of three types:

1. Notes requiring periodic payments of principal and interest with interest rates ranging from 0% to 10% and lengths of maturity ranging from 3 to 65 years;
2. Deferred payment notes with interest rates ranging from 0% to 10% and lengths of maturity ranging from 3 to 65 years; and
3. Subsidy loans made to reduce the effective interest rate to recipients on loans made by a commercial bank.

Notes, mortgages and interest receivable at June 30, 2026, consist of the following:

Borrower	Project Address	Interest Rate	Maturity Date	Principal Amount
HDP Mariner's Village, LP-Mariner's Vlg.	6847 Potomac Street, San Diego, CA 92139	3.15%	12/31/55	$ 33,457
Town & Country Village Apts. HDP T&C	4015-409 Messina Dr. San Diego, CA 92113	6.80%	12/31/73	19,909
Arbor Terrace	3693-374 Florida St. San Diego, CA 92104	4.86%	07/01/62	16,461
Mesa Verde CIC, LP/Mission Gorge	7811 Mission Gorge Rd. San Diego, CA 92120	4.00%	06/30/73	9,600
Fairmount Family Housing, LP/ Bluewater	6121-612 Fairmount Ave. San Diego, CA 92120	4.00%	12/31/74	9,469
San Ysidro CIC, LP/Paseo La Paz	238-240; 251-263 Cypress Dr. San Diego, CA 92173	4.00%	12/31/74	9,250
Avanzando San Ysidro LP	317 Cottonwood Drive; 210-240 S. Vista Ave; 125 Cypress	0.00%	12/31/82	5,271
Avanzando San Ysidro LP	317 Cottonwood Drive; 210-240 S. Vista Ave; 125 Cypress	4.00%	12/31/82	3,090
Hilltop Family Hsg LP-The Orchard	922 - 944 Euclid Avenue, San Diego, CA 92114	4.00%	12/31/77	8,300
Delta Village Housing Assoc.	4316-436 Delta St. San Diego, CA 92113	3.00%	09/30/77	8,228
City Heights Ten, L.,	10 non-contiguous parcels San Diego, CA 92105	3.56%	03/31/69	7,981
13th & Broadway CIC, LP	1320 Broadway San Diego, CA 92101	4.00%	12/31/81	7,600
Villa Encantada AMCAL	505-537 62nd; 504-528 63rd St, SD, CA 92114	4.00%	12/31/73	7,500
Twain Housing, L.P.(Stella)	4304 Twain Ave. San Diego, CA 92120	3.00%	12/31/74	7,500
Dawson Ave. Senior Apts. LP-Courtyard	4321-52nd St. San Diego, CA 92115	2.00%	11/12/63	7,145
Ulric St. Hsg. Ass. LP - Ulric	2645-2685 Ulric Street, San Diego CA 92111	3.00%	09/30/77	7,000
Texas St. Sr. Hsg LP/North Park Sr. Apts	4200 Texas St. San Diego, CA 92104	4.00%	07/31/73	7,000
Mercado CIC, LP	Cesar E Chavez Parkway Lot 2,6&7, SD CA 92113	5.00%	05/02/68	7,000
Florida Street Housing Assoc - Kalos Apt	3783-3825 Florida St. San Diego, CA 92104	3.00%	02/01/67	6,966
Fairmount Senior Hsg, CIC LP (Eastblock)	4320 44th Street, San Diego, CA 92101	4.00%	10/01/76	6,750
14th & Commercial CIC, LP	1 14th Street, San Diego, CA 921010	3.00%	05/01/77	6,150
Kindred Cortez Hill LP	1501 Sixth Avenue San Diego, CA 92101	4.00%	12/31/82	5,967
Market Square Manor Associates, LP	525 14th St. San Diego, CA 92113	5.60%	02/10/58	5,688
Villa Harvey Mandel, L.P.	72 17th Ave. San Diego, CA 92101	5.60%	02/12/57	5,518
LINC Arbor Village Apartments Allison R	4914-499 Logan Ave. San Diego, CA 92113	3.00%	05/01/67	5,460
14th & Comm CIC-VHHP, LP (14C-VHHP)	1 14th Street, San Diego, CA 921010	3.00%	05/01/77	5,350
HDP Quality Inn, LLC Quality Inn	1840 4th Avenue, San Diego, CA 92101	4.00%	12/31/75	5,240
Normal Heights, CIC LP/Loft @ Normal Hgt	3808 El Cajon Blvd. San Diego, CA 92105	3.00%	05/31/74	5,200
Georgia Street, L.P./ City Scene	4105 Georgia St. San Diego, CA 92104	3.00%	07/01/66	5,111

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2026

Borrower	Project Address	Interest Rate	Maturity Date	Principal Amount
Renaissance Sr Hsg.	4330 30th St. San Diego, CA 92104	4.65%	04/12/59	5,074
Beech Street Housing, LP-Cortez Hill	1449 Ninth Avenue San Diego, CA 92101	3.00%	12/31/78	5,000
San Diego Commons, LP/ Mesa Commons	6456 El Cajon Blvd. San Diego, CA 92115	3.00%	04/30/69	4,905
Benson Place, LP (Hollister)	1010 Otter Road, San Diego, CA 92154	4.00%	12/31/75	4,860
Talmadge Gateway, LP	4422 Euclid Ave. San Diego, CA 92115	3.00%	06/01/72	4,800
Creekside - Affirmed Hsg. Partners	2125-215 Coronado Ave. San Diego, CA 92154	5.20%	06/30/35	4,608
Radisson Hotel ,Tizon	11520 Bernardo Ct. San Diego, CA 92127	4.00%	07/31/78	4,500
4132 Beyer, L.P(Ventana al Sur)	4132 Beyer Boulevard San Diegp, CA 92173	3.00%	08/31/79	4,400
MAAC Chollas Crest	101 50th Street San Diego, CA 92102	4.00%	03/02/86	4,270
San Ysidro Hsg Partners, LP -Jamboree SY	429-437 W. San Ysidro Blvd. San Diego CA	3.00%	12/31/78	4,200
Beyer Blvd Apts. LP	3412-346 Beyer Blvd. San Diego, CA 92154	3.00%	10/22/59	4,200
Front & Beech SH, LP- The Helm	191 West Beech Street, San Diego CA 92101	4.00%	12/31/77	4,193
Del Sol Apts. LP	Del Sol Apts, 3606-3690 Del Sol San Diego, CA 92154	3.00%	08/31/61	4,126
Vista del Puente, L.P.	3934 Gamma St; 1510 S 40th St. San Diego, CA 92113	3.00%	12/31/75	4,100
Ulric II, Linda Vista Housing	2601 Ulric Street San Diego, CA 92111	4.00%	12/31/78	4,075
HDP Churchill, L.P./Hotel Churchill_Sr.	827 C St. San Diego, CA 92101	3.00%	08/31/71	3,800
Alabama Manor Hsg Associates	3822-383 Alabama St. San Diego, CA 92104	0.00%	12/31/63	3,704
Winona Gardens Hsg. Assoc.-Bandar Salaam	3810 Winona Ave. San Diego, CA 92105	4.79%	05/31/79	3,686
HDP West Park, LP(West Park)	1830 Fourth Avenue, San Diego CA 92101	4.00%	06/30/75	3,593
Wakeland-Beacon, LP Beacon Apartments	145 C St. San Diego, CA 92110	3.00%	12/31/74	3,563
Imperial Urban Hsg, LP/ Cypress Apts.	1435 Imperial Ave. San Diego, 92101	3.00%	12/31/72	3,535
Mt. Alifan Apts., LP (Ivy Senior)	5858 Mt Alifan Drive, San Diego, CA 92111	4.00%	12/31/76	3,500
15th & Commercial, L.P..	1506 Commercial St. San Diego, CA 92101	3.00%	01/01/66	3,464
Comm22 Sr. Hsg., LP/Victoria	Commercial & 22nd St. San Diego, CA 92113	3.00%	05/01/69	3,456
NCRC NSV LP, Nestor Senior	1120 Nestor Way San Diego, CA 92154	4.00%	12/31/78	3,330
Hacienda Townhomes,Ltd.	350 17th St. San Diego, CA 92101	4.50%	12/31/80	3,297
Trolley Residential CIC, L.P.	4981 Market St. San Diego, CA 92114	4.00%	06/30/72	3,120
HDP New Palce, LP/New Palace	1814 5th Ave. San Diego, CA 92101	4.00%	12/31/73	3,100
Wakeland Atmosphere, LP/Atmosphere I	5th Ave. & Beech St. San Diego, CA 92101	4.00%	03/01/70	3,000
Grantville Veteran Housing, LP/Zephyr	4370 Alvarado Canyon Rd. San Diego, CA 92120	3.00%	12/31/73	3,000
Wakeland Vista Grande/Vista Grande	5391-541 Santa Margarita, San Diego, CA 92114	3.00%	05/01/67	2,967
34th Street Project, LLC	4637 34th St. San Diego, CA 92116	3.00%	02/24/77	2,920
Post 310 , L.P.	465 North 47th Street San Diego, CA 92102	4.00%	08/01/79	2,883
Modica Family Apartments CIC, LP	5255 Mt. Elena Drive San Diego, CA 92117	4.00%	12/31/81	2,844
Juniper Gardens, L.P,	4251 Juniper St. San Diego, CA 92105	3.00%	12/31/68	2,839
Metro Villas Housing Partners	4031-408 39th St. San Diego, CA 92105	4.85%	02/01/58	2,793
Vietnam Veterans ofSD/ Phase II	Veterans Village, 4141 Pacific Highway, S D 92110	3.00%	05/29/72	2,760
Messina CIC, LP	5255 Mt. Etna San Diego, CA 92117	4.00%	12/31/81	2,675
Navajo Road Housing Associates L.P.	7005 Navajo Road San Diego, CA 92119	4.00%	12/31/82	2,534
WJJ CIC, L.P./Independence Point Apts.	327 S Willie James Jones, San Diego, CA 92130	4.00%	01/31/71	2,500
Amcal Mission, LP/Mission Apartments	1815-187 Hancock St. San Diego, CA 92110	3.00%	01/01/68	2,499
HDP Mason Hsg. Corp./Mason Hotel	1337-134 Fifth Avenue, San Diego CA 92103	3.00%	02/28/68	2,434
Riverwalk Apartments, L.P.	1194 Hollister St. San Diego, CA 92154	3.00%	03/01/65	2,275
HDP ADU, LLC (Companion Units)	1144 Twining Avenue, San Diego CA 92154	3.00%	12/01/75	2,260
Casa Nueva II ,LP	350 17th St. San Diego, CA 92101	0.00%	12/31/80	2,200
Iris at San Ysidro LP	1663 Dairy Mart Road San Diego, CA 92173	4.00%	07/01/81	2,185
Wakeland Village Green Apts LP	4140-415 Bonillo Dr. San Diego, CA 92115	3.00%	04/01/65	2,165
Pathfinders of San D,	2621-262 University Ave. San Diego, CA 92104	3.00%	07/15/65	2,050
Terramar CIC, L.P.,	13481 Silver Ivy Lane, San Diego, CA 92129	3.00%	06/01/68	2,035
Vietnam Veterans of SD/ Phase III	4141 Pacific Highway, San Diego, CA 92110	3.00%	05/01/75	2,001
Connections HousingDowntownLP	1250 Sixth Ave. San Diego, CA 92101	3.00%	06/01/69	2,000
Serenade 43, LP	4030 43rd Street San Diego, CA 92105	4.00%	09/30/81	2,000
Sandrock Road Housing Associates L.P	3440 Sandrock Road San Diego, CA 92123	4.00%	12/31/82	1,875
YWCA of SD County-Becky's House	2540-2550 Garnet Ave. San Diego, CA 92109	0.00%	11/10/62	1,786
Parkside SD Apts., LP (Formerly Bolt)	4010-4050 Parkhaven Ct. San Diego, CA 92113	3.00%	04/01/56	1,726
The Grant at MissionTrails LP	5945 Mission Gorge Road San Diego, CA 92120	4.00%	12/31/82	1,650
Townspeople, a CA nonprofit	4242-4260 51st St. San Diego, CA 92115	3.00%	05/01/61	1,570

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2026

Borrower	Project Address	Interest Rate	Maturity Date	Principal Amount
PSCDC Wightman	5052 Wightman St. San Diego, CA 92105	3.00%	07/01/54	1,537
Creekside-Affirmed Family Hsg. Partners	2125-215 Coronado Ave. San Diego, CA 92154	4.79%	06/30/35	1,509
Vietnam Veterans of SD/ Phase IV	4141 Pacific Highway, San Diego, CA 92110	3.00%	08/01/77	1,492
Chicano Federation Delta Place	4420 Delta St. San Diego, CA 92113	3.00%	11/01/54	1,486
Vietnam Veterans of San Diego/ Phase V	4141 Pacific Highway, San Diego, CA 92110	3.00%	07/01/70	1,437
Mercado Apartments /MAAC	2001-2097 Newton;2008-2094 Main St. SD CA 92101	6.00%	12/01/47	1,425
Logan Development L.P./Knox Glen	4720-476 Logan Ave. San Diego, CA 92113	6.00%	11/30/50	1,400
Grant Heights II, LP	3845 Winona Avenue, San Diego CA 92105	3.00%	03/31/76	1,320
Rose Creek Village LP	2662 Garnet Avenue San Diego, CA 92109	4.00%	07/31/82	1,282
HDP Churchill, L.P./Hotel Churchill-Sub	827 C St. San Diego, CA 92101	3.00%	08/31/71	1,275
Chicano Federation Trojan Apts.	5222 Trojan Ave. San Diego, CA 92115	3.00%	07/01/53	1,145
NCRC Encanto, L.P. Encanto Village	1617-165 Imperial Ave. San Diego. CA 92114	4.00%	05/31/74	1,060
Mayberry Townhomes/Mountain View Hsg.	4328-449 Mayberry St. San Diego, CA 92113	2.64%	12/31/71	1,023
TACHS Cove Apts LLC	5288 El Cajon Blvd. San Diego, CA 92115	3.00%	05/01/62	982
SD LGBT Community Center	1640 Broadway, San Diego, CA 92101	0.00%	11/01/60	934
Catholic Charities/Leah Residence-9th F	798 Ninth Ave. San Diego, CA 92101	0.00%	10/31/58	928
Carmel Valley Hsg./Torrey Del Mar	13875 Carmel Valley Rd. San Diego, CA 92130	3.00%	06/30/56	892
NCRC SYSV, LP/San Ysidro Sr. Village	517 West San Ysidro, San Ysidro, CA 92713	3.00%	12/31/75	760
"j" Street Inn, LP J Street	222 J Street, San Diego, CA 92101	0.00%	12/31/27	756
Urban Council Dev't Inc./Villa Rica-Alta	4227 52nd St; 5202 Orange Ave. San Diego, CA 92115	3.00%	12/17/54	742
Lillian Place LP	1401 & 1437 J St. San Diego, CA 92101	3.00%	12/16/60	731
Vietnam Veterans of SD/ Phase II B	Veterans Village, 4141 Pacific Highway, S D 92110	3.00%	06/01/72	720
Bayview CDC-40th St.	1440-1516 S. 40th St. San Diego, CA 92113	3.00%	02/01/56	696
Vietnam Veterans of SD/ Phase I	Veterans Village, 4141 Pacific Highway, S D 92110	3.00%	05/15/70	675
Hope CDC/Lincoln Park	4910-4920 Ocean View Blvd; 440-444 49th St. SD 92113	3.00%	12/22/48	647
South Bay Community Services	135 Averil Rd. San Diego, CA 92173	3.00%	12/16/53	631
Island Inn, LP	202 Island Ave, San Diego, CA 92101	0.00%	12/31/27	611
Wakeland Trinity Pl Trinity Place	6240 Mission Gorge Road, San Diego, CA 92120	4.00%	12/31/76	610
3137 El Cajon Blvd. LP-The Boulevard	3137 El Cajon Blvd. San Diego, CA 92104	3.00%	12/31/63	600
Chicano Federation Park Place	4033 33rd St. San Diego, CA 92104	3.00%	12/01/52	596
Housing Innovation P	1851-186 Titus St. San Diego, CA 92103	3.00%	10/20/58	573
Santaluz Family Apts. LP-Rancho del Nort	16775 Saintbury Glen, San Diego, CA 92130	3.00%	09/29/60	500
COMM 22 Family Hsg. LP/	Commercial & 22nd St. San Diego, CA 92113	3.00%	05/01/69	500
		Total Major Loans		457,518
Home ownership loans (Under $500)				49,381
Single-Family rehabilitation loans (Under $500)				3,169
Rental Housing Finance loans with rehab / acquisition (under $500)				4,805
Accessory Dwelling Unit loans (Under $500)				1,353
Total Non-Major Loans as of June 30, 2026				58,708
Total Major Loans and Total Non-Major Loans as of June 30, 2026 (Not Including Deferred Loans)				516,226
Allowance for Loan Losses				(7,334)
Allowance for Forgivable Loans				(7,663)
Total notes receivable at June 30, 2026				501,229
Deferred cumulative interest receivable at June 30, 2026				99,511
Total notes and interest receivable at June 30, 2026				$600,740

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2026

Notes and mortgages receivable due one year or less amounted to $1,320 as of June 30, 2026. The change in allowance on notes receivable consists of the following:

Balance, July 1, 2025	Losses/ write-offs	Additions/ adjustments	Balance, June 30, 2026
$ 16,261	$ (1,452)	$ 188	$ 14,997

SDHC makes affordable housing non-interest bearing loans, originated through noncash transactions, in which the borrower is not required to repay the loan during the loan compliance period provided compliance covenants are met. Compliance periods range between 10 to 65 years. SDHC monitors the loan compliance. SDHC does not record these loans in the Statement of Net Position as there is no cash disbursed. Any payment received during the compliance period is recorded as revenue in the fiscal year of receipt. Notes representing affordable housing loans outstanding as of June 30, 2026, total $80,161.

PRELIMINARY - SUBJECT TO CHANGE

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2026

PRELIM

Note 7 - Capital Assets (Dollars in Thousands)

A summary of changes in capital assets for the year ended June 30, 2026 is as follows:

	Balance, June 30, 2025	Additions	Transfers / Retirements	Balance, June 30, 2026
Capital assets, not being depreciated				
Land	$ 127,097	$ 5,400	$ -	$ 132,497
Construction in progress	16,635	761	(14,369)	3,027
Total capital assets, not being depreciated	143,732	6,161	(14,369)	135,524
Capital assets, being depreciated				
Buildings	228,447	32,036	47	260,530
Building improvements	106,304	2,196	11,692	120,192
Office furniture and equipment	13,388	1,258	2,353	16,999
Intangible right to use software arrangements	7,671	2,043	(414)	9,300
Total capital assets, being depreciated	355,810	37,533	13,678	407,021
Less accumulated depreciation for:				
Buildings	(51,042)	(6,943)	-	(57,985)
Building improvements	(55,599)	(6,764)	-	(62,363)
Office furniture and equipment	(6,461)	(2,276)	27	(8,710)
Intangible right to use software arrangements	(4,144)	(1,799)	414	(5,529)
Total accumulated depreciation	(117,246)	(17,782)	441	(134,587)
Total capital assets, being depreciated, net	238,564	19,751	14,119	272,434
Total capital assets, net	$ 382,296	$ 25,912	$ (250)	$ 407,958

In fiscal year 2026, capital assets totaled $407,958. Additions of $37,533 to capital assets being depreciated include the acquisition of Starling Place, the rehabilitation of Pacific Village, elevated exterior elements replacements at Kearny Vista, plumbing system upgrades at Hurlbut, Camulos and Grim Ave, comprehensive renovation at Hurlbut, elevator upgrades at Kearny Vista and Smart Corner, HVAC upgrades at Valley Vista and Kearny Vista; and water heater upgrades at Hillcrest, Belden, Park Crest, Santa Margarita, Valley Vista and Smart Corner properties.

Depreciation and amortization expense for the year ended June 30, 2026, was $15,983 and $1,799 respectively.

PRELIMINARY SUBJECT TO CHANGE

Note 8 - Prepaid Items and Other Assets (Dollars in Thousands)

Prepaid Items and Other Current Assets

As of June 30, 2026 prepaid and other current assets consisted of the following:

Prepaid and other current assets

Prepaid insurance	$ 1,683
Prepaid software licenses	1,638
Escrow deposits - mortgage insurance premiums	209
Prepaid mortgage insurance	66
Prepaid appliances	11
Deposits other	9
Prepaid grants	8
Total prepaids and other	$ 3,624

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2026

PRELIMINARY

Note 9 - Notes Payable (Dollars in Thousands)

Notes Payable

A summary of notes payable at June 30, 2026 is as follows:

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Balance, 6/30/2025	New Note Additions	(Payments)/ Amortization/ Adjustments	Balance, 06/30/2026	Due Within One Year FY27	GASB 88 Disclosure Footnotes
Direct Borrowing Debts of the Commission								
Key Bank Real Estate Capital - Smart Corner * variable rate	5.53%*	2027	$ 529		$ (117) **	$ 412	$ 412	A1,B1, C1, D2
** Payment includes optional annual payment of $63								
City of San Diego - Hotel Sandford	1.00%	2065	5,843	-	-	5,843	-	A1, B2, C4, D4
Forgivable loan with accrued interest totaling $832								
State of California - Housing Loan Conv Program 12-HLCP-0004	3.00%	2068	1,405	-	-	1,405	-	A1, B3, C5, D3
State of California - Housing Loan Conv Program 12-HLCP-0003	3.00%	2068	3,150	-	-	3,150	-	A1, B4, C5, D3
Red Capital Mortgage, LLC - Courtyard Apartments	4.92%	2030	3,684	-	(84)	3,600	89	A1, B5, C2, D1
JP Morgan Chase - Valley Vista	3.29%	2031	27,047	-	(674)	26,373	698	A1, B11, C1, D1
JP Morgan Chase - Kearny Vista	3.39%	2031	6,295	-	(155)	6,140	160	A1, B12, C1, D1
County of San Diego - Presidio Palms	3.00%	2080	14,710	3,097	-	17,807	-	A1, B13, C4, D1
County of San Diego - Pacific Village	3.00%	2079	825	2,748	-	3,573	-	A1, B14, C4, D1
County of San Diego - Starling Place	3.00%	2081	-	6,000	-	6,000	-	A1, B15, C4, D1
Debts of the LLCs								
Greystone Servicing Corp, Inc. - Belden SDHC FNMA, LLC	7.32%	2040	9,087	-	(362)	8,725	390	A1, B6, C2, D1
Greystone Servicing Corp, Inc. - Northern SDHC FNMA, LLC	7.32%	2040	7,972	-	(317)	7,655	342	A1, B7, C2, D1
PNC Bank, NA FHA - Southern SDHC FHA, LLC	3.76%	2046	18,216	-	(613)	17,603	635	A1, B8, C3, D1
PNC Bank, NA FHA - Northern SDHC FHA, LLC	3.76%	2046	12,743	-	(429)	12,314	444	A1, B9, C3, D1
PNC Bank, NA FHA - Central SDHC FHA, LLC	3.65%	2046	11,420	-	(386)	11,034	400	A1, B10, C3, D1
Subtotal			122,926	11,845	(3,137)	131,634	3,570	
Less unamortized debt issuance costs			(880)	-	68	(812)	-	
Total			$ 122,046	$ 11,845	$ (3,069)	$ 130,822	$ 3,570	

At June 30, 2026, the current portion of notes payable was $3,570 and the noncurrent portion of notes payable was $128,064.

Debt issuance costs associated with the LLC loans totaled $2,120, less accumulated amortization of $1,308 at June 30, 2026. For fiscal year 2026, amortization totaled $68. Under guidance issued by the GASB, these fees would be expensed as incurred. However, as the LLCs are not governmental agencies, they follow the standards issued by the FASB. In accordance with ASU 2015 - 03, debt issuance costs are capitalized and presented as a direct deduction to notes payable. In addition, the debt issuance costs are amortized over the life of the loan using the effective interest method.

EXCHANGE

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2026

The American Recovery and Reinvestment Act of 2009 created the new Build America Bond (BABs) program. State and local governments receive subsidy payments directly from the U.S. Treasury for a portion of their borrowing costs on Build America Bonds, equal to 35% of the total coupon interest paid less reductions in federal appropriations. The subsidy stream is paid for the full term of the bonds. The Belden SDHC FNMA LLC, Northern SDHC FHA LLC and Southern SDHC FHA LLC loans have been approved as qualified direct subsidy BABs loans. SDHC received subsidy payments of $578 in fiscal year 2026.

The projected annual principal and interest payment requirements for all of SDHC's notes payable are noted in the table below. These amounts include a forgivable loan of $5,843 which will be forgiven at maturity in 2065. Accrued interest of such forgivable loan is $890 as of June 30, 2026.

	Notes payable		
	Principal	Interest	Total
Year ending June 30, 2027	$ 3,570	$ 3,929	$ 7,499
2028	3,300	3,779	7,079
2029	3,456	3,622	7,078
2030	6,835	3,447	10,282
2031	31,603	2,583	34,186
2032-2036	15,751	8,629	24,380
2037-2041	17,582	4,092	21,674
2042-2046	11,763	945	12,708
2047-2051	-	-	-
2052-2056	-	-	-
2057-2081	31,931	-	31,931
Subtotal	125,791	31,026	156,817
Forgivable loans	5,843	-	5,843
Total Notes Payable	$ 131,634	$ 31,026	162,660
Less: Unamortized debt issuance costs			(812)
Total Notes Payable, Net			$ 161,848

PRELIMINARY

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2026

GASB 88 Disclosure Footnotes

A. Amount of Unused Lines of Credit

A1 SDHC has no open lines of credit.

B. Assets Pledged as Collateral

B1 1122 Broadway, 92101

B2 1301-1333 Fifth Avenue, San Diego, 92101. Lots D,E, and F in Block 191 of Horton's Addition in the City of San Diego

B3 3222-3224 Camulos St, San Diego, CA, 4095 Valeta Street, San Diego, CA, 3919 Mason Street, San Diego, CA, 2420 44th Street, San Diego, CA, 5385-5389 Trojan Avenue, San Diego, CA

B4 605-695 Picador Blvd, 92154

B5 4395 El Cajon Boulevard, 92105

B6 7705-7795 Belden Street, 92111
APN: 420-451-03 and 04

B7 3501 1st Avenue, 92103, 4131 Maryland Street 92103, 7105-20 Eastman Street, 92111, 7526-80 Fulton Street, 92111, 2615-65 Genesee Avenue, 92123, 7085-95 Levant Street, 92111

B8 1351-15359 Hollister Street, 92154, 2381-2389 Grove Avenue, 92154, 121-125 Averil Road, 92173, 2005-2065 Alaquinas Drive, 92173, 178-190 Calle Primera, 92173, 281-289 Sycamore Road (North), 92173, 391-417 Sycamore Road (West), 92173, 402-412 Sycamore Road (East), 92173

B9 12643-12687 El Camino Real, 92130, 8792 Mira Mesa Boulevard, 92126, 5071-5077 1/2 Muir Avenue, 92107, 8637-8643 Glenhaven Street, 92123, 8649-8655 Genhaven Street, 92123, 8661-8667 Glenhaven Street, 92123, 8701 Glenhaven Street, 92123, 8714-8720 Hurlbut Street, 92123, 8726-8732 Hurlbut Street, 92123

B10 7281-7289 Saranac Street, 92115, 4560 Altadena Avenue, 92115, 4479-4481 Altadena Avenue, 92115, 4164 Altedena Avenue, 92105, 5316 Meade Avenue, 92115, 5330-5332 1/2 Rex Avenue, 92105, 5326-5328 Rex Avenue, 92105, 4261 45th Street, 92115, 4225 44th Street, 92115, 2628-2630 44th Street, 92105, 4416 #1-8 Highland Avenue, 92115, 4566 51st Street, 92115, 3051 54th Street, 92105, 4147-4157 Chamoune Avenue, 92105, 4205-4215 Juniper Street, 92105, 4273-4283 Juniper Street, 92105, 4390 Maple Street, 92105, 4180-4182 Poplar Street, 92105, 4451-4459 Market Street, 92102, 5359-5389 Santa Margarita, 92114, 2883 Boston Avenue, 92113, 2955 Boston Avenue, 92113

B11 5400 Kearny Mesa Road, 92111

B12 1865 Hotel Circle South, 92108

B13 2087 Hotel Circle South, 92108

B14 3737 Midway Drive, 92110

B15 7798 Starling Drive, 92123

C. Events of Default with finance-related consequenses

C1 The outstanding note contains event(s) of default which change the timing of repayment of outstanding amounts which can become immediately due including a prepayment premium.

C2 The outstanding note contains event(s) of default which change the timing of repayment of outstanding principal amounts to become immediately due, adjusts the interest rate equal to the lesser of 4 percentage points above the current interest rate or the maximum allowed under applicable law and includes a prepayment premium prior to December 31, 2024.

C3 The outstanding note contains event(s) of default which change the timing of repayment of outstanding amounts which can become immediately due including a variable rate prepayment premium prior to October 31, 2020.

C4 The outstanding note contains event(s) of default which change the timing of repayment of outstanding amounts which can become immediately due if not cured within the respective time periods provided by the Agency.

C5 The outstanding note contains event(s) of default, which if not remedied to the satisfaction of the Department within the time line set forth by the Department could result in loss of rents and income, possession of the Development and/or change the timing of the repayment of outstanding amounts to become immediately due.

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2026

D. Subjective Acceleration Clause

D1	The outstanding note contains an acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due for an ongoing default or if the lender determines a material adverse change occurs.
D2	The outstanding note contains an acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due for an ongoing default or if the lender determines a material adverse change occurs. The acceleration clause increases the interest rate to 15% or the maximum rate permitted by law, whichever is less.
D3	The outstanding note contains an acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due for an ongoing default or if the lender determines a material adverse change occurs. The acceleration clause increases the interest rate to 10% per annum.
D4	The outstanding note contains an acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due for an ongoing default or if the lender determines a material adverse change occurs. The acceleration clause increases the interest rate to 10% or the highest rate of interest permitted by law, from disbursement until paid in full.

E. Termination events with finance-related consequences

E1	SDHC does not have an oustanding note that contains a termination clause.

Accrued Compensated Absences

The change in accrued compensated absences consists of the following:

Balance, July 1, 2025	Additions (accruals)	Deductions (usage)	Balance, June 30, 2026	Due Within One Year FY26
$ 4,996	$ 5,506	$ (6,226)	$ 4,276	$ 4,276

PRELIMINARY - SUBJECT TO CHANGE



PRELIMINARY

Note 10 - Leases and SBITA Agreements (Dollars in Thousands)

SDHC, as a lessor, has entered into lease agreements for the use of certain SDHC land and commercial spaces. Terms of the agreements are listed below. As an interest rate implicit in SDHC's leases is not readily determinable, SDHC uses the state of California's incremental borrowing rate. For fiscal year 2026, SDHC held the following leases:

	Lease Receivable Current Portion	Lease Receivable Noncurrent Portion	Deferred Inflows	Lease Revenue	Lease Interest Revenue
Commercial leases					
7-Eleven	$ 158	$ 993	$ 1,040	$ 169	$ 19
Barber College	165	190	323	155	12
BB's Deli	-	-	-	20	-
Family Justice Center	-	-	-	643	-
Latinos y Latinas	-	-	-	16	-
MetroPCS	82	213	267	76	3
Total commercial leases	405	1,396	1,630	1,079	34
Land leases					
Land leases (non-related)					
Arbor Village	17	1,183	1,162	102	18
Dawson Courtyard	21	1,591	1,558	42	24
Golden Villas	5	160	159	7	3
Mariner's Cove	482	51,477	49,746	885	783
Mercado	-	-	-	104	-
Mission	24	1,804	1,770	72	28
Riverwalk	15	1,036	1,017	21	16
Talmadge	43	2,563	2,521	61	40
Terramar	7	503	494	17	8
Think Dignity	-	-	-	-	-
Villa Merced	74	345	402	89	7
Vista Grande	-	-	-	-	-
Total land leases (non-related)	688	60,662	58,829	1,400	927
Related party land leases					
Casa Colina	12	717	704	37	11
Hotel Churchill	20	1,647	1,614	67	25
Mariner's Village	104	9,619	9,422	251	147
Parker Kier	31	414	434	45	7
Quality Inn	20	1,728	1,693	81	27
San Diego Square	103	7,678	7,534	188	118
Village North Senior	30	2,609	2,557	65	40
West Park	10	873	856	33	13
Total related party land leases	330	25,285	24,814	767	388
Total	$ 1,423	$ 87,343	$ 85,273	$ 3,246	$ 1,349

PRELIMINARY DRAFT SUBJECT TO CHANGE

Commercial Leases

7-Eleven – On August 1st 2007, SDHC entered into a 10 year lease agreement with three, five-year renewal options with 7-Eleven Inc. for the lease of real property located at 1122 Broadway, San Diego, CA. SDHC is receiving monthly payments through 2027 for the second renewal option and there is a final option for renewal upon expiration.

Barber College – On August 1st 2023, SDHC entered into a 5 year lease agreement that includes one 5 year renewal option with the Associated Barber College of San Diego for the lease of real property located at the Project at 1311, 1315, 1325 and 1333 5th Avenue.

BB's Deli – On October 1th 2025, SDHC entered into a 1 year lease agreement with renewal options with BB's Deli, LLC for the lease of real property located at 1321 Fifth Avenue, San Diego, CA. SDHC is receiving monthly payments through 2026 and there is an option for renewal upon expiration.

Family Justice Center – On October 1st 2010, SDHC entered into a 10 year lease agreement with two, five-year options to renew with the City of San Diego Family Justice Center for the lease of real property located at 1122 Broadway Suite 200, San Diego, CA. SDHC received monthly payments through 2026 for the first renewal option. The tenant has declined to exercise the second renewal option.

Latinos y Latinas – On August 1st 2022, SDHC entered into a 1 year lease agreement with a three year renewal option with Latinos y Latinas en Accion for the lease of real property located at 4395 El Cajon Boulevard, San Diego, CA. On July 31, 2023 the option to renew was exercised. SDHC is receiving monthly payments through 2026.

MetroPCS – On November 30th 2014, SDHC entered into a 5 year lease agreement with one five-year renewal option with TAL Store 828, LLC for the lease of real property located at 1075 11th Avenue, San Diego, CA. On April 1st, 2026 Xclusive Trading CA, LLC entered into an assignment and assumption agreement with TAL Store 828, LLC. SDHC continued receiving monthly payments through 2026 for the renewal option.

Land Leases (non-related)

Arbor Village – On April 1st 2010, SDHC entered into a 65 year lease agreement with LINC-Arbor Village Apartments Housing Investors, L.P. for the lease of real property located at 4914-4998 Logan Ave, San Diego, CA. SDHC is receiving annual payments through 2077 and there are no renewal options included in this lease agreement. Variable payment of $77.4 was received in FY26.

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2026

Dawson Courtyard – On November 12th 2008, SDHC entered into a 55 year lease agreement with Dawson Avenue Senior Apartments, L.P. for the lease of real property located at 4321 52nd Street, San Diego, CA. SDHC is receiving annual payments through 2066 and there are no renewal options included in this lease agreement. Variable payment of $11.2 was received in FY26.

Golden Villas – On May 30th 1995, SDHC entered into a 55 year lease agreement with John B. Walsh for the lease of real property located at 3355-3395 Elm Street, San Diego, CA. SDHC is receiving monthly payments through 2055 and there are no renewal options included in this agreement. Variable payment of $1.0 was received in FY26.

Mariner's Cove – On December 30th 1982, SDHC entered into a 55 year lease agreement with Lincoln Mariners Associates Limited, LLC for the lease of real property located at 4392 W Point Loma Blvd, San Diego, CA. SDHC is receiving monthly payments through 2037 and there are no renewal options included in this agreement. Variable payment of $114.1 was received in FY26.

Mercado – On March 15th 2011, SDHC entered into a 99 year lease agreement with Mercado CIC, L.P. for the lease of real property located at 2001 Newton Ave, San Diego, CA. SDHC is receiving annual payments through 2112 and there are no renewal options included in this agreement. Variable payment of $103.5 was received in FY26.

Mission – On May 1st 2011, SDHC entered into a 65 year lease agreement with AMCAL Mission Fund, L.P. for the lease of real property located at 1815 and 1847 Hancock Street, San Diego, CA. SDHC is receiving annual rent payments through 2078 and there are no renewal options included in this agreement. Variable payment of $37.6 was received in FY26.

Riverwalk – On April 26th 2010, SDHC entered into a 65 year lease agreement with Riverwalk Apartments, L.P. for the lease of real property located at 1194 Hollister Street, San Diego, CA. SDHC is receiving annual payments through 2075 and there are no options for renewal. No variable payment of was received in FY26.

Talmadge – On November 8th 2004, SDHC entered into a 65 year lease agreement with Ken-Tal Senior Partners, L.P. for the lease of real property located at 5252 El Cajon Blvd, San Diego, CA. SDHC is receiving quarterly payments through 2069 and there are no options for renewal. Variable payment of $3.1 was received in FY26.

Terramar – On July 25th 2011, SDHC entered into a 65 year lease agreement with Terramar CIC, L.P. for the lease of real property located at 13481 and 13483 Silver Ivy Lane, San Diego, CA. SDHC is receiving annual payments through 2078 and there are no options for renewal. Variable payment of $6.9 was received in FY26.

PRELIMINARY DRAFT SUBJECT TO CHANGE

PRELIMINARY DRAFT SUBJECT TO CHANGE

Think Dignity – On May 1st 2014, SDHC entered into a 2 year lease agreement with Think Dignity for the lease of real property at 252 16th Street, San Diego, CA. SDHC is receiving monthly payments through 2025 and there is an option to renew the lease for an additional year at the end of its term. No variable payment was received in FY26.

Villa Merced – On December 30th 1980, SDHC entered into a 50 year lease agreement with Colonia Barrios Seniors, Inc. for the lease of real property located at 1148-1188 Beyer Way, San Diego, CA. SDHC is receiving annual payments through 2031 and there are no options for renewal. Variable payment of $16.0 was received in FY26.

Vista Grande – On October 20th 2010, SDHC entered into a 65 year lease agreement with Wakeland Vista Grande Apartments, L.P. for the lease of real property located at 5391 and 5411-25 Santa Margarita Street, San Diego, CA. SDHC is receiving annual payments through 2077 and there are no options for renewal. No payments were received in FY26.

Related Party Land Leases

Casa Colina – On February 18th 2004, SDHC entered into a 65 year lease agreement with Casa Colina, L.P. for the lease of real property located at 5207 52nd Place, San Diego, CA. SDHC is receiving monthly payments through 2069 and there are no renewal options included in this lease agreement. No variable payment was received in FY26.

Hotel Churchill – On April 24th 2015, SDHC entered into a 65 year agreement with HDP Churchill L.P. for the lease of real property located at 827 C Street, San Diego, CA. SDHC is receiving annual payments through 2082 and there are no renewal options included in this agreement. Variable payment of $19.9 was received in FY26.

Mariner's Village – On November 30th 2018, SDHC entered into a 65 year lease agreement with HDP Mariner's Village, LP for the lease of real property located at 6847 Potomac Street, San Diego, CA. SDHC is receiving annual payments through 2086 and there are no options for renewal. Variable payment of $91.4 was received in FY26.

Parker Kier – On September 1st 2023, SDHC entered into a 15 year lease agreement with HDP Parker Kier, LLC for the lease of real property located at 2172 Front Street, San Diego, CA. SDHC is receiving annual payments through 2038 and there are no options for renewal. Variable payment of $8.9 was received in FY26.

Quality Inn – On December 15th 2017, SDHC entered into a 65 year lease agreement with HDP Quality Inn, LLC for the lease of real property located at 1840 4th Avenue, San Diego, CA. SDHC is receiving annual payments through 2083 and there are no options for renewal. Variable payment of $50.9 was received in FY26.

San Diego Square – On February 28th 2019, SDHC assumed the 65 year lease agreement with HDP Broadway, LP from the City of San Diego. The original lease agreement began on May 24th 2013 for the lease of real property located at 910 C Street, San Diego, CA. SDHC is receiving monthly payments through 2078 and there are no options for renewal. Variable payment of $39.8 was received in FY26.

Village North Senior – On December 15th 2017, SDHC entered into 65 lease agreement with HDP Village North, LLC for the lease of real property located at 7720-7780 Belden Street, San Diego, CA. SDHC is receiving annual payments through 2083 and there are no options for renewal. Variable payment of $19.8 was received in FY26.

West Park – On December 14th 2017, SDHC entered into 65 year lease agreement with Housing Development Partners for the lease of real property located at 1830 4th Avenue, San Diego, CA. SDHC is receiving annual payments through 2083 and there are no options for renewal. Variable payment of $18.1 was received in FY26.

Minimum lease payments receivable are as follows:

	Lease Principal	Lease Interest
Year(s) ending June 30, 2027	$ 1,423	$ 1,326
2028	1,476	1,303
2029	1,342	1,281
2030	1,294	1,262
2031	1,276	1,243
2032-2036	5,513	6,127
2037-2041	5,572	5,545
2042-2046	5,885	5,118
2047-2051	6,341	4,661
2052-2113	58,644	17,258
	$ 88,766	$ 45,124

Subscription-Based Information Technology Arrangements

SDHC has identified 14 software arrangements that require recognition under GASB 96. These SBITA are recorded as intangible right to use software arrangements in capital assets and subscription liability. As an interest rate implicit in SDHC's subscription arrangements is not readily determinable, SDHC uses the State of California incremental borrowing rate posted for GASB 96. The terms in month are calculated to include option periods.

PRELIMINARY DRAFT - CHANGE

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2026

SDHC's SBITA's are with various vendors with terms ranging from 0 to 60 months, at interest rates between 2.4% and 3.16%.

In fiscal year 2026 SDHC had the following SBITA:

Software and contractor	Net Present Value of Subscription Liability	Subscriptions Payable Balance, 06/30/2026	Subscriptions Payable Due Within One Year
Microsoft Licensing - Insight Public Sector, Inc	$ 1,327	$ 908	$ 511
Yardi - Yardi Systems Inc	962	769	769
Varonis - NTH Generation	278	256	70
Vulnerability Mgt. - Insight, Inc.	271	183	101
Box - SoftChoice Corporation	208	185	69
DocuSign - Carahsoft Tech	186	133	133
OnBase - Hyland Software, Inc.	174	109	109
Identity Mgt. - CDW Government	113	47	47
Nutanix - Entisys Solutions, Inc	78	67	26
Multifactor Authentication - Nth Generation	50	59	30
Planetbids - Plantebids, Inc	33	-	-
QuickBase - QuickBase Inc	33	-	-
Adobe - Govconections, Inc	33	-	-
Endpoint Management - Bird Rock Systems, Inc.	25	37	37
Total subscription liabilities	$ 3,771	$ 2,753	$ 1,902

Microsoft – On May 1, 2026, SDHC entered into a one-year agreement with two additional option years with Insight Public Sector, Inc. The initial payment was $505. Annual payments are due in the amounts of $513 and $520 for each of the option years, respectively. There is no option to purchase this software.

Yardi – On September 1, 2022, SDHC entered into a one-year agreement with four additional option years with Yardi Systems, Inc. Annual payments are due in the amount of $596, with potential annual increase up to Consumer Price Index. On September 1, 2025, the third option year was exercised and annual payments of $791 are due in each of the option years. There is no option to purchase this software.

Varonis – On October 1, 2025, SDHC entered into a three-year agreement with two additional option year with Nth Generation. Annual payments are due in the amount of $76. There is no option to purchase this software.

Vulnerability Management – On May 29, 2025, SDHC entered into a one-year agreement with two additional option years with Insight Inc. Annual payments are due in the amount of $106. There is no option to purchase this software.

Box – On October 3, 2024, SDHC entered into a one-year agreement with four additional option year with Softchoice Corp. Annual payments are due in the amount of $74. There is no option to purchase this software.

DocuSign – On March 1, 2025, SDHC entered into a one-year agreement with two additional option years with Carahsoft Technologies Inc. Annual payments are due in the amount of $148. There is no option to purchase this software.

OnBase – On December 1, 2022, SDHC entered into a one-year agreement with four additional option years with Highland Software, Inc. Annual payments are due in the amount of $109, with potential annual increase up to Consumer Price Index. There is no option to purchase this software.

Identity Management – On June 12, 2025, SDHC entered into a one-year agreement with two additional option years with CDW Government Inc. Annual payments are due in the amount of $64. There is no option to purchase this software.

Nutanix – On June 1, 2025, SDHC entered into a one-year agreement with four additional option years with Entisys Solutions, Inc. Annual payments are due in the amount of $28. There is no option to purchase this software.

Multi-Factor Authentication – On July 1, 2023, SDHC entered into a one-year agreement with three additional option years with Nth Generation. Annual payments are due in the amount of $31. There is no option to purchase this software.

Endpoint Management – On August 1, 2023, SDHC entered into a one-year agreement with three additional option years with Bird Rock Systems, Inc. Annual payments are due in the amount of $39. There is no option to purchase this software.

The future subscription payments under SBITA agreements are as follow:

	Subscriptions		
	Principal	Interest	Total
Year ending June 30, 2027	$ 1,902	$ 43	$ 1,945
2028	640	18	658
2029	148	2	150
2030	63	-	63
Total	$ 2,753	$ 63	$ 2,816

Note 11 - Defined Contribution Pension Plan (Dollars in Thousands)

SDHC provides a pension plan which is a defined contribution plan and is intended to be a "governmental plan" as defined by Sections 411(s)(1)(A) and 414(d) of the IRC and Section 3(32) of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The

pension plan covers all SDHC employees classified as permanent full time and permanent part time hired to work a minimum of 20 hours per week.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Eligible employees participate on their date of hire. SDHC contributes 14% of defined earnings each pay period for each eligible employee. Contributions (and interest allocated to the employee's account) vest ratably over four years of service, with a year of service defined as an employee completing at least 1,000 hours of service. Any forfeited SDHC contributions and related interest are used to fund a future SDHC pay period contribution. For the fiscal year ended June 30, 2026, covered payroll was $40,804. Pension expense related to SDHC's required contribution was $5,713 and plan members contributed $531 for the fiscal year ended June 30, 2026.

At June 30, 2026, there were 461 participants in the plan, including: 10 inactives receiving benefits, 116 inactives not receiving benefits and 335 active participants, and no active receiving benefits.

The retirement pension benefit is available at normal retirement age (62nd birthday) or upon termination or disability. The retirement pension benefits are determined based upon the vested value of the participant's accumulation accounts at the time of distribution. Distributions must commence no later than April 1st of the calendar year following the calendar year in which the participant attains age seventy and three (73) years of age.

The Plan has a third-party fiduciary, Retirement Benefits Group, and a third party recordkeeper, Transamerica. SDHC has the authority to establish and amend the provisions of the Plan including the contribution requirements with the approval of the Board of Commissioners. The Plan assets have been included in the Fiduciary Fund statements. The Plan is audited by an outside firm, and a copy of the audit report can be obtained by contacting the San Diego Housing Commission at 1122 Broadway, Suite 300, San Diego, California 92101.

Note 12 - Deferred Compensation Plan (Dollars in Thousands)

SDHC offers a deferred compensation plan which is a defined contribution plan as permitted under Section 457 of the Internal Revenue Code (IRC). The deferred compensation plan is intended to be a "governmental plan" as defined by Sections 411(s)(1)(A) and 414(d) of the IRC and Section 3(32) of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The deferred compensation plan is available to all permanent and temporary non-benefited employees of the SDHC who have completed one hour of service (qualified employees) and it permits qualified employees to defer a portion of their salary until future years.

PRELIMINARY DRAFT SUBJECT TO CHANGE

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2026

SDHC is required to contribute 3.75% of defined earnings for each temporary non-benefited employee and 1% of defined earnings for each permanent employee. SDHC also contributes a 100% matching contribution of elective deferrals up to a maximum of 1.5% for each permanent employee. All contributions by SDHC and the qualified employees are fully vested at the time of contribution. For the fiscal year ended June 30, 2026, SDHC's covered payroll was $41,593. Deferred compensation expense related to SDHC's required contribution was $882 and plan members contributed $2,299 for the fiscal year ended June 30, 2026.

At June 30, 2026, there were 839 participants in the plan, including: 26 inactive receiving benefits, 386 inactive not yet receiving benefits, 24 with zero ending balance, and 403 active participants.

Participants in the deferred compensation plan generally may borrow up to 50% of their vested account balance, subject to certain restrictions. These participant loans bear a reasonable interest rate, which is determined at the time the loan is advanced. Participants are entitled to their deferred compensation upon termination, retirement, death, disability or an unforeseeable emergency.

In fiscal year 2021, SDHC adopted several provisions of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). This allowed eligible individuals to receive coronavirus-related distributions, increase available loan amounts, extend the period for loan repayments, suspend required minimum distributions, and delay the commencement date for required minimum distributions.

Empower Trust Company, LLC is the third-party trustee of the deferred compensation plan and One Digital is the third-party fiduciary. All assets and income of the deferred compensation plan are held in trust by a third party for the exclusive benefit of the participants and their beneficiaries, and per federal law, are not available to SDHC or its creditors. As a result, the plan's assets are not included in SDHC's basic financial statements. The plan assets, however, are included in the Fiduciary Fund basic financial statements. The assets held by the plan had a fair value of $44,398 at June 30, 2026. The plan is audited by an outside firm, and a copy of the audit can be obtained by contacting the San Diego Housing Commission at 1122 Broadway, Suite 300, San Diego, California 92101.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Note 13 - Risk Management (Dollars not in Thousands)

Workers' Compensation Insurance

SDHC is a member of the California Housing Workers' Compensation Authority (CHWCA), which is a self-insurance pool that provides workers' compensation and employer's liability coverage, to its members with limits of $750,000 per occurrence. CHWCA also procures excess workers' compensation coverage for all its members via participation in the Local Agency Workers' Compensation Excess JPA (LAWCX), another self-insurance pool. LAWCX provides coverage above CHWCA's $750,000 limit up to the statutory requirements.

CHWCA is a joint powers authority consisting of 28 public housing authorities, housing commissions, and redevelopment agencies organized under a joint powers agreement to fund a self-insurance program for workers' compensation. Each member has equal representation (one seat) on the Board of Directors. The Board elects a seven-member Executive Committee, with members sitting two-year terms, which has the responsibility for conducting the business of the joint powers' authority. Day-to-day operations of CHWCA are carried out by Sedgwick, under contract to CHWCA.

Annual premiums for CHWCA members are approved by the Executive Committee and are determined each year based on the following components:

- Rates per $100 of payroll as determined annually by CHWCA's independent actuary, are multiplied by each member's estimated payroll to calculate the pure loss premium.

- An experience modification factor (ex-mod) is applied to each member's pure loss premium, causing total pure loss premium to change according to the pool's average ex-mod.

- An off-balance factor is applied proportionately to each member's pure loss premium to return total premium to the actuarially determined total; and

- Each member is allocated their proportionate share of administrative costs, claims servicing, and excess coverage premium.

If CHWCA is dissolved by a vote of three-quarters or more of its members, the remaining assets of the joint powers authority, after all premiums and assessments have been paid and final disposition of all claims has been determined, will be distributed to members in proportion to each member's cash contributions (including premiums paid and property contributed, less incurred losses) made during the life of CHWCA. Until dissolution, however, no member has identifiable equity.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Property, General Liability and Other Liability Insurance

SDHC retained the services of various brokers and direct insurers to provide coverage for other identified risks. Deductibles under the policies vary. Claims and deductibles payable were $0 at June 30, 2026. The amount of claims has not exceeded the insurance coverage purchased; accordingly, no liability is reported for these claims. Settlements have not exceeded coverage for each of the past five fiscal years.

Note 14 - Net Position (Dollars in Thousands)

SDHC's net position totaled $1,030,371 for the period ending June 30, 2026, and is comprised of the following:

Net Investment in Capital Assets

As of June 30, 2026, net investment in capital assets is as follows:

Capital assets	$ 542,545
Accumulated depreciation and amortization	(134,587)
Related notes payable	(131,635)
Capital payables and retention	(3,011)
SBITA liability	(2,753)
Total net investment in capital assets	$ 270,559

Restricted Net Position

As of June 30, 2026, the restricted net position is presented as follows:

HOME notes receivable reserve	$ 227,816
CDBG notes receivable reserve	28,554
NSP notes receivable reserve	5,952
Replacement and operating reserve	3,278
Housing assistance reserve	1,470
Total restricted net position	$ 267,070

The HOME loans are made to qualified applicants using grant proceeds received by SDHC under the HOME Program provisions of the 1990 National Affordable Housing Act. These HOME loans are nonrecourse and are collateralized by a subordinated mortgage on the underlying property of the borrower. Any repayments received by SDHC on these loans (including principal and interest) are treated as program income and must be used for future HOME program purposes, including 10% that SDHC can retain to cover its administrative costs for HOME activities. As such, the net position associated with the

HOME loans are treated as restricted net position because of the perpetual purpose restriction to continue to recycle these resources into eligible uses under the HOME program.

The CDBG Affordable Housing Revolving Loan Fund (AHRLF) provides loans for the First Time Homebuyer Down Payment Assistance Program, which provides low-income households with assistance to help with the purchase of a single family home, the Clean and Green Housing Rehabilitation Program Development, providing rehabilitation grants and/or loans for efficiency and sustainability upgrades to single-family detached, owner-occupied units, and Affordable Multi-Family Housing which contributes to the creation of affordable rental housing opportunities and will provide gap financing loans for the acquisition and/or rehabilitation of multi-family housing.

The NSP funds were granted under President Bush's economic stimulus plan under Housing Economic Recovery Act of 2008. These funds were made available to provide emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become source of abandonment and blight within their communities. These NSP loans made to individuals and not-for-profit organizations are nonrecourse and are collateralized by a subordinated mortgage on the underlying property of the borrower. Any repayments received by SDHC on these loans (including principal and interest) are treated as program income and must be used for future NSP program purposes, including 10% that SDHC can retain to cover its administrative costs for NSP activities. As such, the net position associated with the NSP loans are treated as restricted because of the perpetual purpose restriction to continue to recycle these resources into eligible uses under the NSP program.

Unrestricted Net Position

As of June 30, 2026, the unrestricted net position is presented as:

Notes receivable, net of allowance	$ 338,418
Federal/state/local programmatic reserve	117,529
Committed to fund loans and grants	36,795
Total unrestricted net position	$ 492,742

Unrestricted net position follows GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", wherein these funds are not included in the determination of net investment in capital assets or the restricted component of net position. In addition, although these funds are defined as unrestricted, these funds are not necessarily indicative of funds available for discretionary use.

PRELIMINARY DRAFT SUBJECT TO CHANGE



PRELIMINARY DRAFT - SUBJECT TO CHANGE

Note 15 - Economic Dependency (Dollars in Thousands)

SDHC receives the majority of its funding from HUD. HUD is subject to the federal budget allocation process each year. For the fiscal year ended June 30, 2026, SDHC's original budget included $459,708 of estimated HUD funding. A reduction in funding from HUD could significantly change the services provided by SDHC.

Note 16 - Commitments and Contingencies (Dollars in Thousands)

Grants

SDHC has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. SDHC management believes such disallowances, if any, would not have a material effect on SDHC's financial statements.

Loan Commitments

SDHC has committed funds for loans and grants to various individuals and entities as of June 30, 2025. The amount of loans and grants SDHC has committed to fund, but has not funded as of June 30, 2026, is $36,795.

Lawsuits and Claims

SDHC is subject to lawsuits and claims, which arise out of the normal course of its activities. In the opinion of management, based upon the opinions of legal counsel, the disposition of any and all such actions of which it is aware, will not have a material effect on the financial position of SDHC.

Note 17 - Affordable Housing (Dollars not in Thousands)

The San Diego Affordable Housing Fund (AHF) was created by the San Diego City Council (City Council) on June 3, 2003, as a permanent and annually renewable source of revenue to help meet the housing needs of the City of San Diego's (City) lower-income households. The City Council expressed the purposes of the AHF in San Diego Municipal Code Chapter 9, Article 8, Division 5 (Code). The fund seeks to:

- Meet a portion of the need for housing that is affordable to households with very-low, low-, and median-incomes;
- Leverage every $1 of City funds with $2 of non-City subsidy capital funds;

- Support the City's Balanced Communities Policy by fostering a mix of family incomes in AHF assisted projects and dispersing affordable housing projects throughout the City;
- Preserve and maintain affordable rental and ownership housing; and
- Encourage private sector activities that advance these goals.

The AHF is composed of two funds: the Housing Trust Fund (HTF) and the Inclusionary Housing Fund (IHF).

The Housing Trust Fund:

Per Section 98.0504 of the Code, HTF funds may be used in any manner, through loans, grants or indirect assistance for the production and maintenance of assisted units and related facilities. The HTF regulations require that:

- No less than ten percent (10%) of the funds in the San Diego Housing Trust Fund account shall be expended to provide transitional housing for households who lack permanent housing;
- No less than sixty percent (60%) of the funds in the San Diego Housing Trust Fund account shall be expended to provide housing to very low income households at affordable housing costs;
- No more than twenty percent (20%) of the funds in the San Diego Housing Trust Fund account shall be expended to provide housing to low income households at affordable housing costs; and
- No more than ten percent (10%) of the funds in the San Diego Housing Trust Fund account shall be expended to assist median income and moderate income first–time home buyers purchase a home at an affordable housing cost.

Inclusionary Housing Fund:

The expenditure of IHF is governed by Section 98.0505 of the Code. Priority is given to the construction of new affordable housing stock. Monies may also be used for other programs if approved by City Council in the Annual Plan. SDHC monitors the revenue collected from each Community Planning Area and is responsible for reinvesting the funds. The IHF program requires that 10% of the new construction resident units be set aside as affordable housing for families earning no more than 65% of area median income (AMI) for rental units or 100% of AMI for-sale properties.

The following table reflects the condensed statement of revenues, expenses and changes in net position for the fiscal year ended June 30, 2026 for IHF and HTF as required by the

PRELIMINARY DRAFT - SUBJECT TO CHANGE

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2026

AHF Ordinance (San Diego Municipal Code Section 98.0515) and the dollars presented in the table below are in thousands.

	Inclusionary Housing Fund	Housing Trust Fund
Operating Revenues		
Interest income on notes receivable	$ 3,550	$ 1,127
Grant revenue	1,412	525
Fee revenue	489	-
Other revenue	5	-
Total operating revenue	5,456	1,652
Operating Expenses		
Administrative expenses	3,447	81
Grant expense	2,188	258
Housing assistance	493	-
Total operating expenses	6,128	339
Operating loss	(672)	1,313
Non- Operating Revenues		
Interest income on investments	716	670
Total non-operating revenues	716	670
Change in net position	$ 44	$ 1,983

PRELIMINARY CHANGE

PRELIMINARY DRAFT SUBJECT TO CHANGE

Note 18 - Blended Component Units (Dollars in Thousands)

SDHC's blended component units reflect SDHC Building Opportunities, Inc. (Building Opportunities) and the LLCs.

Building Opportunities

Building Opportunities is a 501(c) (3) California Nonprofit Public Benefit Corporation, which has been classified by the Internal Revenue Service as a public charity. For the fiscal year ended June 30, 2026, Building Opportunities recorded approximately $1,442 in other revenue in the statement of revenues, expenses and changes in net position. As of June 30, 2026, there was no unearned revenue.

LLCs

In September 2007, SDHC received HUD approval to transition out of the Public Housing Program and to own and operate those same 134 properties (1,366 units) of rental housing. In October 2009, the Housing Authority of the City of San Diego approved SDHC's Finance Plan for the Acquisition of New Affordable Housing Units (see Housing Authority Report HAR 09-030). SDHC leveraged the equity in a portion of those properties through two financing sources, Fannie Mae and FHA.

A portion of SDHC's larger properties (33 properties) were leveraged with three loans from Fannie Mae under the conventional multifamily loan program and generated $37,140 in total loan proceeds. Another portion of SDHC's portfolio (44 properties) was leveraged under FHA's 223(f) program and generated $58,243 in total loan proceeds. The Fannie Mae loans closed in December 2009; two of the FHA loans closed in August 2010 and one FHA loan closed in September 2010. The loans were obtained by grouping the properties into six Limited Liability Companies. The groupings were primarily based on property location. Each of these LLC loans is nonrecourse.

On January 31, 2011, SDHC established its seventh wholly owned LLC, Mercado SDHC LLC (Mercado). Mercado was created to acquire land for the Estrella del Mercado project which was subsequently ground leased to the developer of the project.

On April 2, 2024, Central SDHC FNMA LLC transferred all assets to SDHC. The LLC was dissolved in fiscal year 2026.

The following are the financial statements of the Blended Component Units of the San Diego Housing Commission for the year ended June 30, 2026:

PRELIMINARY

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2026

San Diego Housing Commission - Blended Component Units
Balance Sheet
June 30, 2026
(Dollars in Thousands)

	Belden SDHC FNMA LLC	Northern SDHC FNMA LLC	Northern SDHC FHA LLC	Southern SDHC FHA LLC	Central SDHC FHA LLC	Mercado SDHC LLC	SDHC Building Opportunities	Blended Component Units Total
Assets								
Current assets								
Operating cash	$ 436	$ 413	$ 871	$ 1,507	$ 838	$ -	$ 99	$ 4,164
Security deposit account	117	104	116	240	208	-	-	785
Restricted cash	103	62	156	442	324	-	-	1,087
Accounts receivable	474	101	342	332	521	103	-	1,873
Allowance for doubtful accounts	(62)	(25)	(11)	(48)	(194)	-	-	(340)
Prepaid mortgage insurance	-	-	19	26	21	-	-	66
Escrow account - MIP	-	-	50	72	40	-	-	162
Total current assets	**1,068**	**655**	**1,543**	**2,571**	**1,758**	**103**	**99**	**7,797**
Capital assets								
Land	2,226	2,985	3,691	3,683	3,852	30	-	16,467
Building	1,815	3,252	5,098	3,901	3,858	-	-	17,924
Building improvements	615	3,742	7,050	10,388	6,104	-	-	27,899
Office furniture and equipment	116	104	176	263	150	-	-	809
Accumulated depreciation	(1,178)	(3,287)	(6,859)	(7,461)	(5,740)	-	-	(24,525)
Work In Progress - Bldg improv	-	127	-	-	-	-	-	127
Total capital assets	**3,594**	**6,923**	**9,156**	**10,774**	**8,224**	**30**	**-**	**38,701**
Total assets	**$ 4,662**	**$ 7,578**	**$ 10,699**	**$ 13,345**	**$ 9,982**	**$ 133**	**$ 99**	**$ 46,498**

PRELIMINARY

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2026

San Diego Housing Commission - Blended Component Units
Balance Sheet - Continued
June 30, 2026
(Dollars in Thousands)

	Belden SDHC FNMA LLC	Northern SDHC FNMA LLC	Northern SDHC FHA LLC	Southern SDHC FHA LLC	Central SDHC FHA LLC	Mercado SDHC LLC	SDHC Building Opportunities	Blended Component Units Total
Liabilities								
Current liabilities								
Accounts payable	$ 474	$ 410	$ 167	$ 159	$ 198	$ 2	$ -	$ 1,410
Related party payable	132	112	120	196	364	-	-	924
Accrued interest payable	53	47	39	55	34	-	-	228
First mortgage - current portion	390	342	444	634	400	-	-	2,210
Prepaid revenue	92	56	67	92	44	-	-	351
Tenant security deposits	117	103	116	240	208	-	-	784
Total current liabilities	**1,258**	**1,070**	**953**	**1,376**	**1,248**	**2**	**-**	**5,907**
Long -term liabilities								
First mortgage payable, net	8,280	7,263	11,655	16,674	10,437	-	-	54,309
Total liabilities	**9,538**	**8,333**	**12,608**	**18,050**	**11,685**	**2**	**-**	**60,216**
Net Position								
Net investment in capital assets	(5,132)	(733)	(3,158)	(6,829)	(2,811)	30	-	(18,633)
Restricted net position	103	62	156	442	324	-	-	1,087
Unrestricted net position	153	(84)	1,093	1,682	784	101	99	3,828
Total net position	**(4,876)**	**(755)**	**(1,909)**	**(4,705)**	**(1,703)**	**131**	**99**	**(13,718)**
Total liabilities and net position	**$ 4,662**	**$ 7,578**	**$ 10,699**	**$ 13,345**	**$ 9,982**	**$ 133**	**$ 99**	**$ 46,498**

PRELIMINARY

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2026

San Diego Housing Commission - Blended Component Units
Statement of Operations
For the Year Ended June 30, 2026
(Dollars in Thousands)

	Belden SDHC FNMA LLC	Northern SDHC FNMA LLC	Northern SDHC FHA LLC	Southern SDHC FHA LLC	Central SDHC FHA LLC	Mercado SDHC LLC	SDHC Building Opportunities	Blended Component Units Total
Operating Income								
Rental income	$ 3,016	$ 2,746	$ 3,749	$ 6,334	$ 4,998	$ -	$ -	$ 20,843
Other income	578	51	311	572	312	104	1,442	3,370
Total operating income	**3,594**	**2,797**	**4,060**	**6,906**	**5,310**	**104**	**1,442**	**24,213**
Expenses								
Operating expenses								
Salaries and benefits	374	295	359	701	634	-	-	**2,363**
Management fee	152	138	190	319	251	-	-	**1,050**
Other administration	110	58	66	77	158	2	-	**471**
Utilities	279	217	331	489	508	-	-	**1,824**
Repairs and maintenance	952	836	910	1,263	1,715	-	-	**5,676**
Protective services	31	33	-	64	64	-	-	**192**
Insurance	87	86	83	135	110	-	-	**501**
Depreciation	64	306	434	643	406	-	-	**1,853**
Bad debt expense	84	53	15	58	232	-	-	**442**
Total operating expenses	**2,133**	**2,022**	**2,388**	**3,749**	**4,078**	**2**	**-**	**14,372**
Operating income (loss)	**1,461**	**775**	**1,672**	**3,157**	**1,232**	**102**	**1,442**	**9,841**
Non-Operating revenues (expenses)								
Grant expense	-	-	-	-	-	-	(1,386)	**(1,386)**
Interest expense	(651)	(571)	(471)	(672)	(409)	-	-	**(2,774)**
Mortgage insurance	-	-	(56)	(81)	(51)	-	-	**(188)**
Amortized loan fees	(6)	(5)	(17)	(24)	(16)	-	-	**(68)**
Entity taxes and fees	(7)	(7)	(7)	(13)	(7)	(1)	-	**(42)**
Total Non-Operating revenues (expenses)	**(664)**	**(583)**	**(551)**	**(790)**	**(483)**	**(1)**	**(1,386)**	**(4,458)**
Net income (loss)	**797**	**192**	**1,121**	**2,367**	**749**	**101**	**56**	**5,383**
Net operating transfers in (out)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net income (loss) net of financing sources	**$ 797**	**$ 192**	**$ 1,121**	**$ 2,367**	**$ 749**	**$ 101**	**$ 56**	**$ 5,383**

PRELIMINARY

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2026

San Diego Housing Commission - Blended Component Units
Statement of Cash Flows
For the Year Ended June 30, 2026
(Dollars in Thousands)

	Belden SDHC FNMA LLC	Northern SDHC FNMA LLC	Northern SDHC FHA LLC	Southern SDHC FHA LLC	Central SDHC FHA LLC	Mercado SDHC LLC	SDHC Building Opportunities	Blended Component Units Total
Cash flow information								
Operating receipts	$ 2,929	$ 2,735	$ 3,880	$ 6,360	$ 4,642	$ 3	$ 1,442	$ 21,991
Operating expenses paid	(2,797)	(1,831)	(2,962)	(4,359)	(3,402)	(3)	(1,386)	(16,740)
Cash flows from operating activities	132	904	918	2,001	1,240	-	56	5,251
Net withdrawals	(60)	(9)	(39)	65	(43)	-	-	(86)
Net purchases	(312)	(201)	(611)	(52)	(37)	-	-	(1,213)
Cash flows from investing activities	(372)	(210)	(650)	13	(80)	-	-	(1,299)
Debt principal payments	(362)	(318)	(428)	(612)	(386)	-	-	(2,106)
Distribution	(142)	(304)	(1,120)	(1,909)	(858)	-	-	(4,333)
Contribution	780	104	1,337	747	314	-	-	3,282
Cash flows from capital and related financing activities	276	(518)	(211)	(1,774)	(930)	-	-	(3,157)
Net increase (decrease) in cash and restricted cash	36	176	57	240	230	-	56	795
Cash and restricted cash - beginning	517	341	930	1,507	816	-	43	4,154
Cash and restricted cash - end	$ 553	$ 517	$ 987	$ 1,747	$ 1,046	$ -	$ 99	$ 4,949

CHANGE

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2026

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Note 19 - Discretely Presented Component Units (Dollars in Thousands)

The discretely presented component units include the consolidated financial statements of the financial reporting entity, Housing Development Partners of San Diego (HDP). HDP follows accounting principles of the FASB. The entities consolidated within HDP's financial statements include: Housing Development Partners of San Diego, Casa Colina, L.P., HDP Mason Housing Corporation, Logan Development Management, LLC, Logan Development II, L.P., HDP Parker Kier, LLC, HDP Churchill, LLC, HDP Churchill, L.P., HDP Broadway, L.P., HDP Broadway Management, LLC, HDP Island Village, LLC, HDP New Palace, L.P., HDP New Palace Management, LLC, HDP Town & Country, LLC, HDP Town & Country L.P., HDP Village North, LLC, HDP Quality Inn, LLC, HDP West Park, L.P., HDP West Park Management, LLC., HDP Mariner's Village, L.P., HDP Mariner's Village Management, LLC., HDP Casa Colina Management, LLC., and HDP ADU, LLC. All intercompany transactions have been eliminated in consolidation.

HDP's financial statements are presented in uniformity with the primary government. Significant differences in presentation from the HDP consolidated financial statements, which primarily include common control transactions between the component unit and the primary government, are detailed below. The entirety of HDP's financial statements and related notes are available on their website https://hdpartners.org.

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2026

Reconciliation of HDP Discrete Component Unit Presentation
Statement of Net Position
As of December 31, 2025

	Component Unit	HDP Audit Presentation	Variance
Assets			
Current assets			
Cash and cash equivalents	$ 29,458	$ 29,458	$ -
Restricted cash and cash equivalents	1,002	1,002	-
Accounts receivable - tenants, net	23	23	-
Accounts receivable - funding sources	133	133	-
Accounts receivable - other	275	275	-
Prepaid items and other assets	560	560	-
Total current assets	31,451	31,451	-
Noncurrent assets			
Restricted cash and cash equivalents	12,123	12,123	-
Investment in partnerships	90	90	-
Other assets	3,115	3,115	-
Capital assets not being depreciated	4,514	4,514	-
Capital assets, net of accumulated depreciation	115,435	115,435	-
Total noncurrent assets	135,277	135,277	-
Total assets	$ 166,728	$ 166,728	$ -
Liabilities			
Current liabilities			
Accounts payable	2,207	2,207	-
Accounts payable - funding sources	21	21	-
Accrued payroll and benefits	79	79	-
Accrued interest payable	204	204	-
Notes payable, current portion	1,468	1,468	-
Deposits payable	901	901	-
Unearned revenue	49	49	-
Total current liabilities	4,929	4,929	-
Noncurrent liabilities			
Accrued interest payable - noncurrent	17,350	6,762	(10,588)
Notes payable noncurrent, net	148,077	102,767	(45,310)
Other liabilities	10,664	10,664	-
Total noncurrent liabilities	176,091	120,193	(55,898)
Total liabilities	$ 181,020	$ 125,122	$ (55,898)
Net Position			
Restricted			
Non-controlling interest - tax credit partnerships	44,629	44,629	-
Unrestricted	(58,921)	(3,023)	55,898
Total net position	$ (14,292)	$ 41,606	$ 55,898
Total liabilities and net position	$ 166,728	$ 166,728	$ -

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2026

PRE

Reconciliation of HDP Discrete Component Unit Presentation
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2025

	Component Unit	HDP Audit Presentation	Variance
Operating revenues			
Operating grants and contracts	$ 67	$ -	$ (67)
Dwelling rental income	23,794	24,014	220
Land lease and other rental income	157	-	(157)
Other revenue	627	293	(334)
Grant revenue	-	337	337
Interest income on notes receivable	6	-	(6)
Total operating revenues	24,651	24,644	(7)
Operating expenses			
Administrative expenses	5,450	-	(5,450)
Tenant services	312	-	(312)
Asset management	6,574	-	(6,574)
General expenses	1,841	-	(1,841)
Depreciation	4,697	4,697	-
Program services	-	15,589	15,589
Management and general	-	2,950	2,950
Total operating expenses	18,874	23,236	4,362
Operating income (loss)	5,777	1,408	(4,369)
Nonoperating revenues (expenses)			
Interest income on investments	709	715	6
Interest expense	(6,742)	-	6,742
Contributions (distributions) and other changes to capital	(7)	(3)	(2,591)
Total nonoperating revenues (expenses)	(6,040)	(2)	4,157
Change in net position	(263)	(475)	(212)
Net position			
Beginning of year	(14,029)	42,081	56,110
End of year	$ (14,292)	$ 41,606	$ 55,898

IGE

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2026

PRELIM

Due to differing fiscal years, the nature and amount of inter-entity transactions between the primary government and component units are disclosed in the table below.

Type of Obligation	HDP Balance, 12/31/2025	Additions	Payments	SDHC Balance, 6/30/2026
Debts of Housing Development Partners of San Diego				
SDHC - Salaries Payable	$ 422	$ 1,159	$ (1,387)	$ 194
SDHC - Ground Lease Payable	39	19	(39)	19
Debts of HDP Mason Housing Corporation				
SDHC - Notes Payable	2,434	-	-	2,434
SDHC - Accrued Interest Payable	933	37	(28)	942
Debts of Casa Colina, LP				
SDHC - Notes Payable	746	-	(419)	327
SDHC - Accrued Interest Payable	14	10	(23)	1
SDHC - Ground Lease Payable	-	-	(3)	(3)
Debts of Logan Development II, LP				
SDHC - Notes Payable	1,400	-	-	1,400
SDHC - Accrued Interest Payable	1,721	42	-	1,763
Debts of HDP Churchill, LP				
SDHC - Notes Payable	5,346	-	(271)	5,075
SDHC - Accrued Interest Payable	1,114	79	(46)	1,147
SDHC - Ground Lease Payable	-	40	-	40
Debts of HDP New Palace, LP				
SDHC - Notes Payable	3,100	-	-	3,100
SDHC - Accrued Interest Payable	399	62	(203)	258
Debts of HDP Town & Country, LP				
SDHC - Notes Payable	13,250	-	-	13,250
SDHC - Accrued Interest Payable	6,809	677	(230)	7,256
Debts of HDP Quality Inn, LLC				
SDHC - Notes Payable	5,240	-	-	5,240
SDHC - Accrued Interest Payable	535	105	(256)	384
SDHC - Ground Lease Payable	-	45	-	45
Debts of HDP West Park, LP				
SDHC - Notes Payable	3,593	-	-	3,593
SDHC - Accrued Interest Payable	699	72	-	771
Debts of HDP Mariner's Village, LP				
SDHC - Notes Payable	29,800	-	-	29,800
SDHC - Accrued Interest Payable	3,580	525	-	4,105
SDHC - Ground Lease Payable	-	159	-	159
Debts of HDP ADU, LLC				
SDHC - Notes Payable	2,260	-	-	2,260
SDHC - Accrued Interest Payable	199	34	(94)	139
Debts of HDP Village North, LLC				
SDHC - Ground Lease Payable	-	43	-	43
Debts of HDP Broadway, LP				
SDHC - Ground Lease Payable	-	120	-	120
Debts of HDP Parker Kier, LLC				
SDHC - Ground Lease Payable	-	20	-	20
	$ 83,633	$ 3,248	$ (2,999)	$ 83,882

CHANGE

San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2026

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Note 20 - Subsequent Events (Dollars in Thousands)

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management evaluated the activity of SDHC through (Report Date), the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

SAN DIEGO HOUSING COMMISSION

Supplementary Information



We're About People

Thousands of families with lower income have homes with more affordable rent than the marketplace because of SDHC collaborations to create and preserve affordable housing. More than 27,000 affordable rental housing units in service in the City of San Diego were created or preserved with SDHC's participation.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

San Diego Housing Commission
COMBINING SCHEDULE OF NET POSITION - ENTERPRISE FUNDS
June 30, 2026
(Dollars in Thousands)

	Business activities	Federal funds	State funds	Eliminations	Primary Government
Assets and Deferred Outflows					
Current assets					
Cash and cash equivalents	$ 55,236	$ -	$ -	$ -	$ 55,236
Restricted cash and cash equivalents	3,514	1,002	-	-	4,516
Short-term investments	4,866	32,340	(196)	-	37,010
Accounts receivable - tenants, net	399	24	-	-	423
Accounts receivable - funding sources	7,260	33,027	12,263	(24,608)	27,942
Accounts receivable - other, net	9,450	3,243	1,938	(904)	13,727
Lease receivable - current	1,380	43	-	-	1,423
Notes and mortgages receivable, current portion	856	464	-	-	1,320
Accrued interest receivable - investments	513	130	3	-	646
Prepaid items and other assets	3,616	8	-	-	3,624
Total current assets	87,090	70,281	14,008	(25,512)	145,867
Noncurrent assets					
Restricted cash and cash equivalents - noncurrent	81	-	-	-	81
Lease receivable - noncurrent	84,780	2,563	-	-	87,343
Long-term investments	35,941	9,065	196	-	45,202
Accrued interest receivable - notes and mortgages receivable	47,771	48,386	3,354	-	99,511
Notes and mortgages receivable, net of allowance for loan losses	232,383	242,085	25,441	-	499,909
Capital assets not being depreciated	130,617	3,958	1,853	(904)	135,524
Capital assets, net of accumulated depreciation and amortization	261,697	10,737	-	-	272,434
Total noncurrent assets	793,270	316,794	30,844	(904)	1,140,004
Total assets	$ 880,360	$ 387,075	$ 44,852	$ (26,416)	$ 1,285,871
Deferred outflows of resources	$ -	$ -	$ -	$ -	$ -
Total assets and deferred outflows	$ 880,360	$ 387,075	$ 44,852	$ (26,416)	$ 1,285,871

PRELIMINARY DRAFT - SUBJECT TO CHANGE

San Diego Housing Commission
COMBINING SCHEDULE OF NET POSITION - ENTERPRISE FUNDS - CONTINUED
June 30, 2026
(Dollars in Thousands)

	Business activities	Federal funds	State funds	Eliminations	Primary Government
Liabilities and Deferred Inflows					
Current liabilities					
Accounts payable	$ 34,863	$ 3,931	$ 3,964	$ (25,512)	$ 17,246
Accounts payable - funding sources	(9,931)	2,512	7,455	-	36
Accrued payroll and benefits	1,318	723	-	-	2,041
Accrued compensated absences	4,276	-	-	-	4,276
Accrued interest payable	334	19	-	-	353
Notes payable, current portion	3,570	-	-	-	3,570
Subscriptions payable, current portion	1,902	-	-	-	1,902
Deposits payable	2,798	111	97	-	3,006
Unearned revenue	3,276	39	1,420	-	4,735
Other current liabilities	1,412	-	-	-	1,412
Total current liabilities	43,818	7,335	12,936	(25,512)	38,577
Noncurrent liabilities					
Accrued interest payable - noncurrent	967	1,908	-	-	2,875
Notes payable noncurrent, net	98,891	28,361	-	-	127,252
Subscriptions payable, noncurrent	851	-	-	-	851
Other liabilities	-	672	-	-	672
Total noncurrent liabilities	100,709	30,941	-	-	131,650
Total liabilities	$ 144,527	$ 38,276	$ 12,936	$ (25,512)	$ 170,227
Deferred inflows of resources	$ 82,752	$ 2,521	$ -	$ -	$ 85,273
Total liabilities and deferred inflows	$ 227,279	$ 40,797	$ 12,936	$ (25,512)	$ 255,500

San Diego Housing Commission
COMBINING SCHEDULE OF NET POSITION - ENTERPRISE FUNDS - CONTINUED
June 30, 2026
(Dollars in Thousands)

	Business activities	Federal funds	State funds	Eliminations	Primary Government
Net Position					
Net investment in capital assets	$ 282,286	$ (13,580)	$ 1,853	$ -	$ 270,559
Restricted					
HOME notes receivable reserve	-	227,816	-	-	227,816
CDBG notes receivable reserve	-	28,554	-	-	28,554
NSP notes receivable reserve	-	5,952	-	-	5,952
Replacement reserves	1,598	1,680	-	-	3,278
Housing assistance reserves	-	1,470	-	-	1,470
Total restricted	1,598	265,472	-	-	267,070
Unrestricted	369,197	94,386	30,063	(904)	492,742
Total net position	$ 653,081	$ 346,278	$ 31,916	$ (904)	$ 1,030,371
Total liabilities, deferred inflows and net position	$ 880,360	$ 387,075	$ 44,852	$ (26,416)	$ 1,285,871

PRELIMINARY DRAFT - SUBJECT TO CHANGE

PRELIMINARY DRAFT SUBJECT TO CHANGE

San Diego Housing Commission
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUNDS
Year Ended June 30, 2026
(Dollars in Thousands)

	Business activities	Federal funds	State funds	Eliminations	Primary Government
Operating revenues					
Operating grants	$ 31,573	$ 396,004	$ 24,854	$ -	$ 452,431
Dwelling rental income	51,743	1,771	-	-	53,514
Land lease and other rental income	4,494	101	-	-	4,595
Fee revenue	7,407	-	1	(704)	6,704
Interest income on notes receivable	8,757	6,767	560	-	16,084
Other revenue	8,903	564	-	-	9,467
Total operating revenues	112,877	405,207	25,415	(704)	542,795
Operating expenses					
Administrative expenses	31,482	29,534	918	(22)	61,912
Tenant services	718	1,672	294	-	2,684
Asset management	23,695	1,697	90	-	25,482
General expenses	3,748	454	178	-	4,380
Grant expense	24,690	4,270	16,542	-	45,502
Housing assistance	3,537	351,601	-	-	355,138
Depreciation and amortization	16,140	1,642	-	-	17,782
Total operating expenses	104,010	390,870	18,022	(22)	512,880
Operating income (loss)	8,867	14,337	7,393	(682)	29,915

San Diego Housing Commission
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUNDS - CONTINUED
Year Ended June 30, 2026
(Dollars in Thousands)

	Business activities	Federal funds	State funds	Eliminations	Primary Government
Noncapital subsidies (expenses)					
Transfers in	66,453	361,385	-	(427,838)	-
Transfers out	(43,010)	(360,481)	(24,347)	427,838	-
Total noncapital subsidies (expenses)	23,443	904	(24,347)	-	-
Other nonoperating revenues (expenses)					
Capital grants	-	13,188	21,153	-	34,341
Interest income on investments	2,304	756	15	-	3,075
Interest expense and other expenses	(4,574)	(694)	-	-	(5,268)
Loss on sale of capital assets	(55)	-	-	-	(55)
Total other nonoperating revenues (expenses)	(2,325)	13,250	21,168	-	32,093
Change in net position	29,985	28,491	4,214	(682)	62,008
Net position - beginning of year	623,096	317,787	27,702	(222)	968,363
Net position - end of year	$ 653,081	$ 346,278	$ 31,916	$ (904)	$ 1,030,371

PRELIMINARY DRAFT SUBJECT TO CHANGE

San Diego Housing Commission
COMBINING SCHEDULE OF CASH FLOWS - ENTERPRISE FUNDS
Year Ended June 30, 2026
(Dollars in Thousands)

	Business activities	Federal funds	State funds	Primary Government
Cash flows from operating activities				
Cash received from operating grants	$ 32,387	$ 395,321	$ 23,934	$ 451,642
Cash received from tenants and other revenue	69,162	2,686	-	71,848
Cash payments to suppliers for goods and services	(66,599)	(362,320)	(13,635)	(442,554)
Cash payments to employees for services	(38,226)	(30,362)	(1,137)	(69,725)
Interest on notes receivable	3,069	247	-	3,316
Net cash provided by (used for) operating activities	(207)	5,572	9,162	14,527
Cash flows from capital and related financing activities				
Principal payments on notes payable	(3,137)	-	-	(3,137)
Proceeds from additional borrowings	2,748	9,097	-	11,845
Proceeds from capital grants	170	13,981	22,460	36,611
Acquisition and construction of capital assets	(26,055)	(18,583)	-	(44,638)
Interest payments	(4,452)	(95)	-	(4,547)
Net cash provided by (used for) capital and related financing activities	(30,726)	4,400	22,460	(3,866)
Cash flows from noncapital financing activities				
Transfers in (out)	30,723	904	(31,627)	-
Net cash provided by noncapital financing activities	30,723	904	(31,627)	-
Cash flows from investing activities				
Interest on investments	4,640	3,440	-	8,080
Collection of notes receivable	1,785	2,846	-	4,631
Cash loaned on notes receivable	(16,451)	(17,196)	-	(33,647)
Purchases of investments	(39,735)	(40,318)	-	(80,053)
Proceeds from sale of investments	47,863	39,527	-	87,390
Net cash provided by (used for) investing activities	(1,898)	(11,701)	-	(13,599)
Net increase (decrease) in cash and cash equivalents	(2,108)	(825)	(5)	(2,938)
Cash and cash equivalents				
Beginning of year	60,939	1,827	5	62,771
End of year	$ 58,831	$ 1,002	$ 0	$ 59,833
Financial statement presentation				
Cash and cash equivalents				$ 55,236
Restricted cash and cash equivalents				4,516
Restricted cash and cash equivalents - noncurrent				81
Total cash and cash equivalents				$ 59,833

San Diego Housing Commission
COMBINING SCHEDULE OF CASH FLOWS - ENTERPRISE FUNDS - CONTINUED
Year Ended June 30, 2026
(Dollars in Thousands)

	Business activities	Federal funds	State funds	Primary Government
Reconciliation of operating loss to net cash used for operating activities				
Operating income	$ 8,867	$ 13,655	$ 7,393	$ 29,915
Adjustments to reconcile operating income to net cash used for operating activities:				
Depreciation	16,140	1,642	-	17,782
Amortization of debt issuance costs	68	-	-	68
Allowance for accounts receivable	(1,721)	176	-	(1,545)
Provision for loan losses	(511)	(460)	100	(871)
Allowance for forgivable loans	23	(428)	11	(394)
Changes in operating assets and liabilities:				
Decrease (increase) in tenant receivables	2,071	971	-	3,042
Decrease (increase) in other receivables	(4,647)	(1,629)	(1,936)	(8,212)
Decrease (increase) in interest receivables	(5,713)	(6,520)	(534)	(12,767)
Decrease (increase) in prepaid items and other assets	(131)	(8)	-	(139)
Increase (decrease) in accounts payable	(13,997)	(1,563)	4,864	(10,696)
Increase (decrease) in accrued payroll and benefits	(1,816)	(352)	(40)	(2,208)
Increase (decrease) in deposits payable	1,097	(36)	54	1,115
Increase (decrease) in unearned revenues	63	(27)	(750)	(714)
Increase (decrease) in other liabilities	-	151	-	151
Net cash used for operating activities	$ (207)	$ 5,572	$ 9,162	$ 14,527
Supplemental disclosure of cash flow information:				
Noncash capital and related financing activities :				
Increase in accounts payable for capital assets	$ 399	$ 1,293	$ -	$ 1,692
Increase in right to use software arrangements	2,043	-	-	2,043
Total noncash capital and related financing activities	$ 2,442	$ 1,293	$ -	$ 3,735

San Diego Housing Commission
Combining Schedule of Fiduciary Net Position
Pension and Other Employee Benefit Trusts
June 30, 2026
(Dollars in Thousands)

	Pension Trust	Deferred Compensation Plan	Total
Assets			
Cash and investments:			
Mutal funds	$ 73,032	$ -	$ 73,032
Common collective trust funds	13,940	-	13,940
Participant directed brokerage accounts	2,659	1,306	3,965
Pooled separate accounts, at fair value	-	37,399	37,399
Guaranteed interest accounts, at contract value	-	5,384	5,384
Guaranteed interest accounts, at fair value	-	309	309
Cash	23	-	23
Total cash and investments	89,654	44,398	134,052
Receivables:			
Notes receivable from participants	-	1,147	1,147
Total receivables	-	1,147	1,147
Total assets	$ 89,654	$ 45,545	$ 135,199
Liabilities	$ -	$ -	$ -
Fiduciary net position	$ 89,654	$ 45,545	$ 135,199
Restricted for			
Pension	$ 89,654	$ -	$ 89,654
Other employee benefit other than pension	-	45,545	45,545
	$ 89,654	$ 45,545	$ 135,199

San Diego Housing Commission
Combining Schedule of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trusts
Year Ended June 30, 2026
(Dollars in Thousands)

	Pension Trust	Deferred Compensation Plan	Total
Additions to net position			
Investment income:			
Net appreciation in fair value of investments	$ 12,828	$ 4,727	$ 17,555
Interest and dividends	1,321	1,547	2,868
Total investment income	14,149	6,274	20,423
Interest on notes receivable from participants	-	84	84
Contributions:			
Employer contributions	5,659	902	6,561
Participant contributions	531	2,299	2,830
Rollover contributions	59	80	139
Total contributions	6,249	3,281	9,530
Total additions	20,398	9,639	30,037
Deductions from net position			
Benefits paid directly to participants or beneficiaries, including direct rollovers	14,477	5,066	19,543
Administrative fees and expenses	87	151	238
	14,564	5,217	19,781
Change in net position	5,834	4,422	10,256
Fiduciary net position			
Beginning of year	83,820	41,123	124,943
End of year	$ 89,654	$ 45,545	$ 135,199

PRELIMINARY DRAFT - SUBJECT TO CHANGE

FINANCIAL DATA SCHEDULE

San Diego Housing Commission (CA0630)
San Diego, CA
Entity Wide Balance Sheet Summary
Fiscal Year End: 06/30/2026

PRELIMINARY DRAFT - SUBJECT TO CHANGE

	Project Total	14.PHC Public Housing CARES Act Funding	14.EFA FSS Escrow Forfeiture Account	14.218 Community Development Block Grants/Entitlement Grants	14.MSC Mainstream CARES Act Funding	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	21.019 Coronavirus Relief Fund	1 Business Activities	2 State/Local	91 Other Federal Program 3
111 Cash - Unrestricted						$29,457,858	$4,162,726			$47,685,839		
112 Cash - Restricted - Modernization and Development												
113 Cash - Other Restricted	$50,368		$279,827			$12,169,168	$1,087,052			$3,941,982		
114 Cash - Tenant Security Deposits						$955,483	$785,011			$1,168,278		
115 Cash - Restricted for Payment of Current Liabilities												
100 Total Cash	$50,368	$0	$279,827	$0	$0	$42,582,509	$6,034,789	$0	$0	$52,796,099	$0	$0
121 Accounts Receivable - PHA Projects												
122 Accounts Receivable - HUD Other Projects						$133,447						
124 Accounts Receivable - Other Government	$452,963							$60,861		$17,204,922	$12,262,945	$1,500,000
125 Accounts Receivable - Miscellaneous						$274,906	$1,382,710			$10,450,209	$1,938,135	
126 Accounts Receivable - Tenants	$26,505					$423,955	$145,464			$633,853		
126.1 Allowance for Doubtful Accounts -Tenants	($7,418)					($401,434)	($38,658)			($341,378)		
126.2 Allowance for Doubtful Accounts - Other	$0					$0	$0	$0		($78,513)	$0	$0
127 Notes, Loans, & Mortgages Receivable - Current										$856,367		
128 Fraud Recovery												
128.1 Allowance for Doubtful Accounts - Fraud												
129 Accrued Interest Receivable	$55,920			$5,241,154			$344			$48,283,904	$3,356,720	
120 Total Receivables, Net of Allowances for Doubtful Accounts	$527,970	$0	$0	$5,241,154	$0	$430,874	$1,489,860	$60,861	$0	$77,009,364	$17,557,800	$1,500,000
131 Investments - Unrestricted	$11,264,238			$1,776,274			$43,754			$40,762,652		
132 Investments - Restricted												
135 Investments - Restricted for Payment of Current Liability												
142 Prepaid Expenses and Other Assets						$560,309	$228,906			$3,386,750		
143 Inventories												
143.1 Allowance for Obsolete Inventories												
144 Inter Program Due From												
145 Assets Held for Sale												
150 Total Current Assets	$11,842,576	$0	$279,827	$7,017,428	$0	$43,573,692	$7,797,309	$60,861	$0	$173,954,865	$17,557,800	$1,500,000
161 Land	$3,279,738					$4,476,568	$16,466,866			$112,749,969		
162 Buildings	$23,338,537					$150,764,661	$46,118,457			$314,809,190		
163 Furniture, Equipment & Machinery - Dwellings	$275,331					$8,834,921	$513,927			$3,633,739		
164 Furniture, Equipment & Machinery - Administration										$3,782,067		
165 Leasehold Improvements						$10,863				$9,300,150		
166 Accumulated Depreciation	($15,297,298)					($44,175,074)	($24,525,416)			-$91,935,344		
167 Construction in Progress	$232,601					$37,401	$127,205			$1,272,625	$1,852,681	
168 Infrastructure												
160 Total Capital Assets, Net of Accumulated Depreciation	$11,828,909	$0	$0	$0	$0	$119,949,340	$38,701,039	$0	$0	$353,612,396	$1,852,681	$0
171 Notes, Loans and Mortgages Receivable - Non-Current				$30,369,043						$232,383,256	$25,440,895	
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due												
173 Grants Receivable - Non Current												
174 Other Assets						$3,115,022				$84,780,003		
176 Investments in Joint Ventures						$90,173				$0		
180 Total Non-Current Assets	$11,828,909	$0	$0	$30,369,043	$0	$123,154,535	$38,701,039	$0	$0	$670,775,655	$27,293,576	$0
200 Deferred Outflow of Resources												
290 Total Assets and Deferred Outflow of Resources	$23,671,485	$0	$279,827	$37,386,471	$0	$166,728,227	$46,498,348	$60,861	$0	$844,730,520	$44,851,376	$1,500,000

San Diego Housing Commission (CA0630)
San Diego, CA
Entity Wide Balance Sheet Summary
Fiscal Year End: 06/30/2026

PRELIMINARY DRAFT - SUBJECT TO CHANGE

	8 Other Federal Program 1	9 Other Federal Program 2	21.027 Coronavirus State and Local Fiscal Recovery Funds	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	21.023 Emergency Rental Assistance Program	14.870 Resident Opportunity and Supportive Services	14.238 Shelter Plus Care	14.CMT CARES Act Funding Transferred to MTW	14.HCC HCV CARES Act Funding	14.EHV Emergency Housing Voucher	14.MRC Moderate Rehabilitation CARES Act Funding	14.881 Moving to Work Demonstration Program	93.268 Immunization Grants
111 Cash - Unrestricted														
112 Cash - Restricted - Modernization and Development														
113 Cash - Other Restricted				$7,457							$28,851		$567,381	
114 Cash - Tenant Security Deposits														
115 Cash - Restricted for Payment of Current Liabilities														
100 Total Cash	$0	$0	$0	$7,457	$0	$0	$0	$0	$0	$0	$28,851	$0	$567,381	$0
121 Accounts Receivable - PHA Projects													$2,082,533	
122 Accounts Receivable - HUD Other Projects													$2,481,712	
124 Accounts Receivable - Other Government					$1,614,282		$7,648							
125 Accounts Receivable - Miscellaneous				$9,030	$51,308						$54,837		$1,269,150	
126 Accounts Receivable - Tenants				$50									$4,726	
126.1 Allowance for Doubtful Accounts -Tenants				$0									$0	
126.2 Allowance for Doubtful Accounts - Other				$0	$0		$0				$0		($221,132)	
127 Notes, Loans, & Mortgages Receivable - Current					$464,210									
128 Fraud Recovery											$11,488		$110,065	
128.1 Allowance for Doubtful Accounts - Fraud											($11,488)		($110,065)	
129 Accrued Interest Receivable				$5,575	$43,144,715						$6,985		$59,424	
120 Total Receivables, Net of Allowances for Doubtful Accounts	$0	$0	$0	$14,655	$45,274,515	$0	$7,648	$0	$0	$0	$61,822	$0	$5,676,413	$0
131 Investments - Unrestricted				$1,094,235	$14,819,944						$1,371,478		$10,730,708	
132 Investments - Restricted														
135 Investments - Restricted for Payment of Current Liability														
142 Prepaid Expenses and Other Assets														
143 Inventories														
143.1 Allowance for Obsolete Inventories														
144 Inter Program Due From			$24,608,001											
145 Assets Held for Sale														
150 Total Current Assets	$0	$0	$24,608,001	$1,116,347	$60,094,459	$0	$7,648	$0	$0	$0	$1,462,151	$0	$16,974,502	$0
161 Land														
162 Buildings													$5,250,178	
163 Furniture, Equipment & Machinery - Dwellings														
164 Furniture, Equipment & Machinery - Administration														
165 Leasehold Improvements														
166 Accumulated Depreciation													($2,829,263)	
167 Construction in Progress													$445,773	
168 Infrastructure														
160 Total Capital Assets, Net of Accumulated Depreciation	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,866,688	$0
171 Notes, Loans and Mortgages Receivable - Non-Current					$209,519,766								$2,196,071	
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due														
173 Grants Receivable - Non Current														
174 Other Assets					$2,563,327									
176 Investments in Joint Ventures														
180 Total Non-Current Assets	$0	$0	$0	$0	$212,083,093	$0	$0	$0	$0	$0	$0	$0	$5,062,759	$0
200 Deferred Outflow of Resources														
290 Total Assets and Deferred Outflow of Resources	$0	$0	$24,608,001	$1,116,347	$272,177,552	$0	$7,648	$0	$0	$0	$1,462,151	$0	$22,037,261	$0

San Diego Housing Commission (CA0630)
San Diego, CA
Entity Wide Balance Sheet Summary
Fiscal Year End: 06/30/2026

	14.231 Emergency Shelter Grants Program	93.602 New Assets for Independence Demonstration Program	14.CFP MTW Demonstration Program for Capital Fund	14.OPS MTW Demonstration Program for Low Rent	14.HCV MTW Demonstration Program for HCV program	14.267 Continuum of Care Program	14.880 Family Unification Program (FUP)	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
111 Cash - Unrestricted								$0	$81,306,423		$81,306,423
112 Cash - Restricted - Modernization and Development								$0	$0		$0
113 Cash - Other Restricted							$68,326	$0	$18,200,412		$18,200,412
114 Cash - Tenant Security Deposits								$0	$2,908,772		$2,908,772
115 Cash - Restricted for Payment of Current Liabilities								$0	$0		$0
100 Total Cash	$0	$0	$0	$0	$0	$0	$68,326	$0	$102,415,607	$0	$102,415,607
121 Accounts Receivable - PHA Projects								$0	$2,082,533		$2,082,533
122 Accounts Receivable - HUD Other Projects							$16,049	$0	$2,631,208		$2,631,208
124 Accounts Receivable - Other Government	$168,730					$2,116,878		$0	$35,389,229		$35,389,229
125 Accounts Receivable - Miscellaneous	$0						$40,056	$0	$15,470,341	($1,828,672)	$13,641,669
126 Accounts Receivable - Tenants								$0	$1,234,553		$1,234,553
126.1 Allowance for Doubtful Accounts -Tenants								$0	($788,888)		($788,888)
126.2 Allowance for Doubtful Accounts - Other	$0					$0	$0	$0	($299,645)		($299,645)
127 Notes, Loans, & Mortgages Receivable - Current								$0	$1,320,577		$1,320,577
128 Fraud Recovery							$867	$0	$122,420		$122,420
128.1 Allowance for Doubtful Accounts - Fraud							($867)	$0	($122,420)		($122,420)
129 Accrued Interest Receivable							$1,821	$0	$100,156,562		$100,156,562
120 Total Receivables, Net of Allowances for Doubtful Accounts	$168,730	$0	$0	$0	$0	$2,116,878	$57,926	$0	$157,196,470	($1,828,672)	$155,367,798
131 Investments - Unrestricted							$348,289	$0	$82,211,572		$82,211,572
132 Investments - Restricted								$0	$0		$0
135 Investments - Restricted for Payment of Current Liability								$0	$0		$0
142 Prepaid Expenses and Other Assets	$8,043							$0	$4,184,008		$4,184,008
143 Inventories								$0	$0		$0
143.1 Allowance for Obsolete Inventories								$0	$0		$0
144 Inter Program Due From								$0	$24,608,001	-$24,608,001	$0
145 Assets Held for Sale								$0	$0		$0
150 Total Current Assets	$176,773	$0	$0	$0	$0	$2,116,878	$474,541	$0	$370,615,658	-$26,436,673	$344,178,985
161 Land								$0	$136,973,141		$136,973,141
162 Buildings								$0	$540,281,023		$540,281,023
163 Furniture, Equipment & Machinery - Dwellings								$0	$13,257,918		$13,257,918
164 Furniture, Equipment & Machinery - Administration								$0	$3,782,067		$3,782,067
165 Leasehold Improvements								$0	$9,311,013		$9,311,013
166 Accumulated Depreciation								$0	($178,762,395)		($178,762,395)
167 Construction in Progress								$0	$3,968,286	-$904,066	$3,064,220
168 Infrastructure								$0	$0		
160 Total Capital Assets, Net of Accumulated Depreciation	$0	$0	$0	$0	$0	$0	$0	$0	$528,811,053	-$904,066	$527,906,987
171 Notes, Loans and Mortgages Receivable - Non-Current								$0	$499,909,031		$499,909,031
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due								$0	$0		$0
173 Grants Receivable - Non Current								$0	$0		$0
174 Other Assets								$0	$90,458,352		$90,458,352
176 Investments in Joint Ventures								$0	$90,173		$90,173
180 Total Non-Current Assets	$0	$0	$0	$0	$0	$0	$0	$0	$1,119,268,609	-$904,066	$1,118,364,543
200 Deferred Outflow of Resources								$0	$0		
290 Total Assets and Deferred Outflow of Resources	$176,773	$0	$0	$0	$0	$2,116,878	$474,541	$0	$1,489,884,267	-$27,340,739	$1,462,543,528

PRELIMINARY DRAFT - SUBJECT TO CHANGE

San Diego Housing Commission (CA0630)
San Diego, CA
Entity Wide Balance Sheet Summary
Fiscal Year End: 06/30/2026

PRELIMINARY DRAFT - SUBJECT TO CHANGE

	Project Total	14.PHC Public Housing CARES Act Funding	14.EFA FSS Escrow Forfeiture Account	14.218 Community Development Block Grants/Entitlement Grants	14.MSC Mainstream CARES Act Funding	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	21.019 Coronavirus Relief Fund	1 Business Activities	2 State/Local	91 Other Federal Program 3
311 Bank Overdraft												
312 Accounts Payable <= 90 Days	$507,998		$629	$1,679,484		$2,206,648	$2,227,375			$8,951,402	$3,963,561	
313 Accounts Payable >90 Days Past Due												
321 Accrued Wage/Payroll Taxes Payable	$21,741					$78,585	$93,813	$23,668		$1,224,202		
322 Accrued Compensated Absences - Current Portion										$4,276,202		
324 Accrued Contingency Liability												
325 Accrued Interest Payable	$1,125,464					$17,553,765	$227,228			$1,072,996		
331 Accounts Payable - HUD PHA Programs												
332 Account Payable - PHA Projects												
333 Accounts Payable - Other Government	$18,999		$0			$21,142	$13,840	$37,193			$7,454,627	$1,500,000
341 Tenant Security Deposits	$100,287					$901,233	$783,190			$1,660,534		
342 Unearned Revenue	$37,992					$48,785	$349,734			$2,926,498	$1,419,921	
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue						$1,468,232	$2,211,910			$1,358,276		
344 Current Portion of Long-term Debt - Operating Borrowings												
345 Other Current Liabilities										$3,668,258	$97,093	
346 Accrued Liabilities - Other										$0		
347 Inter Program - Due To										$24,608,001		
348 Loan Liability - Current												
310 Total Current Liabilities	$1,812,481	$0	$629	$1,679,484	$0	$22,278,390	$5,907,090	$60,861	$0	$49,746,369	$12,935,202	$1,500,000
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	$4,554,849					$148,077,362	$54,308,532			$44,582,290		
352 Long-term Debt, Net of Current - Operating Borrowings												
353 Non-current Liabilities - Other						$10,664,343				$12,196,979		
354 Accrued Compensated Absences - Non Current												
355 Loan Liability - Non Current												
356 FASB 5 Liabilities												
357 Accrued Pension and OPEB Liabilities										$0		
350 Total Non-Current Liabilities	$4,554,849	$0	$0	$0	$0	$158,741,705	$54,308,532	$0	$0	$56,779,269	$0	$0
300 Total Liabilities	$6,367,330	$0	$629	$1,679,484	$0	$181,020,095	$60,215,622	$60,861	$0	$106,525,638	$12,935,202	$1,500,000
400 Deferred Inflow of Resources										$82,751,874		
508.3 Nonspendable Fund Balance												
508.4 Net Investment in Capital Assets	$7,274,063						($18,631,698)			$300,917,867	$1,852,681	$0
509.3 Restricted Fund Balance												
510.3 Committed Fund Balance												
511.3 Assigned Fund Balance												
511.4 Restricted Net Position	$1,680,469		$279,198	$34,506,193	$0	$44,629,448	$1,087,051	$0		$510,865	$0	$0
512.3 Unassigned Fund Balance												
512.4 Unrestricted Net Position	$8,349,623	$0	$0	$1,200,794	$0	($58,921,316)	$3,827,373	$0	$0	$354,024,277	$30,063,493	$0
513 Total Equity - Net Assets / Position	$17,304,155	$0	$279,198	$35,706,987	$0	($14,291,868)	($13,717,274)	$0	$0	$655,453,009	$31,916,174	$0
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$23,671,485	$0	$279,827	$37,386,471	$0	$166,728,227	$46,498,348	$60,861	$0	$844,730,521	$44,851,376	$1,500,000

San Diego Housing Commission (CA0630)
San Diego, CA
Entity Wide Balance Sheet Summary
Fiscal Year End: 06/30/2026

	8 Other Federal Program 1	9 Other Federal Program 2	21.027 Coronavirus State and Local Fiscal Recovery Funds	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	21.023 Emergency Rental Assistance Program	14.870 Resident Opportunity and Supportive Services	14.238 Shelter Plus Care	14.CMT CARES Act Funding Transferred to MTW	14.HCC HCV CARES Act Funding	14.EHV Emergency Housing Voucher	14.MRC Moderate Rehabilitation CARES Act Funding	14.881 Moving to Work Demonstration Program	93.268 Immunization Grants
311 Bank Overdraft														
312 Accounts Payable <= 90 Days					$639		$44				$5,100		$435,405	
313 Accounts Payable >90 Days Past Due														
321 Accrued Wage/Payroll Taxes Payable				$3,311	$32,474		$2,408				$13,111		$566,847	
322 Accrued Compensated Absences - Current Portion														
324 Accrued Contingency Liability														
325 Accrued Interest Payable			$801,569										$0	
331 Accounts Payable - HUD PHA Programs				$436							$4,273			
332 Account Payable - PHA Projects														
333 Accounts Payable - Other Government							$5,196							
341 Tenant Security Deposits											$2,000		$8,275	
342 Unearned Revenue				$58	$0								$947	
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue														
344 Current Portion of Long-term Debt - Operating Borrowings														
345 Other Current Liabilities					$300									
346 Accrued Liabilities - Other														
347 Inter Program - Due To														
348 Loan Liability - Current														
310 Total Current Liabilities	$0	$0	$801,569	$3,805	$33,413	$0	$7,648	$0	$0	$0	$24,484	$0	$1,011,474	$0
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			$23,806,432											
352 Long-term Debt, Net of Current - Operating Borrowings														
353 Non-current Liabilities - Other				$7,456							$28,851		$567,381	
354 Accrued Compensated Absences - Non Current														
355 Loan Liability - Non Current														
356 FASB 5 Liabilities														
357 Accrued Pension and OPEB Liabilities														
350 Total Non-Current Liabilities	$0	$0	$23,806,432	$7,456	$0	$0	$0	$0	$0	$0	$28,851	$0	$567,381	$0
300 Total Liabilities	$0	$0	$24,608,001	$11,261	$33,413	$0	$7,648	$0	$0	$0	$53,335	$0	$1,578,855	$0
400 Deferred Inflow of Resources					$2,521,163									
508.3 Nonspendable Fund Balance														
508.4 Net Investment in Capital Assets	$0		($23,806,432)	$0	$85,331								$2,866,689	
509.3 Restricted Fund Balance														
510.3 Committed Fund Balance														
511.3 Assigned Fund Balance														
511.4 Restricted Net Position	$0		$0	$47,453	$227,815,822						$600,000		$239,863	
512.3 Unassigned Fund Balance														
512.4 Unrestricted Net Position	$0	$0	$23,806,432	$1,057,633	$41,721,823	$0	$0	$0	$0	$0	$808,816	$0	$17,351,854	$0
513 Total Equity - Net Assets / Position	$0	$0	$0	$1,105,086	$269,622,976	$0	$0	$0	$0	$0	$1,408,816	$0	$20,458,406	$0
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$0	$0	$24,608,001	$1,116,347	$272,177,552	$0	$7,648	$0	$0	$0	$1,462,151	$0	$22,037,261	$0

PRELIMINARY DRAFT - SUBJECT TO CHANGE

San Diego Housing Commission (CA0630)
San Diego, CA
Entity Wide Balance Sheet Summary
Fiscal Year End: 06/30/2026

	14.231 Emergency Shelter Grants Program	93.602 New Assets for Independence Demonstration Program	14.CFP MTW Demonstration Program for Capital Fund	14.OPS MTW Demonstration Program for Low Rent	14.HCV MTW Demonstration Program for HCV program	14.267 Continuum of Care Program	14.880 Family Unification Program (FUP)	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
311 Bank Overdraft								$0	$0		$0
312 Accounts Payable <= 90 Days	$6,931					$1,291,802		$0	$21,277,018	($1,828,672)	$19,448,346
313 Accounts Payable >90 Days Past Due								$0	$0		$0
321 Accrued Wage/Payroll Taxes Payable						$54,429	$5,217	$0	$2,119,806		$2,119,806
322 Accrued Compensated Absences - Current Portion								$0	$4,276,202		$4,276,202
324 Accrued Contingency Liability								$0	$0		$0
325 Accrued Interest Payable								$0	$20,781,022		$20,781,022
331 Accounts Payable - HUD PHA Programs							$5,246	$0	$9,955		$9,955
332 Account Payable - PHA Projects								$0	$0		$0
333 Accounts Payable - Other Government	$169,842					$770,647		$0	$9,991,486		$9,991,486
341 Tenant Security Deposits								$0	$3,455,519		$3,455,519
342 Unearned Revenue								$0	$4,783,935		$4,783,935
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue								$0	$5,038,418		$5,038,418
344 Current Portion of Long-term Debt - Operating Borrowings								$0	$0		$0
345 Other Current Liabilities								$0	$3,765,651		$3,765,651
346 Accrued Liabilities - Other								$0	$0		$0
347 Inter Program - Due To								$0	$24,608,001	-$24,608,001	$0
348 Loan Liability - Current								$0	$0		$0
310 Total Current Liabilities	$176,773	$0	$0	$0	$0	$2,116,878	$10,463	$0	$100,107,013	-$26,436,673	$73,670,340
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue								$0	$275,329,465		$275,329,465
352 Long-term Debt, Net of Current - Operating Borrowings								$0	$0		$0
353 Non-current Liabilities - Other							$68,326	$0	$23,533,336	($11,345,653)	$12,187,683
354 Accrued Compensated Absences - Non Current								$0	$0		$0
355 Loan Liability - Non Current								$0	$0		$0
356 FASB 5 Liabilities								$0	$0		$0
357 Accrued Pension and OPEB Liabilities								$0	$0		$0
350 Total Non-Current Liabilities	$0	$0	$0	$0	$0	$0	$68,326	$0	$298,862,801	($11,345,653)	$287,517,148
300 Total Liabilities	$176,773	$0	$0	$0	$0	$2,116,878	$78,789	$0	$398,969,814	-$37,782,326	$361,187,488
400 Deferred Inflow of Resources								$0	$85,273,037		$85,273,037
508.3 Nonspendable Fund Balance								$0	$0		$0
508.4 Net Investment in Capital Assets								$0	$270,558,501	$0	$270,558,501
509.3 Restricted Fund Balance								$0	$0		$0
510.3 Committed Fund Balance								$0	$0		$0
511.3 Assigned Fund Balance								$0	$0		$0
511.4 Restricted Net Position							$303,849	$0	$311,700,211	$0	$311,700,211
512.3 Unassigned Fund Balance								$0	$0		$0
512.4 Unrestricted Net Position	$0	$0	$0	$0	$0	$0	$91,903	$0	$423,382,705	$10,441,587	$433,824,292
513 Total Equity - Net Assets / Position	$0	$0	$0	$0	$0	$0	$395,752	$0	$1,005,641,417	$10,441,587	$1,016,083,004
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$176,773	$0	$0	$0	$0	$2,116,878	$474,541	$0	$1,489,884,268	-$27,340,739	$1,462,543,529

PRELIMINARY DRAFT - SUBJECT TO CHANGE

San Diego Housing Commission (CA0630)
San Diego, CA
Entity Wide Revenue and Expense Summary
Fiscal Year End: 06/30/2026

PRELIMINARY DRAFT - SUBJECT TO CHANGE

	Project Total	14.PHC Public Housing CARES Act Funding	14.EFA FSS Escrow Forfeiture Account	14.218 Community Development Block Grants/Entitlement Grants	14.MSC Mainstream CARES Act Funding	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	21.019 Coronavirus Relief Fund	1 Business Activities	2 State/Local	91 Other Federal Program 3
70300 Net Tenant Rental Revenue	$1,758,405					$23,501,716	$20,757,394			$30,571,824		
70400 Tenant Revenue - Other	$11,973					$292,259	$86,374			$584,931		
70500 Total Tenant Revenue	$1,770,378	$0	$0	$0	$0	$23,793,975	$20,843,768	$0	$0	$31,156,755	$0	$0
70600 HUD PHA Operating Grants				$4,814,101				$689,879				
70610 Capital Grants				$12,134,986							$21,153,150	
70710 Management Fee												
70720 Asset Management Fee												
70730 Book Keeping Fee												
70740 Front Line Service Fee												
70750 Other Fees										$7,775,395		
70700 Total Fee Revenue												
70800 Other Government Grants						$429,009				$31,573,367	$24,853,933	
71100 Investment Income - Unrestricted	$248,175			$356		$649,024	$5,572			$2,293,935	$14,742	
71200 Mortgage Interest Income				$957,683		$6,000				$8,757,343	$559,678	
71300 Proceeds from Disposition of Assets Held for Sale												
71310 Cost of Sale of Assets												
71400 Fraud Recovery												
71500 Other Revenue	$23,971		$108,747	$750		$422,029	$3,418,468			$10,401,535	$1,250	
71600 Gain or Loss on Sale of Capital Assets							($55,775)			$963		
72000 Investment Income - Restricted	$8,247					$60,147	$1,123			$3,255		
70000 Total Revenue	$2,050,771	$0	$108,747	$17,907,876	$0	$25,360,184	$24,213,156	$689,879	$0	$91,962,548	$46,582,753	$0
91100 Administrative Salaries	$281,556			$82,031		$954,084	$822,958			$23,962,652	$111,458	
91200 Auditing Fees	$17,440					$222,747	$62,400			$202,884		
91300 Management Fee										$0		
91310 Book-keeping Fee												
91400 Advertising and Marketing						$2,457	$1,286			$8,484		
91500 Employee Benefit contributions - Administrative	$96,588			$15,575		$292,622	$323,831			$7,740,753		
91600 Office Expenses	$39,864		$1,521	$522		$257,704	$120,789			$3,369,865		
91700 Legal Expense	$32,565					$146,825	$116,501			$1,921,950		
91800 Travel										$45,395		
91810 Allocated Overhead	$358,607						$51			($13,469,207)	$796,963	
91900 Other	$29,413					$3,482,635	$1,136,294	$885		$4,689,312	$10,689	
91000 Total Operating - Administrative	$856,033	$0	$1,521	$98,128	$0	$5,359,074	$2,584,110	$885	$0	$28,472,088	$919,110	$0
92000 Asset Management Fee												
92100 Tenant Services - Salaries						$92,323		$503,877		$127,481		
92200 Relocation Costs	$10,728					$60,691	$33,440			$197,215	$293,890	
92300 Employee Benefit Contributions - Tenant Services								$170,001		$38,779		
92400 Tenant Services - Other			$136,719			$158,932	$76,144			$237,335	$35	
92500 Total Tenant Services	$10,728	$0	$136,719	$0	$0	$311,946	$109,584	$673,878	$0	$600,810	$293,925	$0
93100 Water	$157,159					$560,527	$969,537			$973,457	$9,222	
93200 Electricity	$43,170					$510,128	$166,311			$1,686,855	$5,834	
93300 Gas	$47,614					$260,058	$206,150			$234,426	$1,190	
93400 Fuel												
93500 Labor												
93600 Sewer	$75,918					$252,990	$482,283			$486,446	$160	
93700 Employee Benefit Contributions - Utilities												
93800 Other Utilities Expense						$8,288				$43,805	$3,591	
93000 Total Utilities	$323,861	$0	$0	$0	$0	$1,591,991	$1,824,281	$0	$0	$3,424,989	$19,997	$0

San Diego Housing Commission (CA0630)
San Diego, CA
Entity Wide Revenue and Expense Summary
Fiscal Year End: 06/30/2026

PRELIMINARY DRAFT - SUBJECT TO CHANGE

	8 Other Federal Program 1	9 Other Federal Program 2	21.027 Coronavirus State and Local Fiscal Recovery Funds	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	21.023 Emergency Rental Assistance Program	14.870 Resident Opportunity and Supportive Services	14.238 Shelter Plus Care	14.CMT CARES Act Funding Transferred to MTW	14.HCC HCV CARES Act Funding	14.EHV Emergency Housing Voucher	14.MRC Moderate Rehabilitation CARES Act Funding
70300 Net Tenant Rental Revenue												
70400 Tenant Revenue - Other				$2							$2	
70500 Total Tenant Revenue	$0	$0	$0	$2	$0	$0	$0	$0	$0	$0	$2	$0
70600 HUD PHA Operating Grants				$5,745,691	$7,381,026		$84,213				$11,961,631	
70610 Capital Grants					$384,806							
70710 Management Fee												
70720 Asset Management Fee												
70730 Book Keeping Fee												
70740 Front Line Service Fee												
70750 Other Fees												
70700 Total Fee Revenue												
70800 Other Government Grants												
71100 Investment Income - Unrestricted			$35	$23,077	$81						$23,999	
71200 Mortgage Interest Income					$7,103,884							
71300 Proceeds from Disposition of Assets Held for Sale												
71310 Cost of Sale of Assets												
71400 Fraud Recovery											$12,872	
71500 Other Revenue				$242,449	$456,889						$691,929	
71600 Gain or Loss on Sale of Capital Assets												
72000 Investment Income - Restricted												
70000 Total Revenue	$0	$0	$35	$6,011,219	$15,326,686	$0	$84,213	$0	$0	$0	$12,690,433	$0
91100 Administrative Salaries				$82,781	$466,824						$357,272	
91200 Auditing Fees												
91300 Management Fee												
91310 Book-keeping Fee												
91400 Advertising and Marketing												
91500 Employee Benefit contributions - Administrative				$28,250	$118,482						$62,063	
91600 Office Expenses					$2,989		$198				$230	
91700 Legal Expense					$2,120							
91800 Travel							$199					
91810 Allocated Overhead				$86,688	($36,979)						$307,181	
91900 Other			$11,896	$414	$28,967						$916	
91000 Total Operating - Administrative	$0	$0	$11,896	$198,133	$582,403	$0	$397	$0	$0	$0	$727,662	$0
92000 Asset Management Fee												
92100 Tenant Services - Salaries							$58,426					
92200 Relocation Costs			$2,341									
92300 Employee Benefit Contributions - Tenant Services							$19,295					
92400 Tenant Services - Other												
92500 Total Tenant Services	$0	$0	$2,341	$0	$0	$0	$77,721	$0	$0	$0	$0	$0
93100 Water												
93200 Electricity												
93300 Gas												
93400 Fuel												
93500 Labor												
93600 Sewer												
93700 Employee Benefit Contributions - Utilities												
93800 Other Utilities Expense												
93000 Total Utilities	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

San Diego Housing Commission (CA0630)
San Diego, CA
Entity Wide Revenue and Expense Summary
Fiscal Year End: 06/30/2026

PRELIMINARY DRAFT - SUBJECT TO CHANGE

	14.881 Moving to Work Demonstration Program	93.268 Immunization Grants	14.231 Emergency Shelter Grants Program	93.602 New Assets for Independence Demonstration Program	14.CFP MTW Demonstration Program for Capital Fund	14.OPS MTW Demonstration Program for Low Rent	14.HCV MTW Demonstration Program for HCV program	14.267 Continuum of Care Program	14.880 Family Unification Program (FUP)	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue										$0	$76,589,339		$76,589,339
70400 Tenant Revenue - Other	$351									$0	$975,892		$975,892
70500 Total Tenant Revenue	$351	$0	$0	$0	$0	$0	$0	$0	$0	$0	$77,565,231	$0	$77,565,231
70600 HUD PHA Operating Grants	$0		$975,074			$332,518	$334,095,663	$9,735,411	$4,799,374	$0	$380,614,581		$380,614,581
70610 Capital Grants					$668,322					$0	$34,341,264		$34,341,264
70710 Management Fee										$0	$0		$0
70720 Asset Management Fee										$0	$0		$0
70730 Book Keeping Fee										$0	$0		$0
70740 Front Line Service Fee										$0	$0		$0
70750 Other Fees										$0	$7,775,395	($1,072,797)	$6,702,598
70700 Total Fee Revenue										$0	$0	($1,072,797)	($1,072,797)
70800 Other Government Grants										$0	$56,856,309		$56,856,309
71100 Investment Income - Unrestricted	$441,871								$9,871	$0	$3,710,738		$3,710,738
71200 Mortgage Interest Income										$0	$17,384,588		$17,384,588
71300 Proceeds from Disposition of Assets Held for Sale										$0	$0		$0
71310 Cost of Sale of Assets										$0	$0		$0
71400 Fraud Recovery	$62,329									$0	$75,201		$75,201
71500 Other Revenue	$14,477,787									$0	$30,245,804	($704,752)	$29,541,052
71600 Gain or Loss on Sale of Capital Assets										$0	($54,812)		($54,812)
72000 Investment Income - Restricted										$0	$72,772		$72,772
70000 Total Revenue	$14,982,338	$0	$975,074	$0	$668,322	$332,518	$334,095,663	$9,735,411	$4,809,245	$0	$608,587,071	($1,777,549)	$606,809,522
91100 Administrative Salaries	$9,129,263							$504,019	$93,851	$0	$36,848,749		$36,848,749
91200 Auditing Fees										$0	$505,471		$505,471
91300 Management Fee										$0	$0		$0
91310 Book-keeping Fee										$0	$0		$0
91400 Advertising and Marketing	$13,966									$0	$26,193		$26,193
91500 Employee Benefit contributions - Administrative	$3,488,728							$166,050	$33,346	$0	$12,366,288		$12,366,288
91600 Office Expenses	$185,444									$0	$3,979,126		$3,979,126
91700 Legal Expense	$162,095									$0	$2,382,056		$2,382,056
91800 Travel	$6,141									$0	$51,735		$51,735
91810 Allocated Overhead	$11,341,915		$59,447					$458,316	$97,018	$0	$0		$0
91900 Other	$790,959							$26,008	$502	$0	$10,208,890	($1,095,733)	$9,113,157
91000 Total Operating - Administrative	$25,118,511	$0	$59,447	$0	$0	$0	$0	$1,154,393	$224,717	$0	$66,368,508	($1,095,733)	$65,272,775
92000 Asset Management Fee										$0	$0		
92100 Tenant Services - Salaries	$540,305									$0	$1,322,412		$1,322,412
92200 Relocation Costs										$0	$598,305		$598,305
92300 Employee Benefit Contributions - Tenant Services	$159,589									$0	$387,664		$387,664
92400 Tenant Services - Other	$12,976									$0	$622,141		$622,141
92500 Total Tenant Services	$712,870	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,930,522	$0	$2,930,522
93100 Water										$0	$2,669,902		$2,669,902
93200 Electricity										$0	$2,412,298		$2,412,298
93300 Gas										$0	$749,438		$749,438
93400 Fuel										$0	$0		$0
93500 Labor										$0	$0		$0
93600 Sewer										$0	$1,297,797		$1,297,797
93700 Employee Benefit Contributions - Utilities										$0	$0		$0
93800 Other Utilities Expense										$0	$55,684		$55,684
93000 Total Utilities	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$7,185,119	$0	$7,185,119

San Diego Housing Commission (CA0630)
San Diego, CA
Entity Wide Revenue and Expense Summary
Fiscal Year End: 06/30/2026

PRELIMINARY DRAFT - SUBJECT TO CHANGE

	Project Total	14.PHC Public Housing CARES Act Funding	14.EFA FSS Escrow Forfeiture Account	14.218 Community Development Block Grants/Entitlement Grants	14.MSC Mainstream CARES Act Funding	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	21.019 Coronavirus Relief Fund	1 Business Activities	2 State/Local	91 Other Federal Program 3
94100 Ordinary Maintenance and Operations - Labor	$163,812					$941,938	$761,000			$825,525		
94200 Ordinary Maintenance and Operations - Materials and Other	$25,535					$241,810	$193,352			$351,014		
94300 Ordinary Maintenance and Operations Contracts	$722,809					$2,019,015	$4,030,379			$5,023,693	$9,094	
94500 Employee Benefit Contributions - Ordinary Maintenance	$71,226						$345,385			$361,042		
94000 Total Maintenance	$983,382	$0	$0	$0	$0	$3,202,763	$5,330,116	$0	$0	$6,561,274	$9,094	$0
95100 Protective Services - Labor												
95200 Protective Services - Other Contract Costs	$168,923					$616,232	$191,859			$2,562,309	$60,480	
95300 Protective Services - Other						$77,827				$720		
95500 Employee Benefit Contributions - Protective Services												
95000 Total Protective Services	$168,923	$0	$0	$0	$0	$694,059	$191,859	$0	$0	$2,563,029	$60,480	$0
96110 Property Insurance	$46,721			$681			$305,942			$668,567	$17,672	
96120 Liability Insurance	$17,346			$82		$797,570	$95,514			$522,062	$1,860	
96130 Workmen's Compensation	$12,337			$1,257		$112,990	$47,216	$15,116		$353,014		
96140 All Other Insurance	$22,957			$16		$25,785	$86,426			$420,839		
96100 Total insurance Premiums	$99,361	$0	$0	$2,036	$0	$936,345	$535,098	$15,116	$0	$1,964,482	$19,532	$0
96200 Other General Expenses			$14,321	$575,099		$1,453,057	$1,453,387			$25,635,801	$16,573,153	
96210 Compensated Absences	$1,434						$38,389			$1,086,609		
96300 Payments in Lieu of Taxes	$180					$23,313	$54,150			$54,945		
96400 Bad debt - Tenant Rents	$73,543					$564,407	$442,231			$1,185,103		
96500 Bad debt - Mortgages				($39,884)						($446,179)	$127,436	
96600 Bad debt - Other							$0			$82,925		
96800 Severance Expense												
96000 Total Other General Expenses	$75,157	$0	$14,321	$535,215	$0	$2,040,777	$1,988,157	$0	$0	$27,599,204	$16,700,589	$0
96710 Interest of Mortgage (or Bonds) Payable	$136,645			$1,284,293		$6,741,878	$2,962,156			$1,514,436	$96,692	
96720 Interest on Notes Payable (Short and Long Term)												
96730 Amortization of Bond Issue Costs												
96700 Total Interest Expense and Amortization Cost	$136,645	$0	$0	$1,284,293	$0	$6,741,878	$2,962,156	$0	$0	$1,514,436	$96,692	$0
96900 Total Operating Expenses	$2,654,090	$0	$152,561	$1,919,672	$0	$20,878,833	$15,525,361	$689,879	$0	$72,700,312	$18,119,419	$0
97000 Excess of Operating Revenue over Operating Expenses	($603,319)	$0	($43,814)	$15,988,204	$0	$4,481,351	$8,687,795	$0	$0	$19,262,236	$28,463,334	$0
97100 Extraordinary Maintenance	$9,280					$40,356	$1,452,869			$1,979,866		
97200 Casualty Losses - Non-capitalized												
97300 Housing Assistance Payments										$3,537,085		
97350 HAP Portability-In												
97400 Depreciation Expense	$1,291,907					$4,697,122	$1,851,631			$12,490,458		
97500 Fraud Losses												
97600 Capital Outlays - Governmental Funds												
97700 Debt Principal Payment - Governmental Funds												
97800 Dwelling Units Rent Expense												
90000 Total Expenses	$3,955,277	$0	$152,561	$1,919,672	$0	$25,616,311	$18,829,861	$689,879	$0	$90,707,721	$18,119,419	$0

San Diego Housing Commission (CA0630)
San Diego, CA
Entity Wide Revenue and Expense Summary
Fiscal Year End: 06/30/2026

PRELIMINARY DRAFT - SUBJECT TO CHANGE

	8 Other Federal Program 1	9 Other Federal Program 2	21.027 Coronavirus State and Local Fiscal Recovery Funds	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	21.023 Emergency Rental Assistance Program	14.870 Resident Opportunity and Supportive Services	14.238 Shelter Plus Care	14.CMT CARES Act Funding Transferred to MTW	14.HCC HCV CARES Act Funding	14.EHV Emergency Housing Voucher	14.MRC Moderate Rehabilitation CARES Act Funding
94100 Ordinary Maintenance and Operations - Labor												
94200 Ordinary Maintenance and Operations - Materials and Other			$1,535									
94300 Ordinary Maintenance and Operations Contracts			$98,092		$99,276							
94500 Employee Benefit Contributions - Ordinary Maintenance												
94000 Total Maintenance	$0	$0	$99,627	$0	$99,276	$0	$0	$0	$0	$0	$0	$0
95100 Protective Services - Labor												
95200 Protective Services - Other Contract Costs												
95300 Protective Services - Other												
95500 Employee Benefit Contributions - Protective Services												
95000 Total Protective Services	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
96110 Property Insurance												
96120 Liability Insurance				$757							$1,125	
96130 Workmen's Compensation				$2,270	$10,335		$1,708				$4,745	
96140 All Other Insurance				$24							$30	
96100 Total insurance Premiums	$0	$0	$0	$3,051	$10,335	$0	$1,708	$0	$0	$0	$5,900	$0
96200 Other General Expenses				$157,040	$484,014		$4,387				$57,334	
96210 Compensated Absences				($1,383)	$6,729						$11,364	
96300 Payments in Lieu of Taxes												
96400 Bad debt - Tenant Rents												
96500 Bad debt - Mortgages					($341,120)							
96600 Bad debt - Other											$11,488	
96800 Severance Expense												
96000 Total Other General Expenses	$0	$0	$0	$155,657	$149,623	$0	$4,387	$0	$0	$0	$80,186	$0
96710 Interest of Mortgage (or Bonds) Payable			$557,392	$436							$4,274	
96720 Interest on Notes Payable (Short and Long Term)												
96730 Amortization of Bond Issue Costs												
96700 Total Interest Expense and Amortization Cost	$0	$0	$557,392	$436	$0	$0	$0	$0	$0	$0	$4,274	$0
96900 Total Operating Expenses	$0	$0	$671,256	$357,277	$841,637	$0	$84,213	$0	$0	$0	$818,022	$0
97000 Excess of Operating Revenue over Operating Expenses	$0	$0	($671,221)	$5,653,942	$14,485,049	$0	$0	$0	$0	$0	$11,872,411	$0
97100 Extraordinary Maintenance												
97200 Casualty Losses - Non-capitalized												
97300 Housing Assistance Payments				$5,443,584							$10,544,725	
97350 HAP Portability-In				$233,520							$668,833	
97400 Depreciation Expense												
97500 Fraud Losses												
97600 Capital Outlays - Governmental Funds												
97700 Debt Principal Payment - Governmental Funds												
97800 Dwelling Units Rent Expense												
90000 Total Expenses	$0	$0	$671,256	$6,034,381	$841,637	$0	$84,213	$0	$0	$0	$12,031,580	$0

San Diego Housing Commission (CA0630)
San Diego, CA
Entity Wide Revenue and Expense Summary
Fiscal Year End: 06/30/2026

PRELIMINARY DRAFT - SUBJECT TO CHANGE

	14.881 Moving to Work Demonstration Program	93.268 Immunization Grants	14.231 Emergency Shelter Grants Program	93.602 New Assets for Independence Demonstration Program	14.CFP MTW Demonstration Program for Capital Fund	14.OPS MTW Demonstration Program for Low Rent	14.HCV MTW Demonstration Program for HCV program	14.267 Continuum of Care Program	14.880 Family Unification Program (FUP)	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
94100 Ordinary Maintenance and Operations - Labor										$0	$2,692,275		$2,692,275
94200 Ordinary Maintenance and Operations - Materials and Other										$0	$813,246		$813,246
94300 Ordinary Maintenance and Operations Contracts										$0	$12,002,358		$12,002,358
94500 Employee Benefit Contributions - Ordinary Maintenance	($38)									$0	$777,615		$777,615
94000 Total Maintenance	($38)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$16,285,494	$0	$16,285,494
95100 Protective Services - Labor										$0	$0		$0
95200 Protective Services - Other Contract Costs										$0	$3,599,803		$3,599,803
95300 Protective Services - Other										$0	$78,547		$78,547
95500 Employee Benefit Contributions - Protective Services										$0	$0		$0
95000 Total Protective Services	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$3,678,350	$0	$3,678,350
96110 Property Insurance										$0	$1,039,583		$1,039,583
96120 Liability Insurance	$185,756								$855	$0	$1,622,927		$1,622,927
96130 Workmen's Compensation	$287,712							$13,643	$2,407	$0	$864,750		$864,750
96140 All Other Insurance	$3,029								$29	$0	$559,135		$559,135
96100 Total insurance Premiums	$476,497	$0	$0	$0	$0	$0	$0	$13,643	$3,291	$0	$4,086,395	$0	$4,086,395
96200 Other General Expenses	$1,161,426		$761,908					$1,254,467	$26,385	$0	$49,611,779		$49,611,779
96210 Compensated Absences	$214,511							$6,276	$1,234	$0	$1,365,163		$1,365,163
96300 Payments in Lieu of Taxes										$0	$132,588		$132,588
96400 Bad debt - Tenant Rents										$0	$2,265,284		$2,265,284
96500 Bad debt - Mortgages	$2,259									$0	($697,488)		($697,488)
96600 Bad debt - Other	$242,795								($369)	$0	$336,839		$336,839
96800 Severance Expense										$0	$0		$0
96000 Total Other General Expenses	$1,620,991	$0	$761,908	$0	$0	$0	$0	$1,260,743	$27,250	$0	$53,014,165	$0	$53,014,165
96710 Interest of Mortgage (or Bonds) Payable									$5,246	$0	$13,303,448		$13,303,448
96720 Interest on Notes Payable (Short and Long Term)										$0	$0		$0
96730 Amortization of Bond Issue Costs										$0	$0		$0
96700 Total Interest Expense and Amortization Cost	$0	$0	$0	$0	$0	$0	$0	$0	$5,246	$0	$13,303,448	$0	$13,303,448
96900 Total Operating Expenses	$27,928,831	$0	$821,355	$0	$0	$0	$0	$2,428,779	$260,504	$0	$166,852,001	($1,095,733)	$165,756,268
97000 Excess of Operating Revenue over Operating Expenses	($12,946,493)	$0	$153,719	$0	$668,322	$332,518	$334,095,663	$7,306,632	$4,548,741	$0	$441,735,070	($681,816)	$441,053,254
97100 Extraordinary Maintenance										$0	$3,482,371		$3,482,371
97200 Casualty Losses - Non-capitalized										$0	$0		$0
97300 Housing Assistance Payments	$309,030,622		$153,719					$7,306,632	$4,376,532	$0	$340,392,899		$340,392,899
97350 HAP Portability-In	$13,842,936									$0	$14,745,289		$14,745,289
97400 Depreciation Expense	$350,012									$0	$20,681,130		$20,681,130
97500 Fraud Losses										$0	$0		$0
97600 Capital Outlays - Governmental Funds										$0	$0		$0
97700 Debt Principal Payment - Governmental Funds										$0	$0		$0
97800 Dwelling Units Rent Expense										$0	$0		$0
90000 Total Expenses	$351,152,401	$0	$975,074	$0	$0	$0	$0	$9,735,411	$4,637,036	$0	$546,153,690	($1,095,733)	$545,057,957

San Diego Housing Commission (CA0630)
San Diego, CA
Entity Wide Revenue and Expense Summary
Fiscal Year End: 06/30/2026

PRELIMINARY DRAFT - SUBJECT TO CHANGE

	Project Total	14.PHC Public Housing CARES Act Funding	14.EFA FSS Escrow Forfeiture Account	14.218 Community Development Block Grants/Entitlement Grants	14.MSC Mainstream CARES Act Funding	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	21.019 Coronavirus Relief Fund	1 Business Activities	2 State/Local	91 Other Federal Program 3
10010 Operating Transfer In										$51,790,001	$0	
10020 Operating transfer Out				($12,292,572)						-$28,312,276	($24,249,592)	
10030 Operating Transfers from/to Primary Government												
10040 Operating Transfers from/to Component Unit												
10050 Proceeds from Notes, Loans and Bonds												
10060 Proceeds from Property Sales												
10070 Extraordinary Items, Net Gain/Loss												
10080 Special Items (Net Gain/Loss)						($7,164)	($1,050,487)					
10091 Inter Project Excess Cash Transfer In	$141,960											
10092 Inter Project Excess Cash Transfer Out	($141,960)											
10093 Transfers between Program and Project - In	$1,132,484											
10094 Transfers between Project and Program - Out										($131,644)		
10100 Total Other financing Sources (Uses)	$1,132,484	$0	$0	($12,292,572)	$0	($7,164)	($1,050,487)	$0	$0	$23,346,081	($24,249,592)	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	($772,022)	$0	($43,814)	$3,695,632	$0	($263,291)	$4,332,808	$0	$0	$24,600,909	$4,213,742	$0
11020 Required Annual Debt Principal Payments	$0	$0	$0	$0	$0	$1,424,077	$2,106,295	$0	$0	$980,364	$0	$0
11030 Beginning Equity	$18,076,177	$0	$323,012	$32,011,355	$0	($14,028,577)	($18,050,082)	$0	$0	$630,852,099	$27,702,432	$0
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors												
11050 Changes in Compensated Absence Balance												
11060 Changes in Contingent Liability Balance												
11070 Changes in Unrecognized Pension Transition Liability												
11080 Changes in Special Term/Severance Benefits Liability												
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents												
11100 Changes in Allowance for Doubtful Accounts - Other												
11170 Administrative Fee Equity												
11180 Housing Assistance Payments Equity												
11190 Unit Months Available	2244					12720	12768			16160		
11210 Number of Unit Months Leased	2160					12105	11985			15135		
11270 Excess Cash	$9,785,940											
11610 Land Purchases	$0											
11620 Building Purchases	$0											
11630 Furniture & Equipment - Dwelling Purchases	$0											
11640 Furniture & Equipment - Administrative Purchases	$0											
11650 Leasehold Improvements Purchases	$0											
11660 Infrastructure Purchases	$0											
13510 CFFP Debt Service Payments	$0											
13901 Replacement Housing Factor Funds	$0											

San Diego Housing Commission (CA0630)
San Diego, CA
Entity Wide Revenue and Expense Summary
Fiscal Year End: 06/30/2026

PRELIMINARY DRAFT - SUBJECT TO CHANGE

	8 Other Federal Program 1	9 Other Federal Program 2	21.027 Coronavirus State and Local Fiscal Recovery Funds	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	21.023 Emergency Rental Assistance Program	14.870 Resident Opportunity and Supportive Services	14.238 Shelter Plus Care	14.CMT CARES Act Funding Transferred to MTW	14.HCC HCV CARES Act Funding	14.EHV Emergency Housing Voucher	14.MRC Moderate Rehabilitation CARES Act Funding
10010 Operating Transfer In			$13,902,285	$41,644	$0						$21,608	
10020 Operating transfer Out			$0		($891,334)						($21,608)	
10030 Operating Transfers from/to Primary Government												
10040 Operating Transfers from/to Component Unit												
10050 Proceeds from Notes, Loans and Bonds												
10060 Proceeds from Property Sales												
10070 Extraordinary Items, Net Gain/Loss												
10080 Special Items (Net Gain/Loss)												
10091 Inter Project Excess Cash Transfer In												
10092 Inter Project Excess Cash Transfer Out												
10093 Transfers between Program and Project - In												
10094 Transfers between Project and Program - Out												
10100 Total Other financing Sources (Uses)	$0	$0	$13,902,285	$41,644	($891,334)	$0	$0	$0	$0	$0	$0	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	$0	$0	$13,231,064	$18,482	$13,593,715	$0	$0	$0	$0	$0	$658,853	$0
11020 Required Annual Debt Principal Payments	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
11030 Beginning Equity	$0	$0	($13,231,064)	$1,086,604	$256,029,261	$0	$0	$0	$0	$0	$749,963	$0
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors												
11050 Changes in Compensated Absence Balance												
11060 Changes in Contingent Liability Balance												
11070 Changes in Unrecognized Pension Transition Liability												
11080 Changes in Special Term/Severance Benefits Liability												
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents												
11100 Changes in Allowance for Doubtful Accounts - Other												
11170 Administrative Fee Equity												
11180 Housing Assistance Payments Equity												
11190 Unit Months Available				3096							5628	
11210 Number of Unit Months Leased				2713							4779	
11270 Excess Cash												
11610 Land Purchases												
11620 Building Purchases												
11630 Furniture & Equipment - Dwelling Purchases												
11640 Furniture & Equipment - Administrative Purchases												
11650 Leasehold Improvements Purchases												
11660 Infrastructure Purchases												
13510 CFFP Debt Service Payments												
13901 Replacement Housing Factor Funds												

San Diego Housing Commission (CA0630)
San Diego, CA
Entity Wide Revenue and Expense Summary
Fiscal Year End: 06/30/2026

	14.881 Moving to Work Demonstration Program	93.268 Immunization Grants	14.231 Emergency Shelter Grants Program	93.602 New Assets for Independence Demonstration Program	14.CFP MTW Demonstration Program for Capital Fund	14.OPS MTW Demonstration Program for Low Rent	14.HCV MTW Demonstration Program for HCV program	14.267 Continuum of Care Program	14.880 Family Unification Program (FUP)	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
10010 Operating Transfer In	$335,108,347								$0	$0	$400,863,885	($400,863,885)	$0
10020 Operating transfer Out					($668,322)	($332,518)	($334,095,663)			$0	($400,863,885)	$400,863,885	$0
10030 Operating Transfers from/to Primary Government										$0	$0		$0
10040 Operating Transfers from/to Component Unit										$0	$0		$0
10050 Proceeds from Notes, Loans and Bonds										$0	$0		$0
10060 Proceeds from Property Sales										$0	$0		$0
10070 Extraordinary Items, Net Gain/Loss										$0	$0		$0
10080 Special Items (Net Gain/Loss)										$0	($1,057,651)	$1,050,487	($7,164)
10091 Inter Project Excess Cash Transfer In										$0	$141,960	($141,960)	$0
10092 Inter Project Excess Cash Transfer Out										$0	($141,960)	$141,960	$0
10093 Transfers between Program and Project - In										$0	$1,132,484	($1,132,484)	$0
10094 Transfers between Project and Program - Out	($1,000,840)									$0	($1,132,484)	$1,132,484	$0
10100 Total Other financing Sources (Uses)	$334,107,507	$0	$0	$0	($668,322)	($332,518)	($334,095,663)	$0	$0	$0	($1,057,651)	$1,050,487	($7,164)
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	($2,062,556)	$0	$0	$0	$0	$0	$0	$0	$172,209	$0	$61,375,731	$368,671	$61,744,402
11020 Required Annual Debt Principal Payments	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$4,510,736	$0	$4,510,736
11030 Beginning Equity	$22,520,962	$0	$0	$0	$0	$0	$0	$0	$223,543	$0	$944,265,685	$10,072,915	$954,338,600
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors										$0			
11050 Changes in Compensated Absence Balance										$0			
11060 Changes in Contingent Liability Balance										$0			
11070 Changes in Unrecognized Pension Transition Liability										$0			
11080 Changes in Special Term/Severance Benefits Liability										$0			
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents										$0			
11100 Changes in Allowance for Doubtful Accounts - Other										$0			
11170 Administrative Fee Equity										$0			
11180 Housing Assistance Payments Equity										$0			
11190 Unit Months Available	190200								3120	0	245936		245936
11210 Number of Unit Months Leased	179980								1981	0	230838		230838
11270 Excess Cash										$0	$9,785,940		$9,785,940
11610 Land Purchases										$0	$0		$0
11620 Building Purchases										$0	$0		$0
11630 Furniture & Equipment - Dwelling Purchases										$0	$0		$0
11640 Furniture & Equipment - Administrative Purchases										$0	$0		$0
11650 Leasehold Improvements Purchases										$0	$0		$0
11660 Infrastructure Purchases										$0	$0		$0
13510 CFFP Debt Service Payments										$0	$0		$0
13901 Replacement Housing Factor Funds										$0	$0		$0

PRELIMINARY DRAFT - SUBJECT TO CHANGE

SAN DIEGO HOUSING COMMISSION

Statistical Section (Unaudited)



We're About People

In collaboration with a variety of community partners, the SDHC Achievement Academy offers programs that emphasize career planning, job skills, job placement and personal financial education, such as budgeting and understanding credit. SDHC Achievement Academy programs are available at no cost to program participants.

San Diego Housing Commission

Statistical Section (Unaudited)

PRELIMINARY DRAFT - SUBJECT TO CHANGE

This part of the Annual Comprehensive Financial Report represents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about SDHC's overall financial health. These schedules are for the Primary Government only and do not include activity of the discretely presented component units of HDP. The following are the categories of the schedules that are included in this Section:

Financial Trends

These schedules contain trend information to help the reader understand how SDHC's financial performance and well-being have changed over time. These schedules can be viewed on pages 130 to 132.

Revenue Capacity

This schedule contains information to help the reader assess SDHC's most significant revenue source. This schedule can be viewed on page 134.

Debt Capacity

This schedule presents information to help the reader assess the affordability of SDHC's current level of outstanding debt. This schedule can be viewed on page 136.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which SDHC's financial activities take place. These schedules can be viewed on pages 138 to 143.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in SDHC's financial report relates to the services SDHC provides and the activities it performs. These schedules can be viewed on pages 145 to 151.

PRELIMINARY DRAFT SUBJECT TO CHANGE

FINANCIAL TRENDS

San Diego Housing Commission

Net Position by Component (Unaudited)

Ten Years Ending June 30, 2026

Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
2017	95,953,834	182,546,323	288,586,654	567,086,811
2018	107,299,446	199,381,101	324,301,550	630,982,097
2019	114,531,527	200,545,488	336,400,398	651,477,413
2020	98,905,348	218,948,768	352,492,391	670,346,507
2021	167,437,312	224,767,810	411,604,481	803,809,603
2022	159,314,269	233,032,474	431,065,861	823,412,604
2023	180,418,826	235,277,397	451,563,953	867,260,176
2024	196,658,948	247,613,645	459,285,778	903,558,371
2025	259,055,266	248,261,984	461,046,431	968,363,681
2026	270,558,500	267,070,763	492,745,609	1,030,374,872

Source: Annual Financial Statements

PREL
CHANGE

PRELIMINA

San Diego Housing Commission

Revenue, Expenses and Changes in Net Position (Unaudited)

Last Ten Years Ending June 30, 2026

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Operating revenues										
Operating grants (1)	$ 452,431,109	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Dwelling rental income	53,513,836	43,151,446	40,515,852	38,942,457	36,641,008	32,471,638	30,693,343	31,520,369	31,061,313	30,079,966
Land lease and other rental income	4,594,687	4,336,413	4,325,169	4,025,445	4,552,985	3,884,295	3,350,791	2,969,373	2,601,204	2,492,779
Fee revenue	6,703,717	5,965,065	5,844,766	5,770,105	4,656,927	6,754,836	4,478,995	3,163,802	4,213,854	4,511,918
Interest income on notes receivable (2)	16,084,338	-	-	-	-	-	-	-	-	-
Other revenue	9,466,607	18,795,668	15,866,575	9,963,343	10,828,945	8,398,457	6,960,058	6,571,628	6,276,590	4,407,790
Total operating revenues	542,794,294	72,248,592	66,552,362	58,701,350	56,679,865	51,509,226	45,483,188	44,225,172	44,152,961	41,492,453
Operating expenses										
Administrative expenses	61,911,697	68,002,383	61,447,952	55,826,198	64,077,158	54,572,266	44,004,239	39,905,313	37,026,223	34,542,960
Tenant services	2,683,455	2,589,223	3,335,044	2,097,738	2,180,694	2,468,496	1,867,580	2,613,917	2,544,030	1,988,632
Asset management	25,481,777	22,206,056	18,223,848	21,199,719	27,247,261	18,550,007	15,466,148	16,929,473	20,288,174	14,170,505
General expenses	4,380,719	6,389,926	6,504,721	4,660,339	3,701,340	2,404,243	2,050,469	1,263,618	3,059,488	1,435,332
Grant expense	45,502,125	57,321,602	69,959,728	57,562,134	38,252,671	34,792,742	40,438,608	25,020,659	20,432,499	11,752,995
Housing assistance	355,138,189	321,306,287	291,272,057	260,309,681	401,968,068	237,809,503	175,968,790	155,150,246	149,691,267	144,557,990
Depreciation and amortization	17,782,108	14,764,042	11,946,666	11,179,998	10,683,516	9,470,169	8,131,859	8,118,368	7,214,950	5,764,403
Total operating expenses	512,880,070	492,579,519	462,690,016	412,835,807	548,110,708	360,067,425	287,927,693	249,001,594	240,256,631	214,212,817
Operating income (loss)	29,914,224	(420,330,927)	(396,137,654)	(354,134,457)	(491,430,843)	(308,558,199)	(242,444,505)	(204,776,422)	(196,103,670)	(172,720,364)
Nonoperating revenues (expenses):										
Capital grants and other grants (1)	34,341,263	467,062,197	415,510,835	387,287,755	507,052,316	401,428,897	250,210,888	214,794,552	240,541,580	217,487,187
Investment income (2)	3,074,339	22,902,833	23,428,829	17,523,586	11,093,711	14,270,429	16,129,043	15,683,989	10,968,696	9,099,264
Gain/loss on sale of capital assets	(54,812)	(4,804)	(3,056)	(45,229)	(27,582)	(11,094)	-	(21,936)	2,376	-
Interest expense	(5,267,321)	(4,822,589)	(6,500,759)	(6,784,085)	(7,084,600)	(6,830,909)	(5,026,332)	(5,184,867)	(5,195,160)	(5,344,008)
Net nonoperating revenues	32,093,469	485,137,637	432,435,849	397,982,027	511,033,845	408,857,324	261,313,599	225,271,738	246,317,492	221,242,443
Change in net position	62,007,693	64,806,710	36,298,195	43,847,570	19,603,002	100,299,125	18,869,094	20,495,316	50,213,822	48,522,079
Transfer of properties to component unit	-			-	-	33,163,970	-	-	13,681,464	-
Total revenues and expenses	62,007,693	64,806,710	36,298,195	43,847,570	19,603,002	133,463,094	18,869,094	20,495,316	63,895,286	48,522,079
Change in net position	$ 62,007,693	$ 64,806,710	$ 36,298,195	$ 43,847,570	$ 19,603,002	$ 133,463,094	$ 18,869,094	$ 20,495,316	$ 63,895,286	$ 48,522,079

(1) In FY 2026 per GASB 103 operating grants moved fron nonoperating to operating revenue
(2) In FY 2026 per GASB 103 interest income on notes receivable moved from nonoperating to operating revenue

'ANGE

PRELIMINARY

San Diego Housing Commission

Capital Assets by Category (Unaudited)

Last Ten Years Ending June 30, 2026

CATEGORY	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Land	$ 132,496,573	$ 127,096,573	$ 113,526,573	$ 108,616,573	$ 108,616,573	$ 108,616,573	$ 76,877,260	$ 76,875,550	$ 70,080,168	$ 69,340,679
Construction in progress	3,026,820	16,635,137	5,682,862	1,505,459	550,253	757,855	3,093,157	532,390	879,290	2,772,651
Buildings	260,529,543	228,446,560	184,508,687	177,592,756	177,592,756	177,592,756	94,180,464	111,991,212	111,991,212	107,701,541
Building improvements	120,192,899	106,305,313	93,612,057	89,288,404	87,129,257	84,061,398	78,517,279	78,849,095	73,450,053	57,589,992
Furniture and equipment	16,998,984	13,387,487	7,795,997	6,943,999	6,683,942	5,814,806	4,501,221	4,242,430	4,749,007	4,821,310
Intangible - RTU - software agreements	9,300,149	7,671,019	6,446,369	5,225,357	-	-	-	-	-	-
Total capital assets	542,544,967	499,542,089	411,572,545	389,172,548	380,572,781	376,843,388	257,169,381	272,490,677	261,149,730	242,226,173
Less accumulated depreciation and amortization										
Buildings	57,984,704	51,042,085	44,693,670	40,215,802	35,757,173	31,275,563	27,496,880	28,970,736	26,128,333	23,542,214
Building improvements	62,362,980	55,598,913	50,067,762	44,906,441	39,668,518	34,024,286	28,919,104	24,313,071	19,304,745	15,194,653
Furniture and equipment	8,710,431	6,460,818	5,791,409	5,111,072	4,526,579	4,009,437	3,704,971	3,572,613	3,910,710	4,119,438
RTU - software agreements	5,529,205	4,144,804	2,447,427	828,690	-	-	-	-	-	-
Total accumulated depreciation & amortization	134,587,320	117,246,620	103,000,268	91,062,005	79,952,270	69,309,286	60,120,955	56,856,420	49,343,788	42,856,305
Net capital assets	407,957,647	382,295,469	308,572,277	298,110,543	300,620,511	307,534,102	197,048,426	215,634,257	211,805,942	199,369,868
Related debt	137,399,147	123,240,203	111,913,329	117,691,717	141,306,242	140,096,789	98,143,077	101,102,730	104,506,496	103,416,034
Net investment in capital assets	$ 270,558,500	$ 259,055,266	$ 196,658,948	$ 180,418,826	$ 159,314,269	$ 167,437,313	$ 98,905,349	$ 114,531,527	$ 107,299,446	$ 95,953,834

Source: Annual Financial Statements

SUBJECT TO CHANGE

PRELIMINARY DRAFT - SUBJECT TO CHANGE

REVENUE CAPACITY

PRELIMINARY

San Diego Housing Commission

Revenue on a Gross Basis (Unaudited)

Last Ten Years Ending June 30, 2026

DESCRIPTION	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Revenues (gross):										
Operating revenues (1, 2)	$542,794,294	$ 72,248,592	$ 66,552,362	$ 58,701,350	$ 56,679,865	$ 51,509,226	$ 45,483,188	$ 44,225,172	$ 44,152,961	$ 41,492,453
Subsidies and nonperating grants (1)	34,341,263	467,062,197	415,510,835	387,287,755	507,052,316	401,428,897	250,210,888	214,794,552	240,541,580	217,487,187
Investment income (2)	3,074,339	22,902,833	23,428,829	17,523,586	11,093,711	14,270,429	16,129,043	15,683,988	10,968,696	9,099,264
Gain/(loss) on sale of capital assets	(54,812)	(4,804)	(3,056)	(45,229)	(27,582)	(11,094)	-	(21,936)	2,376	-
Total revenues	$580,155,084	$562,208,818	$505,488,970	$463,467,462	$574,798,310	$467,197,458	$311,823,119	$274,681,776	$295,665,613	$268,078,904

Source: Annual Financial Statements

(1) In FY 2026 per GASB 103 operating grants moved from nonoperating to operating revenue
(2) In FY 2026 per GASB 103 interest income on notes receivable moved from nonoperating to operating revenue

SUBJECT TO CHANGE

PRELIMINARY DRAFT SUBJECT TO CHANGE

DEBT CAPACITY

San Diego Housing Commission

Ratios of Outstanding Debt (Unaudited)

Last Ten Years Ending June 30, 2026

Fiscal year	Outstanding Debt[1, 2]		Capital Assets Less Accumulated Depreciation[1]	Ratio of outstanding debt to capital assets	Ratio of outstanding debt to total personal income[3]
2017	$ 103,813,347	(1)	$ 199,369,868	52.07%	0.0006%
2018	103,369,851	(2)	211,805,942	48.80%	0.0006%
2019	100,054,425	(3)	215,634,258	46.40%	0.0005%
2020	96,949,826	(4)	197,048,425	49.20%	0.0005%
2021	143,591,386	(5)	307,534,101	46.69%	0.0007%
2022	139,390,632	(6)	300,620,511	46.37%	0.0007%
2023	112,277,744	(7)	298,110,542	37.66%	0.0005%
2024	109,456,069	(8)	308,572,277	35.47%	0.0005%
2025	122,045,887	(9)	382,295,471	31.92%	0.0005%
2026	130,822,289	(10)	407,957,649	32.07%	0.0005%

[1]Source: Annual Financial Statements

[2]For more information, refer to Notes Payable at Page 72 and Subscriptions Payable at Page 81 of the Financ

[3]Source: The Bureau of Economic Analysis - U.S. Department of Commerce

(1) The outstanding debt of $103 million includes $398,000 of unspent loan proceeds, and $1.6 million of unamortized debt issuance costs.
(2) The outstanding debt of $103 million includes $400,000 of unspent loan proceeds, and $1.6 million of unamortized debt issuance costs.
(3) The outstanding debt of $100 million includes $407,000 of unspent loan proceeds, and $1.5 million of unamortized debt issuance costs.
(4) The outstanding debt of $97 million includes $183,000 of unspent loan proceeds, and $1.4 million of unamortized debt issuance costs.
(5) The outstanding debt of $144 million includes $5 million of unspent loan proceeds, and $1.3 million of unamortized debt issuance costs.
(6) The outstanding debt of $139 million includes $1.2 million of unamortized debt issuance costs.
(7) The outstanding debt of $112 million includes $1 million of unamortized debt issuance costs.
(8) The outstanding debt of $109 million includes $949,000 of unamortized debt issuance costs.
(9) The outstanding debt of $122 million includes $880,000 of unamortized debt issuance costs.
(10) The outstanding debt of $131 million includes $812,000 of unamortized debt issuance costs.

PRELIMINARY DRAFT SUBJECT TO CHANGE

DEMOGRAPHIC AND ECONOMIC INFORMATION

San Diego Housing Commission
Demographic Statistics - Ten Year Trend

Population

Year	United States	Change from Prior Period	City of San Diego	Change from Prior Period
2016-17	325,337,675	0.45%	1,406,318	1.05%
2017-18	328,026,343	0.83%	1,419,845	0.96%
2018-19	329,152,485	0.34%	1,420,572	0.05%
2019-20	329,872,465	0.22%	1,430,489	0.70%
2020-21	332,472,594	0.79%	1,411,034	-1.36%
2021-22	332,834,417	0.11%	1,374,790	-2.57%
2022-23	334,989,125	0.65%	1,368,395	-0.47%
2023-24	336,668,224	0.50%	1,385,379	1.24%
2024-25	342,028,928	1.59%	1,408,937	1.70%
2025-26	342,617,520	0.17%	1,419,531	0.75%

Source: U.S. Department of Commerce, Bureau of Economic Analysis
MuniServices, LLC / Neumo

PREL
SUBJECT TO CHANGE

San Diego Housing Commission
Demographic and Economic Statistics for the City of San Diego
Ten Years Ended June 30, 2026

Population and Personal Income - City of San Diego

Year	Population[1]	Personal Income[2] (1,000s)	Per Capita Personal Income	Unemployment Rate[3](%)
2016-17	1,406,318	50,542,056	35,939	4.4
2017-18	1,419,845	54,274,285	38,226	3.1
2018-19	1,420,572	57,277,776	40,320	3.2
2019-20	1,430,489	59,988,300	41,936	14.7
2020-21	1,411,034	63,871,018	45,265	9
2021-22	1,374,790	71,479,195	51,993	2.6
2022-23	1,368,395	82,985,439	60,644	3.4
2023-24	1,385,379	93,993,393	67,847	3.6
2024-25	1,408,937	103,065,686	73,151	3.9
2025-26	1,419,531	107,507,712	75,735	4.3

Footnotes:
[1]Population projections are provided by the California Department of Financial Projections
[2]Income data is provided by the U.S. Census Bureau, American Community Survey
[3]Unemployment data is provided by the EDD's Bureau of Labor Statistics Department

Source: MuniServices, LLC / Neumo Company

PRE
CT TO CHANGE

City of San Diego
Principal Employers for the City of San Diego (Unaudited)
Current Year and Nine Years Ago

	2026		2017	
Business Name	**Number of Employees**	**Percent of Total Employment (%)**	**Number of Employees**	**Percent of Total Employment (%)**
University of California, San Diego (2)	40,627	5.38%	30,130	4.27%
County of San Diego	20,453	2.71%	19,131	2.71%
Sharp Health Care (3)	20,177	2.67%	17,976	2.55%
Naval Base San Diego (4)	19,976	2.65%	34,185	4.85%
San Diego Unified School District	18,665	2.47%	13,815	1.96%
Scripps Health (5)	13,668	1.81%	11,807	1.67%
City of San Diego	13,156	1.74%	11,454	1.62%
Qualcomm Inc.	10,118	1.34%	11,830	1.68%
Kaiser Permanente	8,277	1.10%	9,066	1.29%
Rady Children's Hospital	5,995	0.79%		
San Diego Community College District			6,564	0.93%
Total Top Employers	171,112	22.67%	165,958	23.54%
Total City Employment (1)	754,900		705,000	

Source: MuniServices, LLC / Neumo Company
Source: FY2017 - City of San Diego ACFR Publication
(1) Total City Labor Force provided by EDD Labor Force Data.

Notes:
Results based on direct correspondence with city's local businesses.
(2) Includes full and part time, academic and support, and UCSD Medical Center, School of Medicine.
(3) Employee count is countywide.
(4) Active Duty Navy and Marine ship counts are excluded, as our point of contact was unable to provide this information.
(5) Scripps Health employees within city limits, not including Mercy Hospital in Chula Vista.

PRELIMINARY - SUBJECT TO CHANGE

San Diego Housing Commission
Resident Household Information - Unaudited
Housing Choice Voucher Program

Resident Members Per Household			Number Bedrooms Per Household		
Categories	Households	Percent	Categories	Households	Percent
1 Member	9,602	54.7%	Studio	3,256	18.6%
2 Members	3,775	21.5%	1 Bedroom	5,360	30.5%
3 Members	1,723	9.8%	2 Bedrooms	5,190	29.6%
4 Members	1,180	6.7%	3 Bedrooms	2,758	15.7%
5 Members	615	3.5%	4 Bedrooms	818	4.6%
6 Members	315	1.8%	5 Bedrooms	142	0.8%
7 Members	152	0.9%	6 Bedrooms	14	0.1%
8 Members	84	0.5%	7 Bedrooms	2	0.1%
9 Members	45	0.3%	8 Bedrooms	0	0.0%
10 + Members	49	0.3%	9 Bedrooms	0	0.0%
Total	17,540	100.0%	Total	17,540	100.0%

PRE
SUBJECT TO CHANGE

PRE

San Diego Housing Commission
Resident Income Information - Unaudited
Housing Choice Voucher Program

Income Ranges (All Sources)

Annual Income Ranges	No. of Households	Percentage
$ 0-99	1,522	8.7%
$ 100-9,999	932	5.3%
$ 10,000-19,999	7,996	45.6%
$ 20,000-29,999	2,773	15.8%
$ 30,000-39,999	1,375	7.8%
$ 40,000-49,999	1,100	6.3%
$ 50,000 +	1,842	10.5%
Total	17,540	100.0%

Source: San Diego Housing Commission Statistics

SUBJECT TO CHANGE

San Diego Housing Commission
Years in Housing Choice Voucher Program
Length of Residency - Unaudited
Housing Choice Voucher Program

Years in Housing	Households	Percentage
<1	288	1.6%
1	1,140	6.5%
2	891	5.1%
3	909	5.2%
4	1,082	6.2%
5	868	5.0%
6	1023	5.8%
7	1270	7.2%
8	634	3.6%
9	684	3.9%
10	443	2.5%
11	716	4.1%
12	562	3.2%
13	129	0.7%
14	481	2.7%
15	431	2.5%
16	206	1.2%
17	295	1.7%
18	250	1.4%
19	1138	6.5%
20+	4,100	23.4%
Total	17,540	100.0%

Source: San Diego Housing Commission Statistics

PRL
CHANGE

PRELIMINARY DRAFT - SUBJECT TO CHANGE

OPERATING INFORMATION

San Diego Housing Commission
Operating Information
Property Characteristics and Dwelling Units

San Diego Housing Commission Owned

Address		No. Units	Year Built
4720 - 4722	34th Street	3	1982
4756 - 4758	35th Street	4	1982
3010 #A - B	39th Street	2	1975
3617 - 3619	42nd Street	4	1984
2716 - 2718	44th Street	4	1983
2734 - 2736	44th Street	4	1983
4078 #A - D	47th Street	4	1964
4286 - 4292	48th Street	4	1960
3280	A Street	2	1982
4207 - 4209	Altadena Avenue	2	1984
4123	Arey Drive	1	1970
4080	Arizona Street	4	1987
2766	Cardinal Road	2	1982
7410-7412	Cuvier Street - La Jolla Marine	8	1977
4314	Darwin way	1	1970
2326 - 2332	East Jewett Street	4	1944
4334	Ebersole Drive	1	1970
4181	Enero Street	1	1970
2477 - 2477 1/2 2479 - 2481	Fairmount Avenue	4	1967
3081 - 3083	Hawthorn Street	4	1983
1170	Ilexey Avenue	1	1970
1366	Ilexey Avenue	1	1970
4230	Kimsue Way	1	1970
1255	Kostner Drive	1	1970
4259	Layla Court	1	1970
4276	Layla Court	1	1970
4256	Layla Way	1	1970
4269	Layla Way	1	1970
4274	Layla Way	1	1970
4339	Marcia Court	1	1970
4074	Marcwade Drive	1	1970
4150	Marcwade Drive	1	1970
4186	Marcwade Drive	1	1970
4293	Marcwade Drive	1	1970
4239	Marge Way	1	1971
4331	Marge Way	1	1970
4334	Marge Way	1	1970
4890	Naples Street	4	1982
1152	Nevin Street	1	1970
8505	Noeline Avenue	1	1975
4050 - 4056	Oakcrest Drive	4	1960
5974	Old Memory Lane	1	1941
4034	Peterlynn Court	1	1970
1327	Peterlynn Drive	1	1970
1405	Peterlynn Drive	1	1970
1530	Peterlynn Drive	1	1970

San Diego Housing Commission Owned - Continued

Address		No. Units	Year Built
4024	Peterlynn Way	1	1970
2325	Rachel Avenue	3	1982
1128	Ransom Street	1	1970
1145	Ransom Street	1	1970
1169	Ransom Street	1	1970
5955 #1 - 4	Streamview Drive	4	1963
3755 - 3757	Swift Avenue	4	1997
6511 - 6517	Tait Street	4	1952
1041	Twining Avenue	1	1970
1317	Twining Avenue	1	1970
3630 - 3632	Van Dyke Avenue	4	1982
10101 - 10191	Maya Linda Road - Maya Linda	132	1978
2052 - 2098	Via Las Cumbres - University Canyon	84	1984
4262-4268	44th Street - Courtyard	4	2009
4395	El Cajon Boulevard - Courtyard	33	2009
1301	Fifth Avenue - Hotel Sandford	130	1914
5330	Orange Avenue - Park Crest	71	1985
3754	Fifth Avenue - Hillcrest Inn	46	1988
1865	Hotel Circle South - Valley Vista	192	1990
2087	Hotel Circle South - Presidio Palms	163	1999
5400	Kearny Mesa Rd - Kearny Vista	144	1990
3737	Midway Drive - Pacific Village	63	1959
7798	Starling Drive - Starling Place	82	2022
2932	30th street	5	1986
3012	30th street	5	1986
3030	30th street	5	1988
3217	30th street	5	1986
4729	32nd street	5	1985
4541 #1 - 8	33rd street	8	1965
4632	33rd street	5	1986
4751	33rd street	8	1968
4254	36th street	5	1988
4164 #1 - 8	37th street	8	1962
4343	38th street	5	1989
4575 - 4579	38th street	8	1985
3755 - 3761	Alabama Street	8	1985
3974 - 3984	Bancroft Street	14	1988
3850	Cherokee Avenue	5	1986
4054 - 4060 1/2	Cherokee Avenue	8	1961
4360	Cherokee Avenue	5	1986
4081 - 4087 1/2	Florida Street	8	1960
4637 - 4643 1/2	Hamilton Street	8	1956
3125	Ivy Street	5	1988
4381 - 4387	Louisiana Street	8	1968
2727 - 2729 2739 - 2745	Meade Avenue	6	1964
4352 #1 - 8	Oregon Street	8	1960
4043	Wilson Avenue	5	1986
	Total SDHC Owned	**1,449**	

Belden SDHC FNMA, LLC

Address		No. Units	Year Built
7705 - 7795	Belden Street	243	1983
	Total Belden SDHC FNMA, LLC	**243**	

Northern SDHC FNMA, LLC

Address		No. Units	Year Built
3501	1st Avenue	22	1976
7105 - 7120	Eastman Street	36	1989
7085 - 7095	Levant Street	14	1989
7526 - 7580	Fulton Street	31	1996
2615 - 2665	Genesee Avenue	11	1983
4131	Maryland Street	24	1982
	Total Northern SDHC FNMA, LLC	**138**	

Northern SDHC FHA, LLC

Address		No. Units	Year Built
12643 - 12687	El Camino Real	45	1995
2701 - 2711	Figueroa Boulevard	6	1966
8637 - 8643	Glenhaven Street	4	1971
8649 - 8655	Glenhaven Street	4	1962
8661 - 8667	Glenhaven Street	4	1962
8701 - 8707	Glenhaven Street	4	1962
2045 - 2049	Grand Avenue	6	1990
2644	Hornblend Street	5	1989
8714 - 8720	Hurlbut Street	4	1962
8726 - 8732	Hurlbut Street	4	1971
8792	Mira Mesa Boulevard	5	1978
8816	Mira Mesa Boulevard	5	1978
5071 - 5077 1/2	Muir Avenue	8	1960
4055 - 4083	Pulitzer Place	50	1985
	Total Northern SDHC FHA, LLC	**154**	

Southern SDHC FHA, LLC

Address		No. Units	Year Built
2005 - 2065	Alaquinas Drive	66	1983
121-125	Averil Road	14	1993
178 - 190	Calle Primera	71	1984
2381 - 2389	Grove Avenue	41	1985
1351 - 1359	Hollister Street	20	1983
402 - 412	Sycamore Road (East)	24	1985
281 - 289	Sycamore Road (North)	24	1985
391 - 417	Sycamore Road (West)	41	1985
	Total Southern SDHC FHA, LLC	**301**	

Central SDHC FHA, LLC

Address		No. Units	Year Built
2628 - 2630	44th street	8	1983
4225	44th street	6	1990
4261	45th street	6	1989
4566	51st street	5	1988
3051	54th street	7	1989
4164	Altadena Avenue	6	1961
4479 - 4481	Altadena Avenue	8	1989
4560	Altadena Avenue	8	1960
2883	Boston Avenue	5	1993
2955	Boston Avenue	5	1993
4147 - 4157	Chamoune Avenue	6	1983
4416 #1 - 8	Highland Avenue	8	1980
4205 - 4215	Juniper Street	20	1983
4273 - 4283	Juniper Street	24	1982
4390	Maple Street	6	1983
4451 - 4459	Market Street	20	1989
5316	Meade Avenue	30	1981
4180 - 4182	Poplar Street	9	1985
5326 - 5328	Rex Avenue	4	1984
5330 - 5332 1/2	Rex Avenue	4	1967
5359 - 5389	Santa Margarita	32	1983
7281 - 7289	Saranac Street	7	1996
	Total Central SDHC FHA, LLC	**234**	

Public Housing Units

Address		No. Units	Year Built
2420 #A - H	44th Street	8	1982
3222 - 24	Camulos Street	12	1982
3919 #1 - 8	Mason Street	8	1982
5385 - 5389	Trojan Avenue	3	1982
4095 #A - D	Valeta Street	4	1982
605 - 695	Picador Boulevard	78	1984
325-415	South 33rd Street	40	1999
2055 - 2095	Via Las Cumbres	36	1984
	Total Public Housing	**189**	

Housing Development Partners (HDP)

Address		No. Units	Year Built
5207	52nd Place* - Casa Colina	75	1978
1345	5th Ave - Mason	17	1913
4754	Logan Avenue - Knox Glen	54	1996
2170-2172	Front Street* - Parker Kier	34	1913
827	C Street* - Hotel Churchill	73	1910
1055	9th Ave* - San Diego Square	156	1980
4066	Messina Drive - Town & Country	145	1981/85
1814	5th Avenue - New Palace	80	1912
7720-7780	Belden Street* - Village North Senior	120	1986
1830	Fourth Avenue* - West Park	92	1990
1840	Fourth Avenue* - Quality Inn	47	1989
6847	Potomac Street* - Mariners Village	172	1989
1232	Peterlynn Drive - SFH	1	1970
1506	Peterlynn Drive - SFH	1	1970
4233	Stu Court - SFH	1	1970
1144	Twining Avenue - SFH	1	1970
1250	Twining Avenue - SFH	1	1970
1234	Peterlynn Drive - ADU	1	2021
4095	Marzo St - ADU	1	2021
1070	Kostner Dr - ADU	1	2021
4127	Kimsue Way - ADU	1	2021
4124	Enero St - ADU	1	2021
	Total Housing Development Partners	**1,075**	

Total SDHC, LLC, Public Housing Units and HDP **3,783**

Other Program Housing Units - Partnerships

Address		No. Units	Development/Partner
1475	Imperial Ave	275	Studio 15/HDP/Affirmed
4321	52nd Street	88	Dawson/HDP/Chelsea
4914-98	Logan Avenue*	112	Arbor Village/LINC Housing
1194	Hollister St *	50	Riverwalk Apts/Affirmed Housing Group
5391 & 5411-25	Santa Margarita St*	49	Vista Grande/Wakeland
1985	National Ave*	92	Estrella del Mercado/Chelsea
1815-1874	Hancock Street *	85	Mission Apts/AMCAL Multi Housing Inc.
13481-13483	Silver Ivy Lane*	21	Park Terramar/Chelsea
	Total Partnership Units	**772**	

Combined Total Units **4,555**

* *SDHC retains ownership in the land*

San Diego Housing Commission
Employee Demographics - Unaudited
As of June 30, 2026

Seniority of Employees

Categories	Number	Percent
Less than 3 years	101	29.81%
3 to 5 years	61	17.99%
6 to 9 years	67	19.76%
10 to 19 years	75	22.12%
20 to 29 years	22	6.49%
30 years and over	13	3.83%
Grand Total	339	

Racial Composition

Categories	Number	Percent
American Indian or Alaska Native, White	3	0.88%
Asian	17	5.01%
Black or African American	30	8.85%
Hispanic or Latino	159	46.92%
Native Hawaiian or Other Pacific Islander	14	4.13%
Two or More Races	12	3.54%
White	95	28.02%
Other	9	2.65%
Grand Total	339	

Source: Information provided by San Diego Housing Commission HR Department

PRELIMINARY

San Diego Housing Commission
Number of Employees by Department

Department:	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Board & Executive Functions	9	10	9	8	4	6	6	9	8	9
Business Services	30	43	45	46	47	46	39	38	37	40
Community Relations & Communications	6	8	8	0	6	6	7	7	7	7
Financial Services	28	31	29	27	24	28	25	25	26	26
Housing Finance	10	15	16	16	16	15	15	16	16	16
Housing Innovations	44	48	44	30	35	33	31	32	25	20
Housing Development Partners	4	6	7	6	9	9	8	8	5	5
Policy & Public Affairs	5	8	8	5	4	4	5	0	0	0
Real Estate Development	77	77	70	69	71	72	67	74	77	77
Rental Assistance Program	126	127	122	113	115	100	112	114	114	106
	339	373	358	320	331	319	315	323	315	306

Source: Information provided by San Diego Housing Commission Payroll Department

SUBJECT TO CHANGE

Attachment 2

San Diego Housing Commission

Reports of Independent Auditor in Accordance with *Government Auditing Standards* and Uniform Guidance, and Schedule of Expenditures of Federal Awards

Year Ended June 30, 2026

PRELIMINARY DRAFT - SUBJECT TO CHANGE

San Diego Housing Commission

Index

	Page
Independent Auditor's Report 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*	2
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	4
Schedule of Expenditures of Federal Awards	7
Notes to Schedule of Expenditures of Federal Awards	10
Schedule of Findings and Questioned Costs	12

PRELIMINARY DRAFT
SUBJECT TO CHANGE

CohnReznick

Independent Auditor's Report 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 Commissioners
San Diego Housing Commission

We have audited, 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 *(Government Auditing Standards)*, the financial statements of the business-type activities, the aggregate discretely presented component units and the fiduciary fund of the San Diego Housing Commission ("SDHC"), a component unit of the City of San Diego, California, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise SDHC's basic financial statements, and have issued our report thereon dated (REPORT DATE). Our report includes a reference to the other auditor who audited the financial statements of SDHC's fiduciary fund, as described in our report on SDHC's financial statements. The financial statements of the aggregate discretely presented component units and the fiduciary fund were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the aggregate discretely presented component units and the fiduciary fund of SDHC.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SDHC's internal control over financial reporting ("internal control") as a basis for designing 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 SDHC's internal control. Accordingly, we do not express an opinion on the effectiveness of SDHC'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SDHC'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.

Sacramento, California
(REPORT DATE)

PRELIMINARY DRAFT - SUBJECT TO CHANGE

CohnReznick

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Commissioners
San Diego Housing Commission

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the San Diego Housing Commission's ("SDHC"), a component unit of the City of San Diego, California, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of SDHC's major federal programs for the year ended June 30, 2026. SDHC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

SDHC's financial statements include the operations of Southern SDHC FHA LLC, Northern SDHC FHA LLC, and Central SDHC FHA LLC ("Blended Component Units"), which expended $17,603,510, $12,314,176, and $11,034,096, respectively, in federal awards which are not included in SDHC's schedule of expenditures of federal awards during the year ended June 30, 2026. Our compliance audit, described below, did not include the operations of the Blended Component Units because their federal expenditures have been separately audited and reported to HUD.

In our opinion, SDHC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2026.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of SDHC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of SDHC's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to SDHC's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on SDHC's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about SDHC's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding SDHC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of SDHC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 SDHC's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units and the fiduciary fund of SDHC, a component unit of the City of San Diego, California, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise SDHC's basic financial statements. We issued our report thereon, dated (REPORT DATE), which contained unmodified opinions on those financial statements. Our report includes a reference to the other auditor who audited the financial statements of the fiduciary fund of SDHC, as described in our report on SDHC's basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Sacramento, California
(REPORT DATE)

PRELIMINARY DRAFT SUBJECT TO CHANGE

San Diego Housing Commission

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2026

Federal Grantor / Pass - Through Grantor / Pass-through Entity Identifying Number / Program and / or Cluster Title	Federal Assistance Listing Number	Direct Programs	Passed Through Programs	Federal Expenditures Amount	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development					
CDBG Cluster - Entitlement/Special Purpose Grants					
CDBG (City) - Passed through the City of San Diego					
B-25-MC-06-0542	14.218	$ -	$ 469,101	$ 469,101	$ 445,239
CDBG (County) - Passed-through the County of San Diego Contract: 574281	14.218	-	75,000	75,000	-
CDBG (City) - Chollas Crest Loan #1-26-0101	14.218	-	4,270,000	4,270,000	-
Passed through the State of California					
Homekey+ - Starling Place 25-HK+-18769	14.218	-	12,134,986	12,134,986	-
Subtotal - CDBG Cluster - Entitlement/Special Purpose Grants	**14.218** [1]	**-**	**16,949,087**	**16,949,087**	**445,239**
Emergency Solutions Grants Program					
Passed through the City of San Diego					
E-24-MC-06-0542	14.231	-	975,074	975,074	594,465
Subtotal - Emergency Solutions Grants Program	**14.231**	**-**	**975,074**	**975,074**	**594,465**
Continuum of Care Program					
Special Needs Assistance					
CA0534L9D012417	14.267	4,973,473	-	4,973,473	4,769,390
CA1208L9D012411	14.267	579,951	-	579,951	-
CA1602L9D012408	14.267	978,474	-	978,474	969,339
CA2168L9D012402	14.267	1,597,014	-	1,597,014	-
CA2285L9D012401	14.267	679,049	-	679,049	646,065
CA2288L9D012401	14.267	927,450	-	927,450	887,765
Subtotal - Continuum of Care Program	**14.267**	**9,735,411**	**-**	**9,735,411**	**7,272,559**
HOME Investment Partnerships Program					
Passed through the City of San Diego					
M-20-MC-06-0533	14.239	-	2,364,238	2,364,238	-
M-21-MC-06-0533	14.239	-	4,336,747	4,336,747	-
M-22-MC-06-0533	14.239	-	240,937	240,937	-
M-25-MC-06-0533	14.239	-	292,605	292,605	-
HOME-American Rescue Plan - Passed through the City of San Diego					
Abbott St - M-21-MP-06-0533	14.239	-	146,500	146,500	-
Presidio Palms - M-21-MP-06-0533	14.239	-	88,576	88,576	-
Pacific Village - M-21-MP-06-0533	14.239	-	296,230	296,230	-
Subtotal - HOME Investment Partnerships Program	**14.239**	**-**	**7,765,833**	**7,765,833**	**-**
Resident Opportunity and Supportive Services - Service Coordinators (ROSS)					
ROSS252021	14.870	84,213	-	84,213	-
Subtotal - ROSS Program	**14.870**	**84,213**	**-**	**84,213**	**-**
Family Self-Sufficiency Program (FSS)					
FSS25CA5908-01-00	14.896	508,175	-	508,175	-
FSS26CA6810-01-00	14.896	181,704	-	181,704	-
Subtotal - FSS Program	**14.896**	**689,879**	**-**	**689,879**	**-**

PRELIMINARY DRAFT - SUBJECT TO CHANGE

San Diego Housing Commission

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2026

Federal Grantor / Pass - Through Grantor / Pass-through Entity Identifying Number / Program and / or Cluster Title	Federal Assistance Listing Number	Direct Programs	Passed Through Programs	Federal Expenditures Amount	Passed Through to Subrecipients
Moving to Work Demonstration Program (MTW)					
Housing Assistance Payments Program:					
Section 8 Housing Choice Vouchers					
For Low Income Familes - CA06VOW139--/ CA063VOW145	14.HCV	283,343,447	-	283,343,447	-
For Low Income Familes - CA063AF0289---/ CA063AF0294	14.HCV	22,250,274	-	22,250,274	-
VASH Program - CA063VO485--/CA063VO498	14.HCV	28,501,943	-	28,501,943	-
Subtotal - Housing Assistance Payments Program		334,095,664	-	334,095,664	-
Public Housing Capital Fund					
CA16P06350123	14.CFP	56,099	-	56,099	-
CA16P06350124	14.CFP	220,318	-	220,318	-
CA16P06350125	14.CFP	391,905	-	391,905	-
Subtotal - Public Housing Capital Fund		668,322	-	668,322	-
Public Housing Operating Fund					
CA06300000725D	14.OPS	27,255	-	27,255	-
CA06300000726D	14.OPS	1,713	-	1,713	-
CA06300000825D	14.OPS	41,386	-	41,386	-
CA06300000826D	14.OPS	49,285	-	49,285	-
CA06300000925D	14.OPS	103,494	-	103,494	-
CA06300000926D	14.OPS	59,753	-	59,753	-
CA06300001025D	14.OPS	49,632	-	49,632	-
Subtotal - Public Housing Operating Fund		332,518	-	332,518	-
Subtotal - Moving to Work Demonstration Program	**14.881** [1]	**335,096,504**	**-**	**335,096,504**	**-**
Housing Voucher Cluster					
Section 8 Housing Choice Vouchers					
Emergency Housing Voucher CA063EH0016-- /CA063EF012	14.871	11,961,631	-	11,961,631	-
Family Unification Program CA063VO0477-- /CA063VO0496	14.871	4,491,992	-	4,491,992	-
Foster Youth to Independence CA063VO0484/CA063VO0501	14.871	296,951	-	296,951	-
Foster Youth to Independence CA063AF0073	14.871	10,431	-	10,431	-
Subtotal - Section 8 Housing Choice Vouchers	**14.871**	16,761,005	-	16,761,005	-
Mainstream Vouchers					
CA063DV0048-CA063DV0055	14.879	5,480,823	-	5,480,823	-
CA063DV0048-CA063DV0055	14.879	264,868	-	264,868	-
Subtotal - Mainstream Vouchers	**14.879**	5,745,691	-	5,745,691	-
Subtotal - Housing Voucher Cluster	**14.871/14.879** [1]	**22,506,696**	**-**	**22,506,696**	**-**
Total - U.S. Department of Housing and Urban Development		**368,112,703**	**25,689,994**	**393,802,697**	**8,312,263**

PRELIMINARY DRAFT SUBJECT TO CHANGE

San Diego Housing Commission

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2026

Federal Grantor / Pass - Through Grantor / Pass-through Entity Identifying Number / Program and / or Cluster Title	Federal Assistance Listing Number	Direct Programs	Passed Through Programs	Federal Expenditures Amount	Passed Through to Subrecipients
U.S. Department of the Treasury					
Coronavirus State and Local Fiscal Recovery Funds					
Passed through the County of San Diego					
ARPA - Presidio Palms - Loan # 1026998-P0571937	21.027	-	17,806,432	17,806,432	-
ARPA - Starling - Loan # 1028020-POS575216	21.027	-	6,000,000	6,000,000	-
Subtotal - Coronavirus State and Local Fiscal Recovery Funds	**21.027**	**-**	**23,806,432**	**23,806,432**	**-**
Total - U.S. Department of the Treasury		**-**	**23,806,432**	**23,806,432**	**-**
TOTAL		**$ 368,112,703**	**$ 49,496,426**	**$ 417,609,129**	**$ 8,312,263**

1 – audited as a major program

PRELIMINARY DRAFT
SUBJECT TO CHANGE

See notes to Schedule of Expenditures of Federal Awards

San Diego Housing Commission

Notes to Schedule of Expenditures of Federal Awards
June 30, 2026

Note 1 - Reporting Entity

San Diego Housing Commission ("SDHC") is a government agency formed by the City of San Diego (the "City") under Ordinance No. 2515 on December 5, 1978 in accordance with the Housing Authority Law of the State of California. SDHC is an integral part (component unit) of the reporting entity of the City. SDHC primarily serves low-income families by providing housing assistance payments, rental housing, loans and grants to individuals and not-for-profit organizations and other services.

Note 2 - Indirect Cost Rate

SDHC has elected not to use the de minimis indirect cost rate allowed under 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").

Note 3 - Summary of Significant Accounting Policies

Basis of Presentation

The Schedule of Expenditures of Federal Awards (the "Schedule") presents the federal awards activity of SDHC under programs of the federal government for the year ended June 30, 2026. Federal awards received directly from federal agencies, as well as federal awards passed through from nonfederal agencies or other organizations are included in the Schedule. The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. As the Schedule presents only the federal awards activity of SDHC, it is not intended to and does not present the financial position, change in net position or cash flows of SDHC as a whole.

Significant Accounting Policies

The expenditures included in the Schedule are reported under the accrual basis of accounting. Such expenditures are recognized in accordance with the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Note 4 - Blended Component Units Federal Expenditures

SDHC has three blended component units: Southern SDHC FHA LLC, Northern SDHC FHA LLC and Central SDHC FHA LLC whose federal expenditures are excluded from the Schedule because their federal expenditures have been separately audited and reported to HUD. The federal expenditures for the programs of Southern SDHC FHA LLC, Northern SDHC FHA LLC and Central SDHC FHA LLC for the year ended June 30, 2026 are as follows:

Federal Grantor / Passthrough Grantor / Program Title:	Federal Assistance Listing Number	Agency or Pass-Through Number	Federal Expenditures Amount
Direct Programs			
U.S. Department of Housing and Urban Development			
Federal Housing Administration - Insured loans under Section 223(f) - Mortgage Insurance Rental Housing			
FHA Insured Loan - Southern SDHC FHA LLC	14.134	FHA # 12911055	$ 17,603,510
FHA Insured Loan - Northern SDHC FHA LLC	14.134	FHA # 12911053	12,314,176
FHA Insured Loan - Central SDHC FHA LLC	14.134	FHA # 12911054	11,034,096
TOTAL			$ 40,951,782

PRELIMINARY DRAFT - SUBJECT TO CHANGE

San Diego Housing Commission

Schedule of Findings and Questioned Costs
Year Ended June 30, 2026

A. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: Unmodified opinion

Internal control over financial reporting:

*Material weakness(es) identified? ____ Yes __x__ No

*Significant deficiency(ies) identified? ____ Yes __x__ None reported

Noncompliance material to financial statements noted? ____ Yes __x__ No

Federal Awards

Internal control over major federal programs:

*Material weakness(es) identified? ____ Yes __x__ No

*Significant deficiency(ies) identified? ____ Yes __x__ None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? ____ Yes __x__ No

Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
14.218	CDBG Cluster – Entitlement/Special Purpose Grants
14.871/14.879	Housing Voucher Cluster
14.881	Moving to Work Demonstration Program

Dollar threshold used to distinguish between Type A and Type B programs: $3,000,000

Auditee qualified as low-risk auditee __x__ Yes ____ No

PRELIMINARY DRAFT - SUBJECT TO CHANGE

San Diego Housing Commission

Schedule of Findings and Questioned Costs
Year Ended June 30, 2026

B. Findings - Financial Statement Audit

None reported.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None reported.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Attachment 3

PRELIMINARY DRAFT - SUBJECT TO CHANGE

San Diego Housing Commission

Report to the Audit Committee of the Board of Commissioners

June 30, 2026

(Date)

To the Audit Committee of the Board of Commissioners
San Diego Housing Commission

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary fund of San Diego Housing Commission ("SDHC"), a component unit of the City of San Diego, California as of and for the year ended June 30, 2026, and have issued our report thereon dated (Date). The financial statements of the fiduciary fund have been audited by other auditors, and we have made a reference to the reports of those auditors in our report on SDHC's financial statements. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 15, 2026, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of the system of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the system of internal control of SDHC solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Significant Risk Identified

We have identified the following significant risks in planning and performing our audit procedures in accordance with auditing standards generally accepted in the Unites States ("GAAS"):

- Management override of controls is considered an inherent risk according to GAAS
- Revenue recognition is considered an inherent risk according to GAAS

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by SDHC is included in Note 2 to the financial statements. SDHC adopted GASB Statements No. 103 and No. 104 during the year ended June 30, 2026 and such adoption did not have a significant impact on the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- The collectability of notes, mortgages and accounts receivable and the allowances for losses and forgiveness on notes, mortgages and accounts receivable.

Management's estimates and judgments were based on the following:

- Estimated allowances for losses on notes, mortgages and accounts receivable were based upon historical collection experience for loans and accounts receivable and management's assessment of the likelihood of collectability on the notes and mortgages receivable.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are included in Notes 1 through 20 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

PRELIMINARY DRAFT SUBJECT TO CHANGE

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no corrected or uncorrected financial statement misstatements identified as a result of audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to SDHC's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated (DATE).

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with SDHC, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as SDHC's auditor.

No matters were brought to our attention by the auditor of the fiduciary fund that we consider significant to the responsibilities of those charged with governance. No instances or limitations in which the evaluation of the work of the auditor of the fiduciary fund raised concerns about the quality of the work.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

This report is intended solely for the information and use of the Audit Committee, Board of Commissioners, and management of SDHC and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Sacramento, California

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Attachment 4

Otay Villas Housing Development
Project No. 12-HLCP-0003
A Project of San Diego Housing Commission

Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

June 30, 2026 and 2025

CohnReznick

Otay Villas Housing Development
Project No. 12-HLCP-0003
A Project of San Diego Housing Commission

Index

	PAGE
Certificate of Owner	2
Managing Agent's Certification	3
Independent Auditor's Report	4
Basic Financial Statements	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	12
Supplementary Information - Supporting Data Required by RHCP	
Schedules of Operating Revenue	19
Schedules of Operating Expenses	20
Schedules of Miscellaneous Account Details	22
Cash on Hand and in Banks	23
Mortgage Impound Accounts	23
Reserves for Replacement and Operating Expenses	23
Property, Equipment and Improvements	23
Accounts Payable and Accrued Expenses	24
Accounts Receivable	24
Gross Potential Rents	24
Management Fee	24
Operating Cash Flow/Surplus Cash Computation	25
Reconciliation to RHCP Form 181	25
Reconciliation to RHCP Form 180	25
RHCP - Report of Actual Operating Costs (Form 180)	26
RHCP - Actual Cash Flow Analysis (Form 181)	27
Independent Auditor's Report 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*	28
Schedule of Findings and Responses	30

Otay Villas Housing Development
Project No. 12-HLCP-0003
A Project of San Diego Housing Commission

June 30, 2026

Certificate of Owner

I, as an officer of the San Diego Housing Commission, owner of Otay Villas Housing Development, hereby certify that I have examined the accompanying financial statements and supplementary information of Otay Villas Housing Development as of and for the year ended June 30, 2026 and, to the best of my knowledge and belief, these financial statements and supplementary information are complete and accurate.

San Diego Housing Commission

Christelle Van Der Windt

Christelle Van Der Windt, Vice President Financial Operations

Employer Identification Number: 95-3390896

Otay Villas Housing Development
Project No. 12-HLCP-0003
A Project of San Diego Housing Commission

June 30, 2026

Managing Agent's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary data of Otay Villas Housing Development as of and for the year ended June 30, 2026, to the best of my knowledge and belief, the same are complete and accurate.

Christelle Van Der Windt

San Diego Housing Commission
Christelle Van Der Windt, Vice President Financial Operations

Independent Auditor's Report

To the Board of Commissioners
San Diego Housing Commission

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Otay Villas Housing Development Project No. 12-HLCP-0003 (the "Project") owned by San Diego Housing Commission ("SDHC"), which comprise the statements of net position as of June 30, 2026 and 2025, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003 as of June 30, 2026 and 2025, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2, the financial statements referred to above are intended to present the financial position, the changes in financial position, and cash flows of only the Project. They do not purport to, and do not, present fairly the financial position of SDHC as of June 30, 2026 and 2025, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The financial data templates as required by the California Department of Housing and Community Development ("RHCP"), are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and related 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 audits 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 *GAAS*. In our opinion, the financial data templates as required by the RHCP are fairly stated in all material respects in relation to the financial statements as whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2026, on our consideration of San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003'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 San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003's internal control over financial reporting and compliance.

CohnReznick LLP

Sacramento, California
September 16, 2026

Otay Villas Housing Development
Project No. 12-HLCP-0003
A Project of San Diego Housing Commission

Statements of Net Position
June 30, 2026 and 2025

Assets

	2026	2025
Current assets		
Cash and cash equivalents	$ 875,059	$ 807,667
Tenants' accounts receivable, net	9,675	1,662
Accounts receivable - grants	9,908	17,808
Accounts receivable - other	10,129	6,396
Total current assets	904,771	833,533
Other assets		
Investments - operations	60,527	198,344
Restricted deposits and funded reserves	1,228,269	1,176,459
Total other assets	1,288,796	1,374,803
Capital assets		
Buildings and improvements	6,308,558	6,308,558
Accumulated depreciation	(5,391,023)	(5,104,376)
	917,535	1,204,182
Land	1,087,727	1,087,727
Total capital assets	2,005,262	2,291,909
Total assets	$ 4,198,829	$ 4,500,245

Otay Villas Housing Development
Project No. 12-HLCP-0003
A Project of San Diego Housing Commission

Statements of Net Position
June 30, 2026 and 2025

Liabilities and Net Position

	2026	2025
Current liabilities		
Accounts payable - operations	$ 41,535	$ 94,683
Accrued expenses	7,369	10,685
Accrued interest payable - first mortgage, current portion	13,230	13,230
Prepaid rent	17,457	20,052
Total current liabilities	79,591	138,650
Deposits and prepaid liability		
Tenants' security deposits liability	40,772	41,688
Total deposits and prepaid liability	40,772	41,688
Long-term liabilities		
Mortgage payable - first mortgage	3,150,000	3,150,000
Accrued interest payable - first mortgage, net of current portion	725,836	720,214
Total long-term liabilities	3,875,836	3,870,214
Total liabilities	3,996,199	4,050,552
Net position		
Net investment in capital assets	(1,144,738)	(858,091)
Restricted for operating and replacement reserves	1,187,497	1,134,771
Unrestricted	159,871	173,013
Total net position	202,630	449,693
Total liabilities and net position	$ 4,198,829	$ 4,500,245

See Notes to Financial Statements.

Otay Villas Housing Development
Project No. 12-HLCP-0003
A Project of San Diego Housing Commission

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2026 and 2025

	2026	2025
Operating revenues		
Rental income	$ 767,427	$ 664,266
Operating grant income	163,247	239,607
Other operating income	9,111	47,386
Total operating revenues	939,785	951,259
Operating expenses		
Administrative	254,126	235,703
Utilities	134,680	141,563
Operating and maintenance	273,550	321,592
Taxes and insurance	88,339	93,448
Depreciation	286,647	286,647
Total operating expenses	1,037,342	1,078,953
Operating income (loss)	(97,557)	(127,694)
Noncapital subsidies (expenses)		
Transfers-out	(103,982)	-
Total noncapital subsidies (expenses)	(103,982)	-
Operating income (loss) and noncapital subsidies (expenses)	(201,539)	(127,694)
Other nonoperating revenues (expense)		
Financial revenue - investments	48,976	59,973
Interest expense - first mortgage	(94,500)	(94,500)
Total other nonoperating revenue (expenses)	(45,524)	(34,527)
Change in net position	(247,063)	(162,221)
Net position		
Beginning of year	449,693	611,914
End of year	$ 202,630	$ 449,693

See Notes to Financial Statements.

Otay Villas Housing Development
Project No. 12-HLCP-0003
A Project of San Diego Housing Commission

Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	2026	2025
Cash flows from operating activities		
Cash received from tenants and operations	$ 895,143	$ 901,034
Less cash payments for operations and administration		
Administrative expenses paid	(46,107)	(42,126)
Management fee and sponsor overhead paid	(73,008)	(73,008)
Utilities paid	(126,816)	(138,378)
Salaries and wages paid	(173,632)	(175,199)
Operating and maintenance paid	(257,323)	(175,719)
Property insurance paid	(26,536)	(30,875)
Net tenant security deposits (paid) received	(916)	4,250
Other operating expenses paid	(61,803)	(62,573)
Cash payments for operations and administration	(766,141)	(693,628)
Net cash provided by operating activities	129,002	207,406
Cash flows from noncapital financing activities		
Transfers - out	(103,982)	-
Net cash used in noncapital financing activities	(103,982)	-
Cash flows from capital and related financing activities		
Interest paid	(88,878)	(101,208)
Net cash used in capital and related financing activities	(88,878)	(101,208)
Cash flows from investing activities		
Net deposits to replacement reserve	(51,547)	(52,887)
Net deposits to operating reserve	(1,179)	(1,513)
Interest on investments	45,243	59,356
Net sales of investments	138,733	451,296
Net cash provided by investing activities	131,250	456,252
Net increase in cash and cash equivalents	67,392	562,450
Cash and cash equivalents, beginning	807,667	245,217
Cash and cash equivalents, end	$ 875,059	$ 807,667

Otay Villas Housing Development
Project No. 12-HLCP-0003
A Project of San Diego Housing Commission

Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	2026	2025
Reconciliation of net operating loss to net cash used in operating activities		
Net operating loss	$ (97,557)	$ (127,694)
Adjustments to reconcile net operating loss to net cash provided by operating activities		
Depreciation	286,647	286,647
Bad debt	25,950	25,142
Changes in		
Tenants' accounts receivable	(33,963)	(20,071)
Accounts receivable - other	6,984	(13,558)
Prepaid revenue	(2,595)	3,638
Accounts payable - operations	(53,148)	57,441
Accrued expenses	(3,316)	(4,139)
Net cash provided by operating activities	$ 129,002	$ 207,406

See Notes to Financial Statements.

Otay Villas Housing Development
Project No. 12-HLCP-0003
A Project of San Diego Housing Commission

Notes to Financial Statements
June 30, 2026 and 2025

Note 1 - The financial reporting entity

The San Diego Housing Commission ("SDHC")'s Otay Villas Housing Development Project consists of 78 rental housing units (the "Project") located in San Diego, California. SDHC entered into a regulatory agreement and permanent loan agreement with the California Department of Housing and Community Development ("RHCP"). Under the terms of the agreements, SDHC is to submit to RHCP an annual budget of the operating revenue and operating expenses for the Project. In May 2013, SDHC and RHCP amended the original agreements and entered into a new regulatory and loan agreement under which the previous loan was refinanced and the new permanent loan was extended for a period of 55 years.

Note 2 - Significant accounting policies

Basic financial statements

The basic financial statements (i.e. the statements of net position, the statements of revenues, expenses and changes in net position and the statements of cash flows) report information on all of the activities of the Project. These basic financial statements are presented in accordance with the Governmental Accounting Standards Board standards. The accompanying financial statements are not intended to present fairly the financial position or changes in financial position and cash flows of SDHC in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Measurement focus, basis of accounting and financial statement presentation

The basic financial statements of the Project are prepared using the economic resource measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources and liabilities and deferred inflows of resources are included on the statements of net position. The statement of revenues, expenses and changes in net position presents increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

When both restricted and unrestricted resources are available for use, it is the Project's policy to use restricted resources first, then unrestricted resourced as needed.

Operating revenues and expenses and nonoperating revenues and expenses

The Project distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses are revenues and expenses other than nonoperating revenues and expenses.

Operating revenues and expenses generally result from transactions that are integral to the Project's principal ongoing operations. The operating revenues of the Project consist of rental income from the tenants of its housing units and the operating grant income. Operating expenses for the Project include the cost of services and general and administrative expenses.

Nonoperating revenues and expenses are subsidies received and provided, revenues and expenses related to financing, capital contributions, resources from the disposal of capital assets and investment income and expenses.

Cash and cash equivalents

The Project cash and cash equivalents are maintained within the general operating bank account of SDHC. The ending balance of the operating account is allocated between several projects of SDHC based upon each project's relative cash activities. The reconciled balance of SDHC general cash account is $41,816,675 and $49,800,280 of which $875,059 and $807,667 belongs to the Project as of June 30, 2026 and 2025, respectively.

Restricted deposits and funded reserves

The Project's restricted deposits and reserves represent deposits to lender required reserves for replacements, operating reserve and tenant security deposits. The Project's restricted deposits and reserves are invested along with other SDHC funds to maximize income consistent with safe and prudent investment practices within the guidelines of SDHC's investment policy.

In accordance with California state statute and U.S. Department of Housing and Urban Development ("HUD") regulations, SDHC has authorized the Chief Financial Officer or designee to invest in obligations of the U.S. Treasury, U.S. Government agencies or other investments as outlined in SDHC's Investment Policy. An Investment Committee, consisting of two SDHC Board members, monitors the management of funds and compliance with SDHC's Investment Policy. SDHC utilizes the services of an experienced financial advisor to aid in making investment decisions. Working with the Investment Committee and staff, the advisor provides guidance on creating a diversified portfolio and a secure investment mix. The advisor's ongoing role is to provide staff with sound investment opportunities that will maximize liquidity and yield without sacrificing principal value and safety of the investment securities.

All investments are stated at fair value, except for money market investments with remaining maturities less than one year when purchased, which are stated at amortized cost. Money market investments are short-term, highly liquid debt securities, such as bankers' acceptances, commercial paper, repurchase agreements, negotiable certificates of deposit and U.S. Treasury obligations. Fair value is the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Detailed disclosures, including investment policies and associated risk policies, regarding the Project's cash and cash equivalents, restricted deposits and reserves, and investments are included in the notes to SDHC's basic financial statements.

Fair value

Authoritative guidance establishes hierarchy for ranking the quality and reliability of the information used to determine fair values, requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets.

Level 2: Unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Significant unobservable inputs for the asset or liability.

Tenant accounts receivable
Resident accounts receivable are due from tenants and reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of the receivables. It is reasonably possible that management's estimate of the allowance will change. The allowance for doubtful accounts was $4,121 and $468 as of June 30, 2026 and 2025, respectively.

Capital assets
Capital assets are stated at cost. The capitalization threshold for all capital assets is $5,000. Expenditures for repairs and maintenance are charged to operations as incurred while major renewals and betterments are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	5 - 40 years

Impairment of capital assets
SDHC reviews the capital assets of the Project for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. There has been no impairment of the capital assets as of June 30, 2026 and 2025.

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

HUD public housing operating grant
Effective with the fiscal year ended June 30, 2015, the Project converted to public housing and receives an operating grant from HUD. The Project received $163,247 and $239,607 of operating grant income which is included in the statements of revenues, expenses and changes in net position for the years ended June 30, 2026 and 2025, respectively. Due to the receipt of the HUD operating grant, the Project no longer receives annuity income from RHCP.

Net position
In the statements of net position, net assets are classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

Use of estimates
The preparation of financial statements in accordance with GAAP 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 revenue and expenses during the reporting year. Actual results could differ from those estimates.

Note 3 - Restricted deposits and funded reserves

As of June 30, 2026 and 2025, the restricted deposits and reserves consist of the following:

Tenant security deposits
The Project collects security deposits from tenants at the inception of the tenant lease. These deposits, which are reported in the basic financial statements as restricted cash, are refundable to the tenants to the extent there are no unpaid rents or damages to the housing unit. Tenant security deposits held amounted to $40,772 and $41,688 as of June 30, 2026 and 2025, respectively.

Replacement reserve
The Project established and will continue to fund a replacement reserve account for the term of the regulatory agreement. The replacement reserve was funded in the initial amount of $78,000 to provide for future major additions, repairs or replacements. The Project shall make annual deposits of $46,800 per year. The replacement reserve balance is $960,486 and $908,939 as of June 30, 2026 and 2025, respectively. During the years ended June 30, 2026 and 2025, the replacement reserve activity was as follows:

	2026	2025
Beginning balance	$ 908,939	$ 856,052
Deposits ($600 x 78 units)	46,800	46,800
Interest earned	4,747	6,087
Ending balance	$ 960,486	$ 908,939

Operating reserve
The Project established and will continue to fund an operating reserve account pursuant to the regulatory agreement. The operating reserve was funded by previous project cash flow and RHCP annuity payments. The operating reserve balance is $227,011 and $225,832 as of June 30, 2026 and 2025, respectively.

Other investments
The Project has other investments with a balance of $60,527 and $198,344 as of June 30, 2026 and 2025, respectively.

In accordance with SDHC's investment policy, the restricted deposits and reserves above are invested in the State's Local Agency Investment Fund ("LAIF"), the San Diego County Investment Pool ("SDCIP") and other investments such as bonds, government agency securities and demand deposit accounts safe kept

with commercial banking institutions. The detailed disclosures including investment policies and associated risk for each of these investments are included in the notes to SDHC's basic financial statements.

Note 4 - Mortgage payable

Mortgage payable to RHCP associated with the acquisition of the Project is in the amount of $3,150,000. Repayment of the interest and any outstanding principal balance is due in its entirety on the maturity date of May 10, 2068. The note bears interest at 3.00% and is payable in the annual amount of 0.42% of the outstanding principal balance ($13,230 per year). Interest expense was $94,500 and $94,500 for the years ended June 30, 2026 and 2025, respectively. Outstanding principal and accrued interest is $3,150,000 and $739,066, respectively, as of June 30, 2026 and $3,150,000 and $733,444, respectively, as of June 30, 2025.

Note 5 - Management fee and sponsor overhead

The Project incurs management fees and overhead costs from SDHC for central office services which includes but is not limited to clerical and management overhead expenses, such as salaries and benefits, office supplies and equipment, data processing or computer services, postage, training and telephone services. This does not include the salary of the project manager whether onsite or offsite. SDHC allocated to the Project management fees and overhead expenses in the amount of $73,008 and $73,008 for the years ended June 30, 2026 and 2025, respectively.

Note 6 - Concentration of credit risk

The Project maintains its cash and cash equivalents with various financial institutions. At times, these balances may exceed the federal insurance limits; however, the Project has not experienced any losses with respect to its bank balances in excess of government provided insurance. The Project Owner believes that no significant concentration of credit risks exists with respect to these cash balances at June 30, 2026.

Note 7 - Current vulnerability due to certain concentrations

The Project's principal assets consist of 78 units within various apartment projects. The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations of governmental agencies, including, but not limited to RHCP. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD or RHCP. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 8 - Subsequent events

Events that occur after the date of the statement of net position but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the statement of net position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the statement of net position require disclosure in the accompanying notes. Management evaluated the activity of the Project through September 16, 2026 the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information

Supporting Data Required by RHCP

Otay Villas Housing Development
Project No. 12-HLCP-0003
A Project of San Diego Housing Commission

Supplementary Information
Years Ended June 30, 2026 and 2025

Schedules of Operating Revenue

Account No.		2026	2025
Rental revenue			
5120	Rent revenue - gross potential	$ 767,427	$ 664,266
5121	Tenant assistance payments	163,247	239,607
5100T	Total rental revenue	930,674	903,873
5152N	Net rental revenue	930,674	903,873
Financial revenue			
5410	Financial revenue - project operations	43,050	52,373
5440	Revenue from investments - replacement reserve	4,747	6,087
5490	Revenue from investments - miscellaneous	1,179	1,513
5400T	Total financial revenue	48,976	59,973
Other revenue			
5910	Laundry and vending	5,686	5,493
5920	Tenant charges	3,425	2,225
5990	Miscellaneous revenue	-	39,668
5900T	Total other revenue	9,111	47,386
5000T	Total revenue	988,761	1,011,232

Otay Villas Housing Development
Project No. 12-HLCP-0003
A Project of San Diego Housing Commission

Supplementary Information
Years Ended June 30, 2026 and 2025

Schedules of Operating Expenses

Account No.		2026	2025
Administrative expenses			
6250	Other renting expenses	1,784	1,532
6310	Office salaries	90,898	78,551
6311	Office expenses	11,865	11,442
6320	Management fee	73,008	73,008
6331	Administrative rent free unit	15,984	15,984
6340	Legal expense - project	15,749	7,036
6350	Auditing expense	8,720	11,689
6351	Bookkeeping fees/accounting services	8,892	8,892
6370	Bad debts	25,950	25,142
6390	Miscellaneous administrative expenses	1,276	2,427
6263T	Total administrative expenses	254,126	235,703
Utilities expense			
6450	Electricity	21,406	18,551
6451	Water	61,668	77,401
6452	Gas	19,780	17,475
6453	Sewer	31,826	28,136
6400T	Total utilities expense	134,680	141,563
Operating and maintenance expenses			
6510	Payroll	50,346	62,012
6515	Supplies	19,612	21,515
6520	Contracts	131,857	174,424
6525	Garbage and trash removal	38,294	32,670
6530	Security payroll/contract	29,072	30,497
6570	Vehicle and maintenance equipment operation and repairs	4,369	474
6500T	Total operating and maintenance expenses	273,550	321,592

Otay Villas Housing Development
Project No. 12-HLCP-0003
A Project of San Diego Housing Commission

Supplementary Information
Years Ended June 30, 2026 and 2025

Account No.		2026	2025
Taxes and insurance			
6720	Property and liability insurance	26,536	30,875
6722	Workmen's compensation	4,193	4,090
6723	Health insurance and other employee benefits	57,610	58,483
6700T	Total taxes and insurance	88,339	93,448
Financial expenses			
6820	Interest on first mortgage payable	94,500	94,500
6800T	Total financial expenses	94,500	94,500
6000T	Total cost of operations before depreciation	845,195	886,806
5060T	Income (loss) before depreciation	143,566	124,426
Depreciation			
6600	Depreciation expense	286,647	286,647
	Total depreciation	286,647	286,647
5060N	Operating income (loss)	(143,081)	(162,221)
	Total expenses	1,131,842	1,173,453
3250	Change in net assets	$ (143,081)	$ (162,221)

Otay Villas Housing Development
Project No. 12-HLCP-0003
A Project of San Diego Housing Commission

Supplementary Information
Years Ended June 30, 2026 and 2025

Schedules of Miscellaneous Account Details

	2026	2025
Revenue from Investments - Miscellaneous (Account No. 5490)		
Interest on operating reserve	$ 1,179	$ 1,513
	$ 1,179	$ 1,513
Miscellaneous Other Revenue (Account No. 5990)		
Insurance proceeds	$ -	$ 39,668
	$ -	$ 39,668
Miscellaneous Administrative Expenses (Account No. 6390)		
Mileage reimbursement	$ 1,035	$ 1,338
Inspection fee	83	-
Business expense	49	706
Parking garage	45	250
Parking fees and permits	64	75
Education and training classes	-	19
Training - local	-	39
	$ 1,276	$ 2,427

Otay Villas Housing Development
Project No. 12-HLCP-0003
A Project of San Diego Housing Commission

Supplementary Information
June 30, 2026

Cash on Hand and in Banks

Unrestricted cash operating accounts	
Operating account	$ 875,059
	$ 875,059
Restricted cash accounts	
Tenant security deposits	$ 40,772
Replacement reserve	960,486
Operating reserve	227,011
	$ 1,228,269

Mortgage Impound Accounts

None.

Reserves for Replacement and Operating Expenses

	Reserve for replacements	Operating expense reserve
Balance, June 30, 2025	$ 908,939	$ 225,832
Deposits ($3,900 x 12 months)	46,800	-
Interest earned	4,747	1,179
Balance, June 30, 2026	$ 960,486	$ 227,011

Property, Equipment and Improvements

Following are the details of property, equipment and improvements:

	Property, equipment and improvements			
	Balance 6/30/25	Additions	Deletions	Balance 6/30/26
Land	$ 1,087,727	$ -	$ -	$ 1,087,727
Buildings	6,302,952	-	-	6,302,952
Office furniture and equipment	5,606	-	-	5,606
	$ 7,396,285	$ -	$ -	$ 7,396,285

Otay Villas Housing Development
Project No. 12-HLCP-0003
A Project of San Diego Housing Commission

Supplementary Information
June 30, 2026

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses payable to suppliers are due as follows:

Current	$	41,535
Total	$	41,535

Accounts Receivable

Accounts receivable consist of the following:

Tenant accounts receivable	$	13,796
Operating subsidy receivable		9,908
Interest receivable		10,129
	$	33,833

Gross Potential Rents

Gross potential rents includes the following:

Tenant rental payments	$	725,493
Housing assistance payments		163,247
Employee unit shown as an expense		15,984
Bad debt		25,950
Total gross potential rents	$	930,674

Management Fee

The management fee and sponsor overhead authorized by RHCP totals $73,008 and $73,008 for the years ended June 30, 2026 and 2025, respectively.

Otay Villas Housing Development
Project No. 12-HLCP-0003
A Project of San Diego Housing Commission

Supplementary Information
Years Ended June 30, 2026

Operating Cash Flow/Surplus Cash Computation

Operating income		
Total income	$	988,761
Interest earned on restricted reserve accounts		(5,926)
Adjusted operating income		982,835
Operating expenses		(750,695)
Adjusted net income		232,140
Other activity		
Deposits into replacement reserve account		(46,800)
HCD required annual payment		(13,230)
Total other activity		(60,030)
Operating cash flow/surplus cash		172,110
Total cash available for distributions (net cash flow)	$	172,110

Reconciliation to RHCP Form 181

Total operating revenue	$	939,785
Interest income		48,976
Less interest on reserves		(5,926)
Other difference		(1)
Effective gross rent per RHCP Form 181	$	982,834

Reconciliation to RHCP Form 180

Total operating expenses	$	1,037,342
Less depreciation		(286,647)
Total operating costs per RHCP Form 180	$	750,695

Otay Villas Housing Development
Project No. 12-HLCP-0003
A Project of San Diego Housing Commission

Supplementary Information
Year Ended June 30, 2026

Rental Housing Construction Program -- Original

6. AMC 180a - ACTUAL COST OF OPERATIONS - Operating Budget/Annual Report

Contract No: 80-RHC-026

Reporting Period 7/1/25 to 6/30/26

Project Name: OTAY VILLAS

Prepared by: MARIA GIMUTAO

Date Prepared: 8/11/26

Rev 9/28/16

	ACCOUNT NAME	ACCOUNT CODES	UNIT EXPENSES					
			Approved Assisted (A)	Actual Assisted	Approved Non-Assisted	Actual Non-Assisted	Proposed Commercial	Actual Commercial
	MANAGEMENT FEE: 6200/6300							
1	Management Fee or Sponsor Overhead	6320	12,168	12,168	60,840	60,840	0	0
	ADMINISTRATIVE EXPENSES: 6200/6300							
2	Advertising	6210	0	0	0	0	0	0
3	Apartment Resale Expense (Cooperatives)	6235	0	0	0	0	0	0
4	Other Renting Expenses	6250	600	297	3,000	1,487	0	0
5	Office Salaries	6310	12,587	14,978	62,934	74,890	0	0
6	Office Supplies	6311	1,549	1,992	7,747	9,958	0	0
7	Office or Model Apartment Rent	6312	0	0	0	0	0	0
8	Manager and Superintendent Salaries	6330	0	0	0	0	0	0
9	Manager's or Superintendent's Rent Free Unit	6331	2,664	2,664	13,320	13,320	0	0
10	Legal Expense - Project	6340	1,000	2,625	5,000	13,124	0	0
11	Audit Expense - Project	6350	1,453	1,453	7,267	7,267	0	0
12	Bookkeeping Fees/Accounting Services	6351	1,482	1,482	7,410	7,410	0	0
13	Telephone and Answering Service Expenses	6360	0	0	0	0	0	0
14	Bad Debt Expense	6370	0	0	10,324	25,950	0	0
15	Miscellaneous Administrative Expenses (specify)	6390	539	199	2,695	994	0	0
16	**TOTAL ADMINISTRATIVE EXPENSES**	**6200/6300T**	21,875	25,690	119,697	154,400	0	0
	UTILITIES EXPENSES: 6400							
17	Fuel Oil/Coal	6420	0	0	0	0	0	0
18	Electricity	6450	2,830	3,568	14,149	17,838	0	0
19	Water	6451	11,491	10,278	57,457	51,390	0	0
20	Gas	6452	3,342	3,297	16,711	16,483	0	0
21	Sewer	6453	4,519	5,304	22,594	26,522	0	0
22	**TOTAL UTILITIES EXPENSES**	**6400T**	22,182	22,447	110,911	112,233	0	0
	OPERATING AND MAINTENANCE EXPENSES: 6500							
23	Janitor and Cleaning Payroll	6510	10,214	8,391	51,072	41,955	0	0
24	Janitor and Cleaning Supplies	6515	3,558	3,276	17,788	16,379	0	0
25	Janitor and Cleaning Contracts	6517	0	0	0	0	0	0
26	Exterminating Payroll/Contract	6519	0	0	0	0	0	0
27	Exterminating Supplies	6520	29,990	22,308	149,949	111,542	0	0
28	Garbage and Trash Removal	6525	6,106	6,050	30,530	30,252	0	0
29	Security Payroll/Contract	6530	5,557	4,838	27,785	24,190	0	0
30	Grounds Payroll	6535	0	0	0	0	0	0
31	Grounds Supplies	6536	0	0	0	0	0	0
32	Grounds Contract	6537	0	0	0	0	0	0
33	Repairs Payroll	6540	0	0	0	0	0	0
34	Repairs Material	6541	0	0	0	0	0	0
35	Repairs Contract	6542	0	0	0	0	0	0
36	Elevator Maintenance/Contract	6545	0	0	0	0	0	0
37	Heating/Cooling Repairs and Maintenance	6546	0	0	0	0	0	0
38	Swimming Pool Maintenance/Contract	6547	0	0	0	0	0	0
39	Snow Removal	6548	0	0	0	0	0	0
40	Decorating/Payroll Contract	6560	0	0	0	0	0	0
41	Decorating Supplies	6561	0	0	0	0	0	0
42	Vehicle and Maint. Equipment Operation/Repairs	6570	200	728	1,000	3,641	0	0
43	Misc. Operating and Maintenance Expenses (specify)	6590	0	0	0	0	0	0
44	**TOTAL OPERATING & MAINTENANCE EXPENSES**	**6500T**	55,625	45,591	278,123	227,959	0	0
	TAXES AND INSURANCE: 6700							
45	Real Estate Taxes	6710	0	0	0	0	0	0
46	Payroll Taxes (Project's Share)	6711	0	0	0	0	0	0
47	Misc. Taxes, Licenses and Permits	6719	0	0	0	0	0	0
48	Property and Liability Insurance (Hazard)	6720	6,886	4,423	34,429	22,114	0	0
49	Fidelity Bond Insurance	6721	0	0	0	0	0	0
50	Worker's Compensation	6722	660	699	3,299	3,495	0	0
51	Health Insurance and Other Employee Benefits	6723	9,129	9,773	45,644	48,863	0	0
52	Other Insurance	6729	0	0	0	0	0	0
53	**TOTAL TAXES AND INSURANCE**	**6700T**	16,675	14,895	83,373	74,472	0	0
	ASSISTED LIVING/BOARD & CARE EXPENSES; 6900							
54	Food	6932	0	0	0	0	0	0
55	Recreation and Rehabilitation	6980	0	0	0	0	0	0
56	Rehabilitation Salaries	6983	0	0	0	0	0	0
57	Other Service Expenses	6990	0	0	0	0	0	0
58	**TOTAL ASSISTED LIVING EXPENSES**	**6900T**	0	0	0	0	0	0
61	**TOTAL OPERATING COSTS**		**128,524**	**120,791**	**652,944**	**629,904**	**0**	**0**

Otay Villas Housing Development
Project No. 12-HLCP-0003
A Project of San Diego Housing Commission

Supplementary Information
Year Ended June 30, 2026

Rental Housing Construction Program -- Original

7. AMC 181a - ACTUAL CASH FLOW ANALYSIS - Operating Budget/Annual Report

Contract No: 80-RHC-026 Reporting Perio 7/1/25 to 6/30/26 Units/Sq. Ft. - As 13

Project Name: OTAY VILLAS Units/Sq. Ft. - To 78

Prepared by: MARIA GIMUTAO

Date Prepared: 8/11/26 *Rev 9/28/16* Unit Months: 936

	ACCOUNT NAME		ASSISTED UNITS		NON-ASSISTED UNITS		COMMERCIAL		TOTAL PROJECT		PROJECT VARIANCE
		Account Codes	Approved Cashflow (A)	Actual Cashflow (B)	Approved Cashflow (C)	Actual Cashflow (D)	Proposed Cashflow (E)	Actual Cashflow (F)	Approved Cashflow (G)	Actual Cashflow (H)	Cashflow Variance (I)
	REVENUE ACCOUNTS/RENT REVENUE: 5100										
1	Rent Revenue	5120	144,468	127,905	575,736	639,522	0	0	720,204	767,427	47,223
2	Tenant Assistance Payments	5121	32,842	27,208	164,208	136,039	0	0	197,050	163,247	(33,803)
3	Rent revenue - Stores and Commercial	5140	0	0	0	0	0	0	0	0	0
4	Garage and Parking Spaces	5170	0	0	0	0	0	0	0	0	0
5	Flexible Subsidy Revenue	5185	0	0	0	0	0	0	0	0	0
6	Miscellaneous Rent Revenue	5190	0	0	0	0	0	0	0	0	0
7	Excess Rent	5191	0	0	0	0	0	0	0	0	0
8	Rent Revenue/Insurance	5192	0	0	0	0	0	0	0	0	0
9	Special Claims Revenue	5193	0	0	0	0	0	0	0	0	0
10	Retained Excess Income	5194	0	0	0	0	0	0	0	0	0
11	**GROSS RENT REVENUE**	**5100T**	**177,310**	**155,113**	**739,944**	**775,561**	**0**	**0**	**917,254**	**930,674**	**13,420**
	VACANCIES: 5200										
	Vacancy Percentage:		0	0	0	0	0	0			
11	Apartments -	5220				0	0	0			
12	Stores and Commercial	5240				0	0	0			
13	Rental Concessions	5250				0	0	0			
14	Garage and Parking Spaces	5270				0	0	0			
15	Miscellaneous	5290				0	0	0			
	Total Vacancies (HCD Use Only)	**5200T**	0	0	0	0	0	0	0	0	0
	ASSISTED LIVING/BOARD & CARE REVENUES: 5300										
17	Food	5332	0	0	0	0	0	0	0	0	0
18	Recreation (Activities) and Rehabilitation	5380	0	0	0	0	0	0	0	0	0
19	Rehabilitation	5385	0	0	0	0	0	0	0	0	0
20	Other Service Revenue	5390	0	0	0	0	0	0	0	0	0
	Total Living Revenue	***6300T***	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
	FINANCIAL REVENUE: 5400										
21	Financial Revenue - Project Operations	5410	9,912	7,175	49,561	35,874	0	0	59,473	43,049	(16,424)
	Total Financial Revenue	***5400T***	*9,912*	*7,175*	*49,561*	*35,874*	*0*	*0*	*59,473*	*43,049*	*(16,424)*
	OTHER REVENUE: 5900										
22	Laundry and Vending Revenue	5910	831	948	4,155	4,738	0	0	4,986	5,686	700
23	NSF and Late Charges	5920	344	571	1,719	2,854	0	0	2,063	3,425	1,362
24	Damages and Cleaning Fees	5930	0	0	0	0	0	0	0	0	0
25	Forfeited Tenant Security Deposits	5940	0	0	0	0	0	0	0	0	0
26	Other Revenue	5990	0	0	0	0	0	0	0	0	0
	Total Other Revenue	***5900T***	*1,175*	*1,519*	*5,874*	*7,592*	*0*	*0*	*7,049*	*9,111*	*2,062*
27	**EFFECTIVE GROSS RENT (EGR)**	**5152T**	**188,397**	**163,807**	**795,379**	**819,027**	**0**	**0**	**983,776**	**982,834**	**(942)**
28	**TOTAL OPERATING EXPENSES**	**6000T**	**132,380**	**120,791**	**649,088**	**629,904**	**0**	**0**	**781,467**	**750,695**	**30,772**
29	**NET OPERATING INCOME (NOI)**	**5000T**	**56,017**	**43,016**	**146,291**	**189,123**	**0**	**0**	**202,309**	**232,139**	**29,830**
	FINANCIAL EXPENSES: 6800										
30	Non-Contingent Debt Service (specify lender)	6895									
	1st Mortgage =		0	0	0	0	0	0	0	0	0
	2nd Mortgage=		0	0	0	0	0	0	0	0	0
	3rd Mortgage=		0	0	0	0	0	0	0	0	0
31	HCD Required Payments	6890	0	0	13,230	13,230	0	0	13,230	13,230	0
32	Lease Payment	6890	0	0	0	0	0	0	0	0	0
33	Miscellaneous Financial Expenses	6890	0	0	0	0	0	0	0	0	0
	Total Financial Expenses	***6800T***	*0*	*0*	*13,230*	*13,230*	*0*	*0*	*13,230*	*13,230*	*0*
	FUNDED RESERVES:	1300									
34	Escrow Deposits	1310	0	0	0	0	0	0	0	0	0
35	Replacement Reserve-Deposit	1320	7,800	7,800	39,000	39,000	0	0	46,800	46,800	0
36	Operating Reserve-Deposit	1300	0	0	0	0	0	0	0	0	0
37	Other Reserves (specify)										0
	#1	1330	0	0	0	0	0	0	0	0	0
	#2	1330	0	0	0	0	0	0	0	0	0
	#3	1330	0	0	0	0	0	0	0	0	0
	Total Reserve Deposits		*7,800*	*7,800*	*39,000*	*39,000*	*0*	*0*	*46,800*	*46,800*	*0*
38	**PROJECT CASH FLOW (CF)**		**48,217**	**35,216**	**94,061**	**136,893**	**0**	**0**	**142,279**	**172,109**	**29,830**
	ADDITIONAL REVENUE:										
39	RHCP-O Annuity Fund Request (For Assisted Units Only)		0	0					0	0	0
40	Withdrawal from Operating Reserves		0	0	0	0	0	0	0	0	0
41	Borrower Contribution		0	0	0	0	0	0	0	0	0
42	Other (specify)		0	0	0	0	0	0	0	0	0
	Total Additional Revenue		0	0	0	0	0	0	0	0	0
	USE OF CASH FLOW:										
43	HCD Interest Payments		0	0	0	0	0	0	0	0	0
44	Asset Mgmt Fee (CHRP-R/SUHRP & HOME-pre-UMR Only)		0	0	0	0	0	0	0	0	0
45	Asset Mgmt Fee/Prtrshp Costs (MHP/HOME under UMR)		0	0	0	0	0	0	0	0	0
46	Borrower Distributions		0	0	0	0	0	0	0	0	0
47	Residual Receipt Loan Payments		0	0	0	0	0	0	0	0	0
48	Other (specify)		0	0	0	0	0	0	0	0	0
	Total Use of Cash Flow		0	0	0	0	0	0	0	0	0

Independent Auditor's Report 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 Commissioners
San Diego Housing Commission

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 San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003, which comprise the statement of net position as of June 30, 2026, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 16, 2026 which included an emphasis of matter paragraph as indicated at page 4.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003's internal control over financial reporting.

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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003'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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Sacramento, California
September 16, 2026

Otay Villas Housing Development
Project No. 12-HLCP-0003
A Project of San Diego Housing Commission

Schedule of Finding and Responses
Year Ended June 30, 2026

Our audit disclosed no findings that are required to be reported.

CohnReznick

Independent Member of Nexia

cohnreznick.com

Attachment 5

Adaptable Housing Development
Project No. 12-HLCP-0004
A Project of San Diego Housing Commission

Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

June 30, 2026 and 2025

CohnReznick

Adaptable Housing Development
Project No. 12-HLCP-0004
A Project of San Diego Housing Commission

Index

	PAGE
Certificate of Owner	2
Managing Agent's Certification	3
Independent Auditor's Report	4
Basic Financial Statements	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows	10
Notes to the Financial Statements	12
Supplementary Information - Supporting Data required by RHCP	
Schedules of Operating Revenue	18
Schedules of Operating Expenses	19
Detail of Accounts - Schedules of Activities	21
Cash on Hand and in Banks	22
Mortgage Impound Accounts	22
Reserves for Replacement and Operating Expenses	22
Property, Equipment and Improvements	22
Accounts Payable and Accrued Expenses	23
Accounts Receivable	23
Gross Potential Rent	23
Management Fee	23
Operating Cash Flow/Surplus Cash Computation	24
Reconciliation to RHCP Form 181	25
Reconciliation to RHCP Form 180	25
RHCP - Report of Actual Operating Costs (Form 180)	26
RHCP - Actual Cash Flow Analysis (Form 181)	27
Independent Auditor's Report 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	28
Schedule of Findings and Responses	30

Adaptable Housing Development
Project No. 12-HLCP-0004
A Project of San Diego Housing Commission

June 30, 2026

Certificate of Owner

I, as an officer of the San Diego Housing Commission, owner of Adaptable Housing Development, hereby certify that I have examined the accompanying financial statements and supplementary information of Adaptable Housing Development as of and for the year ended June 30, 2026 and, to the best of my knowledge and belief, these financial statements and supplementary information are complete and accurate.

San Diego Housing Commission

Christelle Van Der Windt

Christelle Van Der Windt, Vice President
Financial Operations

Employer Identification Number: 95-3390896

Adaptable Housing Development
Project No. 12-HLCP-0004
A Project of San Diego Housing Commission

June 30, 2026

Managing Agent's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary information of Adaptable Housing Development as of and for the year ended June 30, 2026, to the best of my knowledge and belief, the same is complete and accurate.

Christelle Van Der Windt

San Diego Housing Commission
Christelle Van Der Windt, Vice President
Financial Operations

Independent Auditor's Report

To the Board of Commissioners
San Diego Housing Commission

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Adaptable Housing Development Project No. 12-HLCP-0004, (the "Project") owned by San Diego Housing Commission ("SDHC"), which comprise the statements of net position as of June 30, 2026 and 2025, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004 as of June 30, 2026 and 2025, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2, the financial statements referred to above are intended to present the financial position, the changes in financial position, and cash flows of only the Project. They do not purport to, and do not, present fairly the financial position of SDHC as of June 30, 2026 and 2025, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The financial data templates as required by the California Department of Housing and Community Development ("RHCP"), are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate 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 audits 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 GAAS. In our opinion, the financial data templates as required by the RHCP are fairly stated in all material respects in relation to the financial statements as whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2026, on our consideration of San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004'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 San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004's internal control over financial reporting and compliance.

CohnReznick LLP

Sacramento, California
September 15, 2026

Adaptable Housing Development
Project No. 12-HLCP-0004
A Project of San Diego Housing Commission

Statements of Net Position
June 30, 2026 and 2025

Assets

	2026	2025
Current assets		
Cash and cash equivalents	$ 320,066	$ 336,849
Tenants' accounts receivable, net	1,220	1,385
Accounts receivable - grants	3,307	5,101
Accounts receivable - other	4,405	2,268
Total current assets	328,998	345,603
Other assets		
Investments - operations	99,717	50,559
Restricted deposits and funded reserves	460,794	436,879
Total other assets	560,511	487,438
Capital assets		
Buildings and improvements	7,555,997	7,178,312
Accumulated depreciation	(4,557,785)	(4,132,659)
	2,998,212	3,045,653
Land	484,372	484,372
Total capital assets	3,482,584	3,530,025
Total assets	$ 4,372,093	$ 4,363,066

Adaptable Housing Development
Project No. 12-HLCP-0004
A Project of San Diego Housing Commission

Statements of Net Position
June 30, 2026 and 2025

Liabilities and Net Position

	2026	2025
Current liabilities		
Accounts payable - operations	$ 26,691	$ 19,355
Accrued expenses	4,485	7,108
Accrued interest payable - first mortgage, current portion	5,900	5,900
Prepaid rent	8,566	17,573
Total current liabilities	45,642	49,936
Deposits and prepaid liability		
Tenants' security deposits liability	18,186	17,586
Total deposits and prepaid liability	18,186	17,586
Long-term liabilities		
Mortgage payable - first mortgage	1,404,849	1,404,849
Accrued interest payable - first mortgage, net of current portion	380,497	344,252
Total long-term liabilities	1,785,346	1,749,101
Total liabilities	1,849,174	1,816,623
Net Position		
Net investment in capital assets	2,077,735	2,125,176
Restricted for operating and replacement reserves	442,608	419,293
Unrestricted	2,576	1,974
Total net position	2,522,919	2,546,443
Total liabilities and net position	$ 4,372,093	$ 4,363,066

See Notes to Financial Statements.

Adaptable Housing Development
Project No. 12-HLCP-0004
A Project of San Diego Housing Commission

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2026 and 2025

	2026	2025
Operating revenues		
Rental income	$ 314,528	$ 278,130
Operating grant income	49,631	80,590
Other operating income	5,838	5,942
Total operating revenues	369,997	364,662
Operating expenses		
Administrative	106,242	108,635
Utilities	94,740	74,652
Operating and maintenance	223,409	213,590
Taxes and insurance	46,287	46,637
Depreciation	425,126	422,127
Total operating expenses	895,804	865,641
Operating income (loss)	(525,807)	(500,979)
Noncapital subsidies		
Transfers-in	147,367	63,276
Total noncapital subsidies	147,367	63,276
Operating income (loss) and noncapital subsidies	(378,440)	(437,703)
Other nonoperating revenues (expense)		
Financial revenue - investments	19,376	24,105
Interest expense - first mortgage	(42,145)	(42,145)
Capital contributions	377,685	9,006
Total other nonoperating revenues (expenses)	354,916	(9,034)
Change in net position	(23,524)	(446,737)
Net position		
Beginning of year	2,546,443	2,993,180
End of year	$ 2,522,919	$ 2,546,443

See Notes to Financial Statements.

Adaptable Housing Development
Project No. 12-HLCP-0004
A Project of San Diego Housing Commission

Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	2026	2025
Cash flows from operating activities		
Cash received from tenants and operations	$ 361,128	$ 376,299
Less cash payments for operations and administration		
Administrative expenses paid	(24,786)	(33,974)
Management fee and sponsor overhead paid	(32,760)	(32,760)
Utilities paid	(94,740)	(74,652)
Salaries and wages paid	(85,195)	(89,802)
Operating and maintenance paid	(180,376)	(187,369)
Property insurance paid	(12,130)	(11,129)
Net tenant security deposits received	600	-
Other operating expenses paid	(34,157)	(35,508)
Cash payments for operations and administration	(463,544)	(465,194)
Net cash used in operating activities	(102,416)	(88,895)
Cash flows from noncapital financing activities		
Transfers - in	147,367	63,276
Net cash provided by noncapital financing activities	147,367	63,276
Cash flows from capital and related financing activities		
Capital contributions	377,685	9,006
Purchase of fixed assets	(377,685)	(9,006)
Interest paid	(5,900)	(43,428)
Net cash used by capital and related financing activities	(5,900)	(43,428)
Cash flows from investing activities		
Net deposits to replacement reserve	(22,890)	(23,267)
Net deposits to operating reserve	(425)	(541)
Interest on investments	17,239	24,218
Net sales (purchases) of investments	(49,758)	266,450
Net cash (used in) provided by investing activities	(55,834)	266,860
Net (decrease) increase in cash and cash equivalents	(16,783)	197,813
Cash and cash equivalents, beginning	336,849	139,036
Cash and cash equivalents, end	$ 320,066	$ 336,849

Adaptable Housing Development
Project No. 12-HLCP-0004
A Project of San Diego Housing Commission

Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	2025	2024
Reconciliation of net operating loss to net cash (used in) provided by operating activities		
Net operating loss	$ (525,807)	$ (500,979)
Adjustments to reconcile net operating loss to net cash used in operating activities		
Depreciation	425,126	422,127
Bad debt	27	139
Changes in:		
Tenants' accounts receivable	138	201
Accounts receivable - grants	1,794	(5,101)
Prepaid revenue	(9,007)	11,436
Accounts payable - operations	7,336	(17,288)
Accrued expenses	(2,623)	570
Tenants' security deposits liability	600	-
Net cash used in operating activities	$ (102,416)	$ (88,895)

See Notes to Financial Statements.

Adaptable Housing Development
Project No. 12-HLCP-0004
A Project of San Diego Housing Commission

Notes to Financial Statements
June 30, 2026 and 2025

Note 1 - The financial reporting entity

The San Diego Housing Commission ("SDHC")'s Adaptable Housing Development Project consists of 35 rental housing units (the "Project") located in San Diego, California. SDHC entered into a regulatory agreement and permanent loan agreement with the California Department of Housing and Community Development ("RHCP"). Under the terms of the agreements, SDHC is to submit to RHCP an annual budget of the operating revenue and operating expenses for the Project. In May 2013, SDHC and RHCP amended the original agreements and entered into a new regulatory and loan agreement under which the previous loan was refinanced and the new permanent loan was extended for a period of 55 years.

Note 2 - Significant accounting policies

Basic financial statements

The basic financial statements (i.e. the statements of net position, the statements of revenues, expenses and changes in net position and the statements of cash flows) report information on all of the activities of the Project. These basic financial statements are presented in accordance with the Governmental Accounting Standards Board standards. The accompanying financial statements are not intended to present fairly the financial position or changes in financial position and cash flows of SDHC in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Measurement focus, basis of accounting and financial statement presentation

The basic financial statements of the Project are prepared using the economic resource measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources and liabilities and deferred inflows of resources are included on the statements of net position. The statement of revenues, expenses and changes in net position present increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenue is recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

When both restricted and unrestricted resources are available for use, it is the Project's policy to use restricted resources first, then unrestricted resources as needed.

Operating revenues and expenses and nonoperating revenues and expenses

The Project distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses are revenues and expenses other than nonoperating revenues and expenses.

Operating revenues and expenses generally result from transactions that are integral to the Project's principal ongoing operations. The operating revenues of the Project consist of rental income from the tenants of its housing units and the operating grant income. Operating expenses for the Project include the cost of services and general and administrative expenses.

Nonoperating revenues and expenses are subsidies received and provided, revenues and expenses related to financing, capital contributions, resources from the disposal of capital assets and investment income and expenses.

Cash and cash equivalents

The Project cash and cash equivalents are maintained within the general operating bank account of SDHC. The ending balance of the operating account is allocated between several projects of SDHC based upon each project's relative cash activities. As of June 30, 2026 and 2025, the reconciled balance of SDHC's general cash account is $41,816,675 and $49,800,280, respectively, of which $320,066 and $336,849 belong to the Project as of June 30, 2026 and 2025, respectively.

Restricted deposits and funded reserves

The Project's restricted deposits and reserves represent deposits to lender required reserves for replacements, operating reserve and tenant security deposits. The Project's restricted deposits and reserves are invested along with other SDHC funds to maximize income consistent with safe and prudent investment practices within the guidelines of SDHC's investment policy.

In accordance with California state statute and the U.S. Department of Housing and Urban Development ("HUD") regulations, SDHC has authorized the Chief Financial Officer or designee to invest in obligations of the U.S. Treasury, U.S. Government agencies or other investments as outlined in SDHC's Investment Policy. An Investment Committee, consisting of two SDHC Board members, monitors the management of funds and compliance with SDHC's Investment Policy. SDHC utilizes the services of an experienced financial advisor to aid in making investment decisions. Working with the Investment Committee and staff, the advisor provides guidance on creating a diversified portfolio and a secure investment mix. The advisor's ongoing role is to provide staff with sound investment opportunities that will maximize liquidity and yield without sacrificing principal value and safety of the investment securities.

All investments are stated at fair value, except for money market investments with remaining maturities less than one year when purchased, which are stated at amortized cost. Money market investments are short-term, highly-liquid debt securities, such as bankers' acceptances, commercial paper, repurchase agreements, negotiable certificates of deposit and U.S. Treasury obligations. Fair value is the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Detailed disclosures, including investment policies and associated risk policies, regarding the Project's cash and cash equivalents, restricted deposits and reserves, and investments are included in the notes to SDHC's basic financial statements.

Fair value

Authoritative guidance establishes hierarchy for ranking the quality and reliability of the information used to determine fair values, requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets.

Level 2: Unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Significant unobservable inputs for the asset or liability.

Tenants' accounts receivable
Resident accounts receivable are due from tenants and reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of the receivables. It is reasonably possible that management's estimate of the allowance will change. The allowance for doubtful accounts was $432 and $406 as of June 30, 2026 and 2025, respectively.

Capital assets
Capital assets are stated at cost. The capitalization threshold for all capital assets is $5,000. Expenditures for repairs and maintenance are charged to operations as incurred while major renewals and betterments are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Furnishing and equipment	5 years
Building and improvements	12 - 40 years

Impairment of capital assets
SDHC reviews the capital assets of the Project for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. There has been no impairment of the capital assets during the years ended June 30, 2026 and 2025.

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

HUD public housing operating grant
The Project converted to Public Housing and receives an operating grant from HUD. The Project recognized $49,631 and $80,590 of operating grant income during the years ended June 30, 2026 and 2025, respectively, of which $3,307 and $5,101 is receivable as of June 30, 2026 and 2025, respectively.

Net position
In the statements of net position, net assets are classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

Use of estimates
The preparation of financial statements in accordance with GAAP 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 revenue and expenses during the reporting year. Actual results could differ from those estimates.

Note 3 - Restricted deposits and funded reserves

As of June 30, 2026 and 2025, the restricted deposits and reserves consist of the following:

Tenant security deposits
The Project collects security deposits from tenants at the inception of the tenant lease. These deposits, which are reported in the basic financial statements as restricted cash, are refundable to the tenants to the extent there are no unpaid rents or damages to the housing unit. Tenant security deposits held amounted to $18,186 and $17,586 as of June 30, 2026 and 2025, respectively.

Replacement reserve
The Project established and will continue to fund a replacement reserve account for the term of the regulatory agreement. The replacement reserve was funded in the initial amount of $35,000 to provide for future major additions, repairs or replacements. The Project shall make annual deposits of $21,000 per year. The replacement reserve balance is $361,423 and $338,533 as of June 30, 2026 and 2025, respectively. During the years ended June 30, 2026 and 2025, the replacement reserve activity was as follows:

	2026	2025
Beginning balance	$ 338,533	$ 315,266
Deposits ($600 x 35 units)	21,000	21,000
Interest earned	1,890	2,267
Ending balance	$ 361,423	$ $ 338,533

Operating reserve
The Project established and will continue to fund an operating reserve account pursuant to the regulatory agreement. The operating reserve was funded by previous project cash flow and RHCP annuity payments. The operating reserve balance is $81,185 and $80,760 as of June 30, 2026 and 2025, respectively.

Other investments
The Project's other investments amount to $99,717 and $50,559 at June 30, 2026 and 2025, respectively.

In accordance with SDHC's investment policy, the restricted deposits and reserves above are invested in the State's Local Agency Investment Fund, the San Diego County Investment Pool and other investments such as bonds, government agency securities and demand deposit accounts safe kept with commercial banking institutions. The detailed disclosures including investment policies and associated risk for each of these investments are included in the notes to SDHC's basic financial statements.

Note 4 - Mortgage payable

The mortgage payable to RHCP associated with the acquisition of the Project is in the amount of $1,404,849. Repayment of the interest and any outstanding principal balance is due in its entirety on the maturity date of May 10, 2068. The note bears interest at 3.00% and is payable in the annual amount of 0.42% of the outstanding principal balance. Interest expense was $42,145 and $42,145 for the years ended June 30, 2026 and 2025, respectively. Outstanding principal and accrued interest is $1,404,849 and $386,397, respectively, at June 30, 2026, and $1,404,849 and $350,152, respectively, at June 30, 2025.

Note 5 - Management fee and sponsor overhead

The Project incurs a management fee and overhead costs from SDHC for central office services which includes but is not limited to clerical and management overhead expenses, such as salaries and benefits, office supplies and equipment, data processing or computer services, postage, training and telephone services. This does not include the salary of the project manager whether onsite or offsite. SDHC allocated to the Project management fees and overhead expenses in the amount of $32,760 and $32,760 for the years ended of June 30, 2026 and 2025, respectively.

Note 6 - Concentration of credit risk

The Project maintains its cash and cash equivalents with various financial institutions. At times, these balances may exceed the federal insurance limits; however, the Project has not experienced any losses with respect to its bank balances in excess of government provided insurance. SDHC believes that no significant concentration of credit risks exists with respect to these cash balances at June 30, 2026.

Note 7 - Current vulnerability due to certain concentrations

The Project's principal assets consist of 35 units within various apartment projects. The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations of governmental agencies, including, but not limited to HUD or RHCP. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD or RHCP. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 8 - Subsequent events

Events that occur after the date of the statement of net position but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the statement of net position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the statement of net position require disclosure in the accompanying notes. Management evaluated the activity of the Project through September 15, 2026, the date the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information

Supporting Data Required by RHCP

Adaptable Housing Development
Project No. 12-HLCP-0004
A Project of San Diego Housing Commission

Supplementary Information
Years Ended June 30, 2026 and 2025

Schedule of Operating Revenue

Account No.		2026	2025
Rental revenue			
5120	Rent revenue - gross potential	$ 314,528	$ 278,130
5121	Tenant assistance payments	49,631	80,590
5100T	Total rental revenue	364,159	358,720
5152N	Net rental revenue	364,159	358,720
Financial revenue			
5410	Financial revenue - project operations	17,061	21,297
5440	Revenue from investments - replacement reserve	1,890	2,267
5490	Revenue from investments - miscellaneous	425	541
5400T	Total financial revenue	19,376	24,105
Other revenue			
5910	Laundry and vending	4,738	4,767
5920	Tenant charges	1,100	1,175
5900T	Total other revenue	5,838	5,942
5000T	Total revenue	389,373	388,767

Adaptable Housing Development
Project No. 12-HLCP-0004
A Project of San Diego Housing Commission

Supplementary Information
Years Ended June 30, 2026 and 2025

Schedules of Operating Expenses

Account No.		2026	2025
Administrative expenses			
6250	Other renting expenses	519	2,989
6310	Office salaries	46,875	46,863
6311	Office expenses	11,625	6,998
6320	Management fee	32,760	32,760
6340	Legal expense - project	911	1,760
6350	Auditing expense	8,720	12,578
6351	Bookkeeping fees/accounting services	3,990	3,990
6370	Bad debts	27	139
6390	Miscellaneous administrative expenses	815	558
6263T	Total administrative expenses	106,242	108,635
Utilities expense			
6450	Electricity	5,566	4,582
6451	Water	41,010	29,538
6452	Gas	25,438	21,711
6453	Sewer	22,726	18,821
6400T	Total utilities expense	94,740	74,652
Operating and maintenance expenses			
6510	Payroll	35,697	37,809
6515	Supplies	3,091	2,431
6520	Contracts	184,193	166,948
6530	Security payroll/contract	-	5,700
6570	Vehicle and maintenance equipment operation and repairs	428	702
6500T	Total operating and maintenance expenses	223,409	213,590

Adaptable Housing Development
Project No. 12-HLCP-0004
A Project of San Diego Housing Commission

Supplementary Information
Years Ended June 30, 2026 and 2025

Account No.		2026	2025
Taxes and insurance			
6710	Real estate taxes	73	34
6720	Property and liability insurance	12,130	11,129
6722	Workmen's compensation	2,068	2,027
6723	Health insurance and other employee benefits	32,016	33,447
6700T	Total taxes and insurance	46,287	46,637
Financial expenses			
6820	Interest on first mortgage payable	42,145	42,145
6800T	Total financial expenses	42,145	42,145
6000T	Total cost of operations before depreciation	512,823	485,659
5060T	Income (loss) before depreciation	(123,450)	(96,892)
Depreciation			
6600	Depreciation expense	425,126	422,127
	Total depreciation	425,126	422,127
5060N	Operating income (loss)	(548,576)	(519,019)
	Total expenses	937,949	907,786
3250	Change in net assets	$ (548,576)	$ (519,019)

Adaptable Housing Development
Project No. 12-HLCP-0004
A Project of San Diego Housing Commission

Supplementary Information
Years Ended June 30, 2026 and 2025

Schedules of Miscellaneous Account Details

	2026	2025
Revenue from Investments - Miscellaneous (Account No. 5490)		
Interest on investments	$ 425	$ 541
	$ 425	$ 541
Miscellaneous Administrative Expenses (Account No. 6390)		
Inspection fees	$ 330	$ -
Business expense	1	312
Mileage reimbursement	89	8
Parking fees and permits	367	200
Training	28	38
	$ 815	$ 558

Adaptable Housing Development
Project No. 12-HLCP-0004
A Project of San Diego Housing Commission

Supplementary Information
June 30, 2026

Cash on Hand and in Banks

Unrestricted cash operating accounts	
Operating account	$ 320,066
	$ 320,066
Restricted cash accounts	
Tenant security deposits	$ 18,186
Replacement reserve	361,423
Operating reserve	81,185
	$ 460,794

Mortgage Impound Accounts

None.

Reserves for Replacements and Operating Expenses

	Reserve for replacements	Operating expense reserve
Balance, June 30, 2025	$ 338,533	$ 80,760
Deposits ($1,750 x 12 months)	21,000	-
Interest earned	1,890	425
Balance, June 30, 2026	$ 361,423	$ 81,185

Property, Equipment and Improvements

Following are the details of property, equipment and improvements:

	Property, equipment and improvements			
	Balance 6/30/25	Additions	Deletions	Balance 6/30/26
Land	$ 484,372	$ -	$ -	$ 484,372
Buildings	7,144,985	377,685	-	7,522,670
Office furniture and equipment	33,327	-	-	33,327
	$ 7,662,684	$ 377,685	$ -	$ 8,040,369

Adaptable Housing Development
Project No. 12-HLCP-0004
A Project of San Diego Housing Commission

Supplementary Information
June 30, 2026

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses payable to suppliers are due as follows:

Current	$	26,691
Total	$	26,691

Accounts Receivable

Accounts receivable consist of the following:

Accounts receivable consist of the following:		
Tenant accounts receivable	$	1,652
Operating subsidy receivable		3,307
Interest receivable		4,405
	$	9,364

Gross Potential Rents

Gross potential rents includes the following:

Tenant rental payments	$	314,501
Housing assistance payments		49,631
Bad debt		27
Total gross potential rents	$	364,159

Management Fee

The management fee and sponsor overhead authorized by RHCP totals $32,760 and $32,760 for the years ended June 30, 2026 and 2025, respectively.

Adaptable Housing Development
Project No. 12-HLCP-0004
A Project of San Diego Housing Commission

Supplementary Information
Year Ended June 30, 2026

Operating Cash Flow/Surplus Cash Computation

Operating income		
Total income	$	389,373
Interest earned on restricted reserve accounts		(2,315)
Adjusted operating income		387,058
Operating expenses		(470,678)
Adjusted net income		(83,620)
Other activity		
Mandatory debt service		(5,900)
Deposits into replacement reserve account		(21,000)
Total other activity		(26,900)
Operating cash flow/surplus cash (deficit)	$	(110,520)
Total cash available for distributions (net cash flow)	$	-

Adaptable Housing Development
Project No. 12-HLCP-0004
A Project of San Diego Housing Commission

Supplementary Information
Year Ended June 30, 2026

Reconciliation to RHCP Form 181

Total operating revenue	$	369,997
Interest income		19,376
Less interest on reserves		(2,315)
Other difference		-
Effective gross rent per RHCP Form 181	$	387,058

Reconciliation to RHCP Form 180

Total operating expenses	$	895,804
Less depreciation		(425,126)
Other difference		(1)
Total operating costs per RHCP Form 180	$	470,677

Adaptable Housing Development
Project No. 12-HLCP-0004
A Project of San Diego Housing Commission

Supplementary Information
Year Ended June 30, 2026

Rental Housing Construction Program -- Original
6. AMC 180a - ACTUAL COST OF OPERATIONS - Operating Budget/Annual Report

Contract No: 80-RHC-002

Reporting Period: 7/1/25 to 6/30/26

Project Name: ADAPTABLE HOUSING

Prepared by: MARIA GIMUTAO

Date Prepared: 8/10/26 *Rev 9/28/16*

	ACCOUNT NAME	ACCOUNT CODES	UNIT EXPENSES					
			Approved Assisted (A)	Actual Assisted	Approved Non-Assisted	Actual Non-Assisted	Proposed Commercial	Actual Commercial
	MANAGEMENT FEE: 6200/6300							
1	Management Fee or Sponsor Overhead	6320	11,232	11,232	21,528	21,528	0	0
	ADMINISTRATIVE EXPENSES: 6200/6300							
2	Advertising	6210	0	0	0	0	0	0
3	Apartment Resale Expense (Cooperatives)	6235	0	0	0	0	0	0
4	Other Renting Expenses	6250	877	182	1,681	350	0	0
5	Office Salaries	6310	15,777	15,993	30,239	30,653	0	0
6	Office Supplies	6311	1,541	4,097	2,955	7,852	0	0
7	Office or Model Apartment Rent	6312	0	0	0	0	0	0
8	Manager and Superintendent Salaries	6330	0	0	0	0	0	0
9	Manager's or Superintendent's Rent Free Unit	6331	0	0	0	0	0	0
10	Legal Expense - Project	6340	1,472	313	2,820	599	0	0
11	Audit Expense - Project	6350	2,990	2,990	5,730	5,730	0	0
12	Bookkeeping Fees/Accounting Services	6351	1,368	1,368	2,622	2,622	0	0
13	Telephone and Answering Service Expenses	6360	0	0	0	0	0	0
14	Bad Debt Expense	6370	0	0	4,654	27	0	0
15	Miscellaneous Administrative Expenses (specify)	6390	178	166	342	319	0	0
16	**TOTAL ADMINISTRATIVE EXPENSES**	**6200/6300T**	24,203	25,109	51,043	48,152	0	0
	UTILITIES EXPENSES: 6400							
17	Fuel Oil/Coal	6420	0	0	0	0	0	0
18	Electricity	6450	900	1,908	1,724	3,658	0	0
19	Water	6451	8,511	14,061	16,313	26,950	0	0
20	Gas	6452	7,622	8,722	14,610	16,716	0	0
21	Sewer	6453	5,774	7,792	11,066	14,934	0	0
22	**TOTAL UTILITIES EXPENSES**	**6400T**	22,807	32,483	43,713	62,258	0	0
	OPERATING AND MAINTENANCE EXPENSES: 6500							
23	Janitor and Cleaning Payroll	6510	12,716	12,239	24,372	23,458	0	0
24	Janitor and Cleaning Supplies	6515	937	1,060	1,795	2,031	0	0
25	Janitor and Cleaning Contracts	6517	0	0	0	0	0	0
26	Exterminating Payroll/Contract	6519	0	0	0	0	0	0
27	Exterminating Supplies	6520	69,592	53,920	133,385	103,345	0	0
28	Garbage and Trash Removal	6525	9,634	9,228	18,465	17,688	0	0
29	Security Payroll/Contract	6530	2,931	0	5,619	0	0	0
30	Grounds Payroll	6535	0	0	0	0	0	0
31	Grounds Supplies	6536	0	0	0	0	0	0
32	Grounds Contract	6537	0	0	0	0	0	0
33	Repairs Payroll	6540	0	0	0	0	0	0
34	Repairs Material	6541	0	0	0	0	0	0
35	Repairs Contract	6542	0	0	0	0	0	0
36	Elevator Maintenance/Contract	6545	0	0	0	0	0	0
37	Heating/Cooling Repairs and Maintenance	6546	0	0	0	0	0	0
38	Swimming Pool Maintenance/Contract	6547	0	0	0	0	0	0
39	Snow Removal	6548	0	0	0	0	0	0
40	Decorating/Payroll Contract	6560	0	0	0	0	0	0
41	Decorating Supplies	6561	0	0	0	0	0	0
42	Vehicle and Maint. Equipment Operation/Repairs	6570	0	147	0	281	0	0
43	Misc. Operating and Maintenance Expenses (specify)	6590	219	0	421	0	0	0
44	**TOTAL OPERATING & MAINTENANCE EXPENSES**	**6500T**	96,029	76,594	184,057	146,803	0	0
	TAXES AND INSURANCE: 6700							
45	Real Estate Taxes	6710	0	25	0	48	0	0
46	Payroll Taxes (Project's Share)	6711	0	0	0	0	0	0
47	Misc. Taxes, Licenses and Permits	6719	0	0	0	0	0	0
48	Property and Liability Insurance (Hazard)	6720	4,738	4,159	9,081	7,970	0	0
49	Fidelity Bond Insurance	6721	0	0	0	0	0	0
50	Worker's Compensation	6722	752	795	1,440	1,524	0	0
51	Health Insurance and Other Employee Benefits	6723	9,989	10,970	19,147	21,027	0	0
52	Other Insurance	6729	0	0	0	0	0	0
53	**TOTAL TAXES AND INSURANCE**	**6700T**	15,479	15,949	29,668	30,569	0	0
	ASSISTED LIVING/BOARD & CARE EXPENSES; 6900							
54	Food	6932	0	0	0	0	0	0
55	Recreation and Rehabilitation	6980	0	0	0	0	0	0
56	Rehabilitation Salaries	6983	0	0	0	0	0	0
57	Other Service Expenses	6990	0	0	0	0	0	0
58	**TOTAL ASSISTED LIVING EXPENSES**	**6900T**	0	0	0	0	0	0
61	**TOTAL OPERATING COSTS**		**169,750**	**161,367**	**330,009**	**309,310**	**0**	**0**

Adaptable Housing Development
Project No. 12-HLCP-0004
A Project of San Diego Housing Commission

Supplementary Information
Year Ended June 30, 2026

Rental Housing Construction Program -- Original
7. AMC 181a - ACTUAL CASH FLOW ANALYSIS - Operating Budget/Annual Report

Contract No: 80-RHC-002 Reporting Perio 7/1/25 to 6/30/26 Units/Sq. Ft. - A 12
Project Name: ADAPTABLE HOUSING Units/Sq. Ft. - T 35
Prepared by: MARIA GIMUTAO
Date Prepared: 8/10/26 *Rev 9/28/16* Unit Months: 420

	ACCOUNT NAME		ASSISTED UNITS		NON-ASSISTED UNITS		COMMERCIAL		TOTAL PROJECT		PROJECT VARIANCE
		Account Codes	Approved Cashflow (A)	Actual Cashflow (B)	Approved Cashflow (C)	Actual Cashflow (D)	Proposed Cashflow (E)	Actual Cashflow (F)	Approved Cashflow (G)	Actual Cashflow (H)	Cashflow Variance (I)
	REVENUE ACCOUNTS/RENT REVENUE: 5100										
1	Rent Revenue	5120	77,611	107,838	243,336	206,690	0	0	320,947	314,528	(6,419)
2	Tenant Assistance Payments	5121	19,350	17,016	37,087	32,615	0	0	56,437	49,631	(6,806)
3	Rent revenue - Stores and Commercial	5140	0	0	0	0	0	0	0	0	0
4	Garage and Parking Spaces	5170	0	0	0	0	0	0	0	0	0
5	Flexible Subsidy Revenue	5185	0	0	0	0	0	0	0	0	0
6	Miscellaneous Rent Revenue	5190	0	0	0	0	0	0	0	0	0
7	Excess Rent	5191	0	0	0	0	0	0	0	0	0
8	Rent Revenue/Insurance	5192	0	0	0	0	0	0	0	0	0
9	Special Claims Revenue	5193	0	0	0	0	0	0	0	0	0
10	Retained Excess Income	5194	0	0	0	0	0	0	0	0	0
11	**GROSS RENT REVENUE**	**5100T**	**96,961**	**124,854**	**280,423**	**239,305**	**0**	**0**	**377,384**	**364,159**	**(13,225)**
	VACANCIES: 5200										
	Vacancy Percentage:		0	0	0	0	0	0			
11	Apartments -	5220				0	0	0			
12	Stores and Commercial	5240				0	0	0			
13	Rental Concessions	5250				0	0	0			
14	Garage and Parking Spaces	5270				0	0	0			
15	Miscellaneous	5290				0	0	0			
	Total Vacancies (HCD Use Only)	**5200T**	0	0	0	0	0	0	0	0	0
	ASSISTED LIVING/BOARD & CARE REVENUES: 5300										
17	Food	5332	0	0	0	0	0	0	0	0	0
18	Recreation (Activities) and Rehabilitation	5380	0	0	0	0	0	0	0	0	0
19	Rehabilitation	5385	0	0	0	0	0	0	0	0	0
20	Other Service Revenue	5390	0	0	0	0	0	0	0	0	0
	Total Living Revenue	***6300T***	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
	FINANCIAL REVENUE: 5400										
21	Financial Revenue - Project Operations	5410	8,524	5,850	16,338	11,211	0	0	24,862	17,061	(7,801)
	Total Financial Revenue	***5400T***	*8,524*	*5,850*	*16,338*	*11,211*	*0*	*0*	*24,862*	*17,061*	*(7,801)*
	OTHER REVENUE: 5900										
22	Laundry and Vending Revenue	5910	1,713	1,624	3,283	3,114	0	0	4,996	4,738	(258)
23	NSF and Late Charges	5920	450	377	450	723	0	0	900	1,100	200
24	Damages and Cleaning Fees	5930	0	0	0	0	0	0	0	0	0
25	Forfeited Tenant Security Deposits	5940	0	0	0	0	0	0	0	0	0
26	Other Revenue	5990	0	0	0	0	0	0	0	0	0
	Total Other Revenue	***5900T***	*2,163*	*2,001*	*3,733*	*3,837*	*0*	*0*	*5,896*	*5,838*	*(58)*
27	**EFFECTIVE GROSS RENT (EGR)**	**5152T**	**107,648**	**132,705**	**300,494**	**254,353**	**0**	**0**	**408,142**	**387,058**	**(21,084)**
28	**TOTAL OPERATING EXPENSES**	**6000T**	**174,843**	**161,367**	**324,916**	**309,310**	**0**	**0**	**499,759**	**470,677**	**29,082**
29	**NET OPERATING INCOME (NOI)**	**5000T**	**(67,195)**	**(28,662)**	**(24,422)**	**(54,957)**	**0**	**0**	**(91,617)**	**(83,619)**	**7,998**
	FINANCIAL EXPENSES: 6800										
30	Non-Contingent Debt Service (specify lender)	6895									
	1st Mortgage =		0	0	0	0	0	0	0	0	0
	2nd Mortgage=		0	0	0	0	0	0	0	0	0
	3rd Mortgage=		0	0	0	0	0	0	0	0	0
31	HCD Required Payments	6890	0	0	5,900	5,900	0	0	5,900	5,900	0
32	Lease Payment	6890	0	0	0	0	0	0	0	0	0
33	Miscellaneous Financial Expenses	6890	0	0	0	0	0	0	0	0	0
	Total Financial Expenses	***6800T***	*0*	*0*	*5,900*	*5,900*	*0*	*0*	*5,900*	*5,900*	*0*
	FUNDED RESERVES:	1300									
34	Escrow Deposits	1310	0	0	0	0	0	0	0	0	0
35	Replacement Reserve-Deposit	1320	7,200	7,200	13,800	13,800	0	0	21,000	21,000	0
36	Operating Reserve-Deposit	1300	0	0	0	0	0	0	0	0	0
37	Other Reserves(specify)										0
	#1	1330	0	0	0	0	0	0	0	0	0
	#2	1330	0	0	0	0	0	0	0	0	0
	#3	1330	0	0	0	0	0	0	0	0	0
	Total Reserve Deposits		*7,200*	*7,200*	*13,800*	*13,800*	*0*	*0*	*21,000*	*21,000*	*0*
38	**PROJECT CASH FLOW (CF)**		**(74,395)**	**(35,862)**	**(44,122)**	**(74,657)**	**0**	**0**	**(118,517)**	**(110,519)**	**7,998**
	ADDITIONAL REVENUE:										
39	RHCP-O Annuity Fund Request (For Assisted Units Only)		0	0					0	0	0
40	Withdrawal from Operating Reserves		0	0	0	0	0	0	0	0	0
41	Borrower Contribution		0	0	0	0	0	0	0	0	0
42	Other (specify)		0	0	0	0	0	0	0	0	0
	Total Additional Revenue		0	0	0	0	0	0	0	0	0
	USE OF CASH FLOW:										
43	HCD Interest Payments		0	0	0	0	0	0	0	0	0
44	Asset Mgmt Fee (CHRP-R/SUHRP & HOME-pre-UMR Only)		0	0	0	0	0	0	0	0	0
45	Asset Mgmt Fee/Prtrshp Costs (MHP/HOME under UMR)		0	0	0	0	0	0	0	0	0
46	Borrower Distributions		0	0	0	0	0	0	0	0	0
47	Residual Receipt Loan Payments		0	0	0	0	0	0	0	0	0
48	Other (specify)		0	0	0	0	0	0	0	0	0
	Total Use of Cash Flow		0	0	0	0	0	0	0	0	0

Independent Auditor's Report 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 Commissioners
San Diego Housing Commission

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 San Diego Housing Commission's Adaptable Housing Development Project No. 12-HLCP-0004, which comprise the statements of net position as of June 30, 2026 and 2025, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 15, 2026 which included an emphasis of matter paragraph as indicated at page 4.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Diego Housing Commission's Adaptable Housing Development Project No. 12-HLCP-0004's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Diego Housing Commission's Adaptable Housing Development Project No. 12-HLCP-0004's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of San Diego Housing Commission's Adaptable Housing Development Project No. 12-HLCP-0004's internal control over financial reporting.

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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Diego Housing Commission's Adaptable Housing Development Project No. 12-HLCP-0004'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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Sacramento, California
September 15, 2026

Adaptable Housing Development
Project No. 12-HLCP-0004
A Project of San Diego Housing Commission

Schedule of Finding and Responses
Year Ended June 30, 2026

Our audit disclosed no finding that are required to be reported.

CohnReznick

Independent Member of Nexia

cohnreznick.com

Attachment 6

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

June 30, 2026

CohnReznick

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Index

	PAGE
Mortgagor's Certification	2
Managing Agent's Certification	3
Independent Auditor's Report	4
Financial Statements	
Balance Sheet	7
Statement of Operations	9
Statement of Member's Equity (Deficit)	12
Statement of Cash Flows	13
Notes to Financial Statements	15
Supplementary Information	
Balance Sheet Data	21
Statement of Operations Data	23
Statement of Member's Equity (Deficit) Data	27
Statement of Cash Flows Data	28
Reserve for Replacements	30
Mid-Year Computation of Surplus Cash	31
Computation of Surplus Cash	32
Changes in Fixed Asset Accounts	33
Detail of Accounts - Balance Sheet	34
Detail of Accounts - Statement of Operations	34
Other Information	34
Independent Auditor's Report 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*	35
Independent Auditor's Report on Compliance for the Major HUD Program and Report on Internal Control over Compliance Required by the *Consolidated Audit Guide for Audits of HUD Programs*	37
Schedule of Findings, Questioned Costs and Recommendations	40
Schedule of the Status of Prior Audit Findings, Questioned Costs and Recommendations	41

Northern SDHC FHA LLC
HUD Project No.: 129-11053

June 30, 2026

Mortgagor's Certification

We hereby certify that we have examined the accompanying financial statements and supplementary data of Northern SDHC FHA LLC and, to the best of our knowledge and belief, the same are complete and accurate.

Sole Member

San Diego Housing Commission

Julie Conserva Date
Vice President of Finance - Real Estate
Telephone Number: (619) 578-7608

Beto Juarez Date
S. Vice President of Property and Asset Management

Northern SDHC FHA LLC
HUD Project No.: 129-11053

June 30, 2026

Managing Agent's Certification

We hereby certify that we have examined the accompanying financial statements and supplementary data of Northern SDHC FHA LLC and, to the best of our knowledge and belief, the same are complete and accurate.

Managing Agent

San Diego Housing Commission

_____

Beto Juarez Date

S. Vice President of Property and Asset Management

_____

Julie Conserva
Vice President of Finance - Real Estate

Managing Agent Taxpayer
Identification Number: 95-3390896

Independent Auditor's Report

To the Sole Member
Northern SDHC FHA LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Northern SDHC FHA LLC, which comprise the balance sheet as of June 30, 2026, and the related statements of operations, member's equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Northern SDHC FHA LLC as of June 30, 2026, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northern SDHC FHA LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern SDHC FHA LLC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Northern SDHC FHA LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern SDHC FHA LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The HUD-required financial data templates are presented for purposes of additional analysis and are 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 GAAS. In our opinion, the HUD-required financial data templates are fairly stated in all material respects in relation to the financial statements as a whole.

Other Matters

The Schedule of the Status of Prior Audit Findings, Questioned Costs and Recommendations has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2026 on our consideration of Northern SDHC FHA LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 Northern SDHC FHA LLC'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 Northern SDHC FHA LLC's internal control over financial reporting and compliance.



Sacramento, California
September 14, 2026

Lead Auditor: Ahamadou Alainchar Bocar, CPA

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Balance Sheet
June 30, 2026

Assets

Current assets		
Cash - operations	$	870,671
Tenant accounts receivable		14,814
Allowance for doubtful accounts		(4,537)
Accounts receivable - HUD		1,821
Accounts and notes receivable - operations		318,877
Prepaid expenses		18,606
Total current assets		1,220,252
Deposits held in trust - funded		
Tenant deposits		116,394
Restricted deposits and funded reserves		
Escrow deposits		50,313
Reserve for replacements		155,645
Total restricted deposits and funded reserves		205,958
Rental property		
Land		3,690,974
Buildings		12,148,335
Building equipment - portable		175,849
		16,015,158
Less accumulated depreciation		(6,859,099)
Total rental property		9,156,059
Total assets	$	10,698,663

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Balance Sheet
June 30, 2026

Liabilities and Member's Equity (Deficit)

Current liabilities		
Accounts payable - operations	$	151,846
Accounts payable - entity		103,749
Accrued wages payable		14,861
Accrued management fee payable		16,564
Accrued interest payable - first mortgage		38,584
Mortgage payable - first mortgage, current maturities		444,444
Prepaid revenue		67,051
Total current liabilities		837,099
Deposits liability		
Tenant deposits held in trust (contra)		116,385
Long-term liabilities		
Mortgage payable - first mortgage, net		11,654,694
Total long-term liabilities		11,654,694
Total liabilities		12,608,178
Contingency		-
Member's equity (deficit)		(1,909,515)
Total liabilities and member's equity (deficit)	$	10,698,663

See Notes to Financial Statements.

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Statement of Operations
Year Ended June 30, 2026

Rental revenue		
Rent revenue - gross potential	$	3,098,925
Tenant assistance payments		913,462
Total rental revenue		4,012,387
Vacancies		
Apartments		(222,733)
Total vacancies		(222,733)
Net rental revenue		3,789,654
Financial revenue		
Financial revenue - project operations		1,111
Revenue from investments - replacement reserve		100
Total financial revenue		1,211
Other revenue		
Laundry and vending		51,763
Tenant charges		8,440
Miscellaneous revenue		157,255
Total other revenue		217,458
Total revenue		4,008,323

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Statement of Operations
Year Ended June 30, 2026

Administrative expenses	
Other renting expenses	853
Office salaries	145,509
Office expenses	21,094
Management fee	190,069
Administrative rent free unit	34,147
Legal expense - project	2,951
Auditing expense	15,446
Bad debts	15,171
Miscellaneous administrative expenses	37,001
Total administrative expenses	462,241
Utilities expense	
Electricity	22,135
Water	172,466
Gas	39,227
Sewer	97,155
Total utilities expense	330,983
Operating and maintenance expenses	
Payroll	115,500
Supplies	26,566
Contracts	542,757
Garbage and trash removal	109,492
Security payroll/contract	669
Vehicle and maintenance equipment operation and repairs	2,254
Miscellaneous operating and maintenance expenses	131,023
Total operating and maintenance expenses	928,261

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Statement of Operations
Year Ended June 30, 2026

Taxes and insurance	
Real estate taxes	5,605
Property and liability insurance	77,287
Workmen's compensation	7,255
Health insurance and other employee benefits	90,441
Miscellaneous taxes, licenses, permits and insurance	6,800
Total taxes and insurance	187,388
Financial expenses	
Interest on first mortgage payable	487,765
Mortgage insurance premium/service charge	56,455
Total financial expenses	544,220
Total cost of operations before depreciation	2,453,093
Income (loss) before depreciation	1,555,230
Depreciation	
Depreciation expense	434,008
Total depreciation	434,008
Total expenses	2,887,101
Net income (loss)	$ 1,121,222

See Notes to Financial Statements.

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Statement of Member's Equity (Deficit)
Year Ended June 30, 2026

Member's equity (deficit) June 30, 2025	$	(3,248,490)
Distributions		(1,119,540)
Contributions		1,337,293
Net income (loss)		1,121,222
Member's equity (deficit) June 30, 2026	$	(1,909,515)

See Notes to Financial Statements.

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Statement of Cash Flows
Year Ended June 30, 2026

Cash flows from operating activities		
Rental receipts	$	3,739,427
Interest receipts		1,211
Other operating receipts		217,458
Total receipts		3,958,096
Administrative expenses paid		(141,291)
Management fees paid		(188,405)
Utilities paid		(330,983)
Salaries and wages paid		(272,744)
Operating and maintenance paid		(1,115,870)
Real estate taxes paid		(5,605)
Property insurance paid		(77,287)
Miscellaneous taxes and insurance paid		(6,800)
Net tenant security deposits received (paid)		(1,697)
Other operating expenses paid		(97,696)
Interest paid on first mortgage		(471,782)
Mortgage insurance premium paid		(55,818)
Total disbursements		(2,765,978)
Net cash provided by operating activities		1,192,118
Cash flows from investing activities		
Net withdrawals from mortgage escrows		1,453
Net deposits to reserve for replacements		(39,242)
Net purchases of fixed assets		(887,342)
Net cash used in investing activities		(925,131)
Cash flows from financing activities		
Mortgage principal payments - first mortgage		(428,068)
Distributions to member		(1,119,540)
Contributions by member		1,337,293
Net cash used in financing activities		(210,315)
Net increase in cash and restricted cash		56,672
Cash and restricted cash, beginning		930,393
Cash and restricted cash, end	$	987,065

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Statement of Cash Flows
Year Ended June 30, 2026

Reconciliation of net income (loss) to net cash provided by operating activities		
Net income (loss)	$	1,121,222
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation		434,008
Amortization of debt issuance costs		17,325
Bad debts		15,171
Changes in asset and liability accounts		
(Increase) decrease in assets		
Tenant accounts receivable		(13,054)
Accounts receivable - other		(65,767)
Prepaid expenses		637
Increase (decrease) in liabilities		
Accounts payable		(174,570)
Accrued liabilities		(9,402)
Accrued interest payable		(1,342)
Tenant security deposits held in trust		(1,697)
Prepaid revenue		(1,205)
Entity/construction liability accounts (include detail)		
Accounts payable - entity		(129,208)
Total adjustments	$	70,896
Net cash provided by operating activities	$	1,192,118

See Notes to Financial Statements.

Note 1 - Organization and nature of operations

Northern SDHC FHA LLC (the "Company") was formed as a limited liability company under the laws of the State of California on July 13, 2010 for the purpose of owning and operating rental housing projects under Section 207, pursuant to Section 223(f) of the National Housing Act as regulated by the U.S. Department of Housing and Urban Development ("HUD") and is subject to restrictions as to the operating policies, rental charges, operating expenditures and distributions to the sole member. The Company has executed a limited liability company operating agreement (the "operating agreement") dated August 20, 2010. The properties of the Company consist of 14 apartment complexes totaling 154 units and are located in San Diego, California (the "Projects"). The Projects are currently operating under the name of SDHC North Portfolio.

The Company is wholly-owned by San Diego Housing Commission ("SDHC"). The Company is also a blended component unit of SDHC.

The Company will continue to operate until July 13, 2065, unless dissolved earlier in accordance with the operating agreement.

Cash distributions are limited by agreements between the Company and HUD to the extent of surplus cash as defined by HUD.

Note 2 - Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, income is recognized as earned and expensed as incurred, regardless of the timing of payments.

Tenant accounts receivable

Tenant accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenants' accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2026, the allowance for doubtful accounts is $4,537.

Rental property

Rental property is carried at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives by use of the straight-line method. The estimated useful lives of the assets are as follows:

Building and improvements	12 to 37 years
Dwelling equipment	5 years

Impairment of long-lived assets
The Company reviews its investment in rental property for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the Projects are less than its carrying amount, management compares the carrying amount of the Projects to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized for the year ended June 30, 2026.

Debt issuance costs
Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Rental revenue
Rental revenue is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Company and the tenants of the Projects are operating leases.

Income taxes
The Company is a single-member limited liability company and is a disregarded entity for federal income tax purposes and is not subject to income taxes. The Company's federal tax status as a pass-through entity is based on its legal status as a single-member limited liability company. SDHC, the sole member of the Company, is a state agency which is exempt from filing any income tax returns. Accordingly, these financial statements do not reflect a provision for income taxes and the Company has no other tax positions which must be considered for disclosure.

Advertising costs
Advertising and marketing costs are expensed as incurred.

Use of estimates
The preparation of financial statements in accordance with GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Restricted deposits and funded reserves

Escrow deposits
Under agreements with the mortgage lender and HUD, the Company is required to make monthly deposits to escrow accounts. Funds deposited are used to pay mortgage insurance premiums. As of June 30, 2026, the balance in the escrow deposits is $50,313.

Reserve for replacements

The Company is required to make monthly deposits to a reserve for replacements account to fund future maintenance and replacement costs. Monthly payments of $4,839 are required to be deposited with the mortgage lender. During the year ended June 30, 2026, the Company made deposits of only $39,142 to the replacement reserve as the lender and HUD approved a waiver of the deposit requirement as long as the replacement reserve balance exceeds $1,000 per unit or $154,000. As of June 30, 2026, the balance in the reserve for replacements is $155,645. If the balance falls below the $154,000 limit, the Company will resume making the monthly deposits.

Note 4 - Statement of cash flows

The following table provides a reconciliation of cash and restricted cash reported within the balance sheet that sum to the total of the same such amounts in the statement of cash flows:

Cash	$ 870,671
Tenant deposits	116,394
Total cash and restricted cash shown in the statement of cash flows	$ 987,065

Amounts included in restricted cash are comprised of security deposits held in trust for the future benefit of tenants upon moving out of the Projects as required by the regulatory authority.

Note 5 - Mortgage payable

In August 2010, the Company entered into a mortgage agreement with PNC Bank, N.A., a national banking association, in the original amount of $17,500,200. The mortgage is secured by a deed of trust and insured by HUD. The mortgage bears an annual interest rate of 3.76%. Principal and interest are paid in monthly installments of $74,987 through maturity on September 1, 2045. As of June 30, 2026, the outstanding principal and accrued interest are $12,314,176 and $38,584, respectively.

Debt issuance costs, net of accumulated amortization, totaled $215,038 as of June 30, 2026, and are related to the first mortgage. Debt issuance costs on the above mortgage are being amortized using an imputed interest rate of 3.97%. Amortization of debt issuance costs is $17,325 for the year ended June 30, 2026 and is included in interest on first mortgage payable on the statement of operations.

The liability of the Company under the mortgage note is limited to the underlying value of the real estate collateral plus other amounts deposited with the lender.

The mortgage qualifies for an interest rebate subsidy from the U.S. Treasury under the Build America Bonds Program ("BABs"). During the year ended June 30, 2026, the Company earned BABs interest rebate of $155,269, which is included in miscellaneous revenue on the statement of operations.

Aggregate annual maturities of the mortgage payable over each of the next five years and thereafter subsequent to June 30, 2026 are as follows:

2027	$	444,444
2028		461,446
2029		479,099
2030		497,426
2031		516,455
Thereafter		9,915,306
Subtotal		12,314,176
Less unamortized debt issuance costs		(215,038)
Total	$	12,099,138

Note 6 - Management fee

The Company has entered into an agreement with SDHC in connection with the management of the rental operations of the Projects. The property management fee is based on 5% of the effective gross income of the Projects, as defined. For the year ended June 30, 2026, management fees of $190,069 were incurred and charged to operations, of which $16,564 remain payable as of June 30, 2026.

Note 7 - Housing assistance payments

Certain tenants of the Projects are recipients of Housing Choice Vouchers awarded by SDHC under Section 8 of the National Housing Act. During the year ended June 30, 2026, the Company recognized housing assistance payments revenue amounting to $913,462.

Note 8 - Related party transactions

Accounts payable - entity on the balance sheet includes operating expenses of the Company which were paid by SDHC under an expense reimbursement agreement. As of June 30, 2026, $103,749 is due to SDHC.

Note 9 - Concentration of credit risk

The Company maintains its cash accounts with various financial institutions. At times, these balances may exceed the federal insurance limits; however, the Company has not experienced any losses with respect to its bank balances in excess of government-provided insurance. Bank balances are fully insured and/or collateralized with securities held by the pledging financial institutions in SDHC's, the Company's sole member, name as discussed below.

Cash deposits are secured by pledging securities as collateral. Collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in SDHC's name. The fair value of pledged securities must equal at least 110% of SDHC's cash deposits. California law also allows institutions to secure SDHC deposits by pledging first trust deed mortgage notes having a value of 150% of SDHC's total cash deposits. SDHC may waive collateral requirements for cash deposits that are fully insured by the Federal Deposit Insurance Corporation.

The Company believes that no significant concentration of credit risks exists with respect to these cash balances at June 30, 2026.

Note 10 - Current vulnerability due to certain concentrations

The Company's principal assets consist of 14 apartment complexes totaling 154 units. The Company's operations are concentrated in the multifamily real estate market. In addition, the Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 11 - Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Company through September 14, 2026, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information

Supporting Data Required by HUD

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information

Balance Sheet Data
June 30, 2026

Assets

Account No.			
Current assets			
1120	Cash - operations		$ 870,671
1130	Tenant accounts receivable	$ 14,814	
1131	Allowance for doubtful accounts	(4,537)	
1130N	Net tenants accounts receivable		10,277
1135	Accounts receivable - HUD		1,821
1140	Accounts and notes receivable - operations		318,877
1200	Prepaid expenses		18,606
1100T	Total current assets		1,220,252
Deposits held in trust - funded			
1191	Tenant deposits		116,394
Restricted deposits and funded reserves			
1310	Escrow deposits	50,313	
1320	Reserve for replacements	155,645	
1300T	Total deposits		205,958
Rental property			
1410	Land	3,690,974	
1420	Buildings	12,148,335	
1440	Building equipment - portable	175,849	
1400T	Total fixed assets	16,015,158	
1495	Less accumulated depreciation	(6,859,099)	
1400N	Net fixed assets		9,156,059
1000T	Total assets		$ 10,698,663

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information

Balance Sheet Data
June 30, 2026

Liabilities and Member's Equity (Deficit)

Account No.			
Current liabilities			
2110	Accounts payable - operations		$ 151,846
2113	Accounts payable - entity		103,749
2120	Accrued wages payable		14,861
2123	Accrued management fee payable		16,564
2131	Accrued interest payable - first mortgage		38,584
2170	Mortgage payable - first mortgage (short-term)		444,444
2210	Prepaid revenue		67,051
2122T	Total current liabilities		837,099
Deposits liability			
2191	Tenant deposits held in trust (contra)		116,385
Long-term liabilities			
2320	Mortgage payable - first mortgage	$ 11,654,694	
2300T	Total long-term liabilities		11,654,694
2000T	Total liabilities		12,608,178
3130	Member's equity (deficit)		(1,909,515)
2033T	Total liabilities and member's equity (deficit)		$ 10,698,663

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2026

Account No.			
Rental revenue			
5120	Rent revenue - gross potential	$ 3,098,925	
5121	Tenant assistance payments	913,462	
5100T	Total rental revenue		$ 4,012,387
Vacancies			
5220	Apartments	(222,733)	
5200T	Total vacancies		(222,733)
5152N	Net rental revenue		3,789,654
Financial revenue			
5410	Financial revenue - project operations	1,111	
5440	Revenue from investments - replacement reserve	100	
5400T	Total financial revenue		1,211
Other revenue			
5910	Laundry and vending	51,763	
5920	Tenant charges	8,440	
5990	Miscellaneous revenue	157,255	
5900T	Total other revenue		217,458
5000T	Total revenue		4,008,323

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2026

Account No.			
Administrative expenses			
6250	Other renting expenses	853	
6310	Office salaries	145,509	
6311	Office expenses	21,094	
6320	Management fee	190,069	
6331	Administrative rent free unit	34,147	
6340	Legal expense - project	2,951	
6350	Auditing expense	15,446	
6370	Bad debts	15,171	
6390	Miscellaneous administrative expenses	37,001	
6263T	Total administrative expenses		462,241
Utilities expense			
6450	Electricity	22,135	
6451	Water	172,466	
6452	Gas	39,227	
6453	Sewer	97,155	
6400T	Total utilities expense		330,983
Operating and maintenance expenses			
6510	Payroll	115,500	
6515	Supplies	26,566	
6520	Contracts	542,757	
6525	Garbage and trash removal	109,492	
6530	Security payroll/contract	669	
6570	Vehicle and maintenance equipment operation and repairs	2,254	
6590	Miscellaneous operating and maintenance expenses	131,023	
6500T	Total operating and maintenance expenses		928,261

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2026

Account No.			
Taxes and insurance			
6710	Real estate taxes	5,605	
6720	Property and liability insurance	77,287	
6722	Workmen's compensation	7,255	
6723	Health insurance and other employee benefits	90,441	
6790	Miscellaneous taxes, licenses, permits and insurance	6,800	
6700T	Total taxes and insurance		187,388
Financial expenses			
6820	Interest on first mortgage payable	487,765	
6850	Mortgage insurance premium/service charge	56,455	
6800T	Total financial expenses		544,220
6000T	Total cost of operations before depreciation		2,453,093
5060T	Income (loss) before depreciation		1,555,230
Depreciation			
6600	Depreciation expense	434,008	
	Total depreciation		434,008
5060N	Operating income (loss)		1,121,222
	Total expenses		2,887,101
3250	Net income (loss)		$ 1,121,222

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2026

Account No.		
S1000-010	Total first mortgage (or bond) principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.	$ 428,068
S1000-020	Total of 12 monthly deposits in the audit year made to the replacement reserve account, as required by the regulatory agreement, even if payments may be temporarily suspended or reduced.	$ 39,142
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations.	$ -
S1000-040	Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statement of operations.	$ -
S3100-120	Mortgage payable note detail (Section 236 only)	
	Interest reduction payments from subsidy.	$ -

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information

Statement of Member's Equity (Deficit) Data
Year Ended June 30, 2026

Member's equity (deficit) June 30, 2025	$	(3,248,490)
Distributions		(1,119,540)
Contributions		1,337,293
Net income (loss)		1,121,222
Member's equity (deficit) June 30, 2026	$	(1,909,515)

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2026

Account No.		
	Cash flows from operating activities	
S1200-010	Rental receipts	$ 3,739,427
S1200-020	Interest receipts	1,211
S1200-030	Other operating receipts	217,458
S1200-040	Total receipts	3,958,096
S1200-050	Administrative expenses paid	(141,291)
S1200-070	Management fees paid	(188,405)
S1200-090	Utilities paid	(330,983)
S1200-100	Salaries and wages paid	(272,744)
S1200-110	Operating and maintenance paid	(1,115,870)
S1200-120	Real estate taxes paid	(5,605)
S1200-140	Property insurance paid	(77,287)
S1200-150	Miscellaneous taxes and insurance paid	(6,800)
S1200-170	Other operating expenses paid	(97,696)
S1200-180	Interest paid on first mortgage	(471,782)
S1200-210	Mortgage insurance premium paid	(55,818)
S1200-230	Total disbursements	(2,764,281)
S1200-240	Net cash provided by operating activities	1,193,815
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	1,453
S1200-250	Net deposits to reserve for replacements	(39,242)
S1200-330	Net purchases of fixed assets	(887,342)
S1200-350	Net cash used in investing activities	(925,131)
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	(428,068)
S1200-420	Distributions to member	(1,119,540)
S1200-430	Contributions by member	1,337,293
S1200-460	Net cash used in financing activities	(210,315)
S1200-470	Net increase in cash	58,369
S1200-480	Cash, beginning	812,302
S1200T	Cash, end	$ 870,671

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2026

Account No.				
	Reconciliation of net income (loss) to net cash provided by operating activities			
3250	Net income (loss)			$ 1,121,222
	Adjustments to reconcile net income (loss) to net cash provided by operating activities			
6600	Depreciation			434,008
S1200-486	Amortization of debt issuance costs			17,325
	Changes in asset and liability accounts			
	(Increase) decrease in assets			
S1200-490	Tenant accounts receivable			(13,054)
S1200-500	Accounts receivable - other			(65,767)
S1200-520	Prepaid expenses			637
S1200-530	Tenant security deposits funded			1,697
	Increase (decrease) in liabilities			
S1200-540	Accounts payable			(174,570)
S1200-560	Accrued liabilities			(9,402)
S1200-570	Accrued interest payable			(1,342)
S1200-580	Tenant security deposits held in trust			(1,697)
S1200-590	Prepaid revenue			(1,205)
S1200-605	Entity/construction liability accounts (include detail)			
S1200-606	Accounts payable - entity	$ (129,208)		
				(129,208)
S1200-600	Other adjustments (include detail)			
S1200-601	Bad debts	15,171		
				15,171
	Total adjustments			72,593
S1200-610	Net cash provided by operating activities			$ 1,193,815

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information
Year Ended June 30, 2026

Reserve for Replacements

Account No.			
1320P	Balance at June 30, 2025	$	116,403
1320DT	Total monthly deposits		39,142
1320INT	Interest income		100
1320	Balance at June 30, 2026	$	155,645

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information
Period Ended December 31, 2025

Mid-Year Computation of Surplus Cash

Account No.	Part A - Compute Surplus Cash		
S1400-020	Cash (Accounts 1120, 1170 and 1191)		$ 1,548,061
S1400-030	Accounts receivable - HUD		1,995
S1400-050	Total cash		1,550,056
S1400-060	Accrued mortgage interest payable		39,261
S1400-070	Delinquent mortgage principal payments		-
S1400-080	Delinquent deposits to reserve for replacements		-
S1400-090	Accounts payable (due within 30 days)		29,730
S1400-100	Loans and notes payable (due within 30 days)		-
S1400-110	Deficient tax, insurance or MIP escrow deposits		-
S1400-120	Accrued expenses (not escrowed)		-
S1400-130	Prepaid revenue (Account 2210)		71,237
S1400-140	Tenant security deposits liability (Account 2191)		112,980
S1400-150	Other current obligations (describe in detail)		
S1400-160	Accounts payable - entity	$ 177,307	
			177,307
S1400-180	Less total current obligations		430,515
S1400-190	Surplus cash (deficiency)		$ 1,119,541
S1400-240	Amount available for distribution during next fiscal period		$ 1,119,541

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information
Year Ended June 30, 2026

Computation of Surplus Cash

Account No.	Part A - Compute Surplus Cash		
S1300-010	Cash (Accounts 1120, 1170 and 1191)		$ 987,065
1135	Accounts receivable - HUD		1,821
S1300-040	Total cash		988,886
S1300-050	Accrued mortgage interest payable		38,584
S1300-060	Delinquent mortgage principal payments		-
S1300-070	Delinquent deposits to reserve for replacements		-
S1300-075	Accounts payable (due within 30 days)		151,846
S1300-080	Loans and notes payable (due within 30 days)		-
S1300-090	Deficient tax, insurance or MIP escrow deposits		-
S1300-100	Accrued expenses (not escrowed)		31,425
2210	Prepaid revenue (Account 2210)		67,051
2191	Tenant security deposits liability (Account 2191)		116,385
S1300-110	Other current obligations (describe in detail)		
S1300-120	Accounts payable - entity	$ 103,749	
			103,749
S1300-140	Less total current obligations		509,040
S1300-150	Surplus cash (deficiency)		$ 479,846
S1300-200	Amount available for distribution during next fiscal period		$ 479,846

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information
Year Ended June 30, 2026

Changes in Fixed Asset Accounts

	Assets			
	Balance 6/30/25	Additions	Deductions	Balance 6/30/26
Land	$ 3,690,974	$ -	$ -	$ 3,690,974
Buildings	11,656,369	491,966	-	12,148,335
Building equipment - portable	55,380	120,469	-	175,849
	$ 15,402,723	$ 612,435	$ -	$ 16,015,158
Accumulated depreciation	$ 6,425,091	$ 434,008	$ -	$ 6,859,099
Total net book value				$ 9,156,059

Additions to Buildings Account

Fixed Asset Detail

Additions to Buildings Account

Item and quantity	Amount
Hurlbut Repipe and Rebuild-BI Plumbing	244,661
Hurlbut Repipe and Rebuild-BI Interior	216,786
Hurlbut Repipe and Rebuild-BI Foundation	30,519
	$ 491,966

Additions to Building Equipment - Portable Account

Item and quantity	Amount
Hurlbut Repipe-Rebuild-DU floors	99,648
Glenhaven St. Furnace replacement	7,885
Glenhaven 100-Gal Water Heater Replacement	7,700
Pulitzer 75-Gal Water Heater Replacement	5,236
	$ 120,469

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information
Year Ended June 30, 2026

Detail of Accounts - Balance Sheet

Accounts and Notes Receivable - Operations (Account No. 1140)

Other		
Insurance claims receivable	$	237,649
Interest rebate - Build America Bonds		81,228
	$	318,877

Detail of Accounts - Statement of Operations

Miscellaneous Other Revenue (Account No. 5990)

Interest Rebate - Build America Bonds	$	155,269
Miscellaneous income		1,986
	$	157,255

Miscellaneous Operating and Maintenance Expenses (Account No. 6590)

CN DU - Appliances / CO2 Detectors	$	46,972
CN Arch - Balconies / Elevated Walkways / Stairs		46,608
CN DU - Flooring / Carpeting		20,125
CN M&E - Boilers / Water Heaters		14,273
CN DU - Interior Painting		1,813
Prof Consultants(Capital Budgets Only)		800
CN DU - Cabinets / Counters / Interior Fixtures		213
CN DU - Pest Control		125
CN DU - Windows / Doors / Interior Hardware		94
	$	131,023

Other Information

Related party transactions detail:

Account No.	Entity name	Amount paid
S3100-210	Management fee paid to SDHC	$ 188,405

Independent Auditor's Report 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 Sole Member
Northern SDHC FHA LLC

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 Northern SDHC FHA LLC, which comprise the balance sheet as of June 30, 2026, and the related statements of operations, member's equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 14, 2026.

Report on Internal Control over Financial Reporting

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

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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northern SDHC FHA LLC'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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Sacramento, California
September 14, 2026

Independent Auditor's Report on Compliance for the Major HUD Program
and Report on Internal Control over Compliance Required by the
Consolidated Audit Guide for Audits of HUD Programs

To the Sole Member
Northern SDHC FHA LLC

Report on Compliance for the Major HUD Program

Opinion on the Major HUD Program

We have audited Northern SDHC FHA LLC's compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide") that could have a direct and material effect on Northern SDHC FHA LLC's major U.S. Department of Housing and Urban Development ("HUD") program for the year ended June 30, 2026. Northern SDHC FHA LLC's major HUD program and the related direct and material compliance requirements are as follows:

Name of Major HUD Program	Direct and Material Compliance Requirements
Section 223(f) - Mortgage Insurance program	Fair housing and nondiscrimination, mortgage loan status, reserve for replacements, distributions to owners, equity skimming, cash receipts, cash disbursements, security deposits, management functions, unauthorized ownership changes, and unauthorized project loans.

In our opinion, Northern SDHC FHA LLC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major HUD program for the year ended June 30, 2026.

Basis for Opinion on the Major HUD Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Guide. Our responsibilities under those standards and the Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Northern SDHC FHA LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that our audit provides a reasonable basis for our opinion on compliance for the major HUD program. Our audit does not provide a legal determination of Northern SDHC FHA LLC's compliance.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, regulations, rules, and provisions of contracts or grant agreements applicable to its HUD programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on Northern SDHC FHA LLC's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Northern SDHC FHA LLC's compliance with the requirements of the major HUD program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Northern SDHC FHA LLC's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of Northern SDHC FHA LLC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of Northern SDHC FHA LLC's internal control. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 compliance requirement of a HUD program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD 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 compliance requirement of a HUD 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 Auditor's Responsibilities for the Audit of Compliance 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, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Guide. Accordingly, this report is not suitable for any other purpose.

CohnReznick LLP

Sacramento, California
September 14, 2026

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Schedule of Findings, Questioned Costs and Recommendations
June 30, 2026

Our audit disclosed no findings that are required to be reported herein under the HUD Consolidated Audit Guide.

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Schedule of the Status of Prior Audit Findings,
Questioned Costs and Recommendations
June 30, 2026

1. Audit Report, dated September 22, 2025 for the year ended June 30, 2025, issued by CohnReznick LLP.
    - There are no open findings from the prior audit period.
2. There were no reports issued by HUD OIG or other federal agencies or contract administrators during the period covered by this audit.
3. There were no letters or reports issued by HUD management during the period covered by this audit.

CohnReznick

Independent Member of Nexia

cohnreznick.com

Attachment 7

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

June 30, 2026

CohnReznick

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Index

	PAGE
Mortgagor's Certification	2
Managing Agent's Certification	3
Independent Auditor's Report	4
Financial Statements	
Balance Sheet	7
Statement of Operations	9
Statement of Member's Equity (Deficit)	12
Statement of Cash Flows	13
Notes to Financial Statements	15
Supplementary Information	
Balance Sheet Data	21
Statement of Operations Data	23
Statement of Member's Equity (Deficit) Data	27
Statement of Cash Flows Data	28
Reserve for Replacements	30
Mid-Year Computation of Surplus Cash	31
Computation of Surplus Cash	32
Changes in Fixed Asset Accounts	33
Detail of Accounts - Balance Sheet	34
Detail of Accounts - Statement of Operations	34
Other Information	34
Independent Auditor's Report 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*	35
Independent Auditor's Report on Compliance for the Major HUD Program and Report on Internal Control over Compliance Required by the *Consolidated Audit Guide for Audits of HUD Programs*	37
Schedule of Findings, Questioned Costs and Recommendations	40
Schedule of the Status of Prior Audit Findings, Questioned Costs and Recommendations	41

Southern SDHC FHA LLC
HUD Project No.: 129-11055

June 30, 2026

Mortgagor's Certification

We hereby certify that we have examined the accompanying financial statements and supplementary data of Southern SDHC FHA LLC and, to the best of our knowledge and belief, the same are complete and accurate.

Sole Member
San Diego Housing Commission

_____

Julie Conserva Date
Vice President of Finance Real Estate
Telephone Number: (619) 578-7608

_____

Beto Juarez Date
S. Vice President of Property and Asset Management

Southern SDHC FHA LLC
HUD Project No.: 129-11055

June 30, 2026

Managing Agent's Certification

We hereby certify that we have examined the accompanying financial statements and supplementary data of Southern SDHC FHA LLC and, to the best of our knowledge and belief, the same are complete and accurate.

Managing Agent

San Diego Housing Commission

_____

Beto Juarez Date
S. Vice President of Property and Asset Management

_____

Julie Conserva
Vice President of Finance Real Estate

Managing Agent Taxpayer
Identification Number: 95-3390896

Independent Auditor's Report

To the Sole Member
Southern SDHC FHA LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Southern SDHC FHA LLC, which comprise the balance sheet as of June 30, 2026, and the related statements of operations, member's equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Southern SDHC FHA LLC as of June 30, 2026, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southern SDHC FHA LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern SDHC FHA LLC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Southern SDHC FHA LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern SDHC FHA LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The HUD-required financial data templates are presented for purposes of additional analysis and are 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 GAAS. In our opinion, the HUD-required financial data templates are fairly stated in all material respects in relation to the financial statements as a whole.

Other Matters

The Schedule of the Status of Prior Audit Findings, Questioned Costs and Recommendations has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2026 on our consideration of Southern SDHC FHA LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 Southern SDHC FHA LLC'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 Southern SDHC FHA LLC's internal control over financial reporting and compliance.

CohnReznick LLP

Sacramento, California
September 14, 2026

Lead Auditor: Ahamadou Alainchar Bocar, CPA

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Balance Sheet
June 30, 2026

Assets

Current assets		
Cash - operations	$	1,507,111
Tenant accounts receivable		34,498
Allowance for doubtful accounts		(9,960)
Accounts receivable - HUD		1,969
Accounts and notes receivable - operations		257,697
Prepaid expenses		26,598
Total current assets		1,817,913
Deposits held in trust - funded		
Tenant deposits		239,514
Restricted deposits and funded reserves		
Escrow deposits		71,925
Reserve for replacements		442,189
Total restricted deposits and funded reserves		514,114
Rental property		
Land		3,682,655
Buildings		14,289,730
Maintenance equipment		263,010
		18,235,395
Less accumulated depreciation		(7,461,322)
Total rental property		10,774,073
Total assets	$	13,345,614

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Balance Sheet
June 30, 2026

Liabilities and Member's Equity (Deficit)

Current liabilities		
Accounts payable - operations	$	130,765
Accounts payable - entity		168,438
Accrued wages payable		28,599
Accrued management fee payable		27,707
Accrued interest payable - first mortgage		55,158
Mortgage payable - first mortgage, current maturities		635,347
Prepaid revenue		91,654
Total current liabilities		1,137,668
Deposits liability		
Tenant deposits held in trust (contra)		239,496
Long-term liabilities		
Mortgage payable - first mortgage, net		16,673,532
Total long-term liabilities		16,673,532
Total liabilities		18,050,696
Contingency		-
Member's equity (deficit)		(4,705,082)
Total liabilities and member's equity (deficit)	$	13,345,614

See Notes to Financial Statements.

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Statement of Operations
Year Ended June 30, 2026

Rental revenue		
Rent revenue - gross potential	$	4,777,513
Tenant assistance payments		1,714,193
Total rental revenue		6,491,706
Vacancies		
Apartments		(131,719)
Total vacancies		(131,719)
Net rental revenue		6,359,987
Financial revenue		
Financial revenue - project operations		1,896
Revenue from investments - replacement reserve		303
Total financial revenue		2,199
Other revenue		
Laundry and vending		49,205
Tenant charges		43,922
Miscellaneous revenue		225,602
Total other revenue		318,729
Total revenue		6,680,915

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Statement of Operations
Year Ended June 30, 2026

Administrative expenses	
Other renting expenses	1,634
Office salaries	272,276
Office expenses	28,821
Management fee	319,177
Administrative rent free unit	53,152
Legal expense - project	11,177
Auditing expense	15,446
Bad debts	58,325
Miscellaneous administrative expenses	6,516
Total administrative expenses	766,524
Utilities expense	
Electricity	52,468
Water	258,753
Gas	66,012
Sewer	112,312
Total utilities expense	489,545
Operating and maintenance expenses	
Payroll	225,795
Supplies	69,308
Contracts	768,020
Garbage and trash removal	154,945
Security payroll/contract	64,402
Vehicle and maintenance equipment operation and repairs	5,216
Total operating and maintenance expenses	1,287,686

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Statement of Operations
Year Ended June 30, 2026

Taxes and insurance	
Property and liability insurance	134,702
Workmen's compensation	14,500
Health insurance and other employee benefits	188,763
Miscellaneous taxes, licenses, permits and insurance	12,590
Total taxes and insurance	350,555
Financial expenses	
Interest on first mortgage payable	696,255
Mortgage insurance premium/service charge	80,705
Total financial expenses	776,960
Total cost of operations before depreciation	3,671,270
Income (loss) before depreciation	3,009,645
Depreciation	
Depreciation expense	642,850
Total depreciation	642,850
Total expenses	4,314,120
Net income (loss)	$ 2,366,795

See Notes to Financial Statements.

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Statement of Member's Equity (Deficit)
Year Ended June 30, 2026

Member's equity (deficit) June 30, 2025	$	(5,909,517)
Distributions		(1,909,028)
Contributions		746,668
Net income (loss)		2,366,795
Member's equity (deficit) June 30, 2026	$	(4,705,082)

See Notes to Financial Statements.

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Statement of Cash Flows
Year Ended June 30, 2026

Cash flows from operating activities		
Rental receipts	$	6,256,733
Interest receipts		2,199
Other operating receipts		338,934
Total receipts		6,597,866
Administrative expenses paid		(63,594)
Management fees paid		(317,308)
Utilities paid		(489,545)
Salaries and wages paid		(581,276)
Operating and maintenance paid		(1,324,576)
Property insurance paid		(134,702)
Miscellaneous taxes and insurance paid		(12,590)
Net tenant security deposits received (paid)		2,922
Other operating expenses paid		(203,263)
Interest paid on first mortgage		(674,426)
Mortgage insurance premium paid		(79,794)
Total disbursements		(3,878,152)
Net cash provided by operating activities		2,719,714
Cash flows from investing activities		
Net withdrawals from mortgage escrows		2,076
Net withdrawals from reserve for replacements		64,840
Net purchases of fixed assets		(772,310)
Net cash used in investing activities		(705,394)
Cash flows from financing activities		
Mortgage principal payments - first mortgage		(611,938)
Distributions to member		(1,909,028)
Contributions by member		746,668
Net cash used in financing activities		(1,774,298)
Net increase in cash and restricted cash		240,022
Cash and restricted cash, beginning		1,506,603
Cash and restricted cash, end	$	1,746,625

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Statement of Cash Flows
Year Ended June 30, 2026

Reconciliation of net income (loss) to net cash provided by operating activities		
Net income (loss)	$	2,366,795
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation		642,850
Amortization of debt issuance costs		23,746
Bad debts		58,325
Changes in asset and liability accounts		
(Increase) decrease in assets		
Tenant accounts receivable		(51,232)
Accounts receivable - other		(202,849)
Prepaid expenses		911
Increase (decrease) in liabilities		
Accounts payable		(148,574)
Accrued liabilities		(16,934)
Accrued interest payable		(1,917)
Tenant security deposits held in trust		2,922
Prepaid revenue		2,950
Entity/construction liability accounts (include detail)		
Accounts payable - entity		42,721
Total adjustments		352,919
Net cash provided by operating activities	$	2,719,714

See Notes to Financial Statements.

Note 1 - Organization and nature of operations

Southern SDHC FHA LLC (the "Company") was formed as a limited liability company under the laws of the State of California on July 13, 2010 for the purpose of owning and operating rental housing projects under Section 207, pursuant to Section 223(f) of the National Housing Act as regulated by the U.S. Department of Housing and Urban Development ("HUD") and is subject to restrictions as to the operating policies, rental charges, operating expenditures and distributions to the sole member. The Company has executed a limited liability company operating agreement (the "operating agreement") dated August 20, 2010. The Company properties consist of eight apartment complexes totaling 301 units located in San Diego, California (the "Projects"). The Projects are currently operating under the name of SDHC South Portfolio.

The Company is wholly-owned by San Diego Housing Commission ("SDHC"). The Company is also a blended component unit of SDHC.

The Company will continue to operate until July 13, 2065, unless dissolved earlier in accordance with the operating agreement.

Cash distributions are limited by agreements between the Company and HUD to the extent of surplus cash as defined by HUD.

Note 2 - Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, income is recognized as earned and expensed as incurred, regardless of the timing of payments.

Tenant accounts receivable

Tenant accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on the historical collection experience and a review of the current status of tenants' accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2026, the allowance for doubtful accounts is $9,960.

Rental property

Rental property is carried at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives by use of the straight-line method. The estimated useful lives of the assets are as follows:

Buildings and improvements	12 - 37 years
Dwelling equipment	5 years

Impairment of long-lived assets

The Company reviews its investment in rental property for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the Projects are less than its carrying amount, management compares the carrying amount of the Projects to its fair value in order to

determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended June 30, 2026.

Debt issuance costs
Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Rental revenue
Rental revenue is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Company and the tenants of the Projects are operating leases.

Income taxes
The Company is a single member limited liability company and is a disregarded entity for federal income tax purposes and, as such, is not subject to income taxes. The Company's federal tax status as a pass-through entity is based on its legal status as a single member limited liability company. SDHC, the sole member of the Company, is a state agency which is exempt from filing any income tax returns. Accordingly, these financial statements do not reflect a provision for income taxes and the Company has no other tax positions which must be considered for disclosure.

Advertising costs
Advertising and marketing costs are expensed as incurred.

Use of estimates
The preparation of financial statements in accordance with GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Restricted deposits and funded reserves

Escrow deposits
Under agreements with the mortgage lender and HUD, the Company is required to make monthly deposits to escrow accounts. Funds deposited are used to pay mortgage insurance premiums. As of June 30, 2026, the balance in the escrow deposits is $71,925.

Reserve for replacements
The Company is required to make monthly deposits to a reserve for replacements account to fund future maintenance and replacement costs. Monthly payments of $7,500 are required to be deposited with the mortgage lender. As of June 30, 2026, the balance in the reserve for replacements is $442,189.

Note 4 - Mortgage payable

In August 2010, the Company entered into a mortgage agreement with PNC Bank, N.A., a national banking association, in the original amount of $25,017,100. The mortgage is secured by a deed of trust and insured by HUD. The mortgage bears an annual interest rate of 3.76%. Principal and interest are paid in monthly installments of $107,197 through maturity on September 1, 2045. As of June 30, 2026, the outstanding principal and accrued interest is $17,603,510 and $55,158, respectively.

Debt issuance costs, net of accumulated amortization, totaled $294,631 as of June 30, 2026, and are related to the first mortgage. Debt issuance costs on the above mortgage are being amortized using an imputed interest rate of 3.96%. Amortization of debt issuance costs is $23,746 for the year ended June 30, 2026, and is included in interest on first mortgage payable on the statement of operations.

The liability of the Company under the mortgage note is limited to the underlying value of the real estate collateral plus other amounts deposited with the lender.

The mortgage qualifies for an interest rebate subsidy from the U.S. Treasury under the Build America Bonds Program ("BABs"). During the year ended June 30, 2026, the Company earned BABs interest rebate of $221,962, which is included in miscellaneous revenue on the statement of operations.

Aggregate annual maturities of the mortgage payable over each of the next five years and thereafter subsequent to June 30, 2026 are as follows:

2027	$ 635,347
2028	659,652
2029	684,887
2030	711,087
2031	738,290
Thereafter	14,174,247
Subtotal	17,603,510
Less unamortized debt issuance costs	(294,631)
Total	$ 17,308,879

Note 5 - Management fee

The Company has entered into an agreement with SDHC in connection with the management of the rental operations of the Projects. The property management fee is based on 5% of the effective gross income of the Projects, as defined. For the year ended June 30, 2026, management fees of $319,177 were incurred and charged to operations, of which $27,707 remain payable at June 30, 2026.

Note 6 - Statement of cash flows

The following table provides a reconciliation of cash and restricted cash reported within the balance sheet that sum to the total of the same such amounts in the statement of cash flows:

Cash	$1,507,111
Tenant deposits	239,514
Total cash and restricted cash shown in the statement of cash flows	$1,746,625

The amount included in restricted cash consists of security deposits held in trust for the future benefit of tenants upon moving out of the Projects as required by the regulatory authority.

Note 7 - Housing assistance payments

Certain tenants of the Projects are recipients of Housing Choice Vouchers awarded by SDHC under Section 8 of the National Housing Act. During the year ended June 30, 2026, the Company recognized housing assistance payments revenue amounting to $1,714,193.

Note 8 - Concentration of credit risk

The Company maintains its cash accounts with various financial institutions. At times, these balances may exceed the federal insurance limits; however, the Company has not experienced any losses with respect to its bank balances in excess of government provided insurance. Bank balances are fully insured and/or collateralized with securities held by the pledging financial institutions in SDHC's, the Company's sole member, name as discussed below.

Cash deposits are secured by pledging securities as collateral. Collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits are considered to be held in SDHC's name. The fair value of pledged securities must equal at least 110% of SDHC's cash deposits. California law also allows institutions to secure SDHC deposits by pledging first trust deed mortgage notes having a value of 150% of SDHC's total cash deposits. SDHC may waive collateral requirements for cash deposits that are fully insured by the Federal Deposit Insurance Corporation.

The Company believes that no significant concentration of credit risks exists with respect to these cash balances at June 30, 2026.

Note 9 - Current vulnerability due to certain concentrations

The Company's principal assets consist of eight apartment complexes totaling 301 units. The Company's operations are concentrated in the multifamily real estate market. In addition, the Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 10 - Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Company through September 14, 2026 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information

Supporting Data Required by HUD

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information

Balance Sheet Data
June 30, 2026

Assets

Account No.			
Current assets			
1120	Cash - operations		$ 1,507,111
1130	Tenant accounts receivable	$ 34,498	
1131	Allowance for doubtful accounts	(9,960)	
1130N	Net tenants accounts receivable		24,538
1135	Accounts receivable - HUD		1,969
1140	Accounts and notes receivable - operations		257,697
1200	Prepaid expenses		26,598
1100T	Total current assets		1,817,913
Deposits held in trust - funded			
1191	Tenant deposits		239,514
Restricted deposits and funded reserves			
1310	Escrow deposits	71,925	
1320	Reserve for replacements	442,189	
1300T	Total deposits		514,114
Rental property			
1410	Land	3,682,655	
1420	Buildings	14,289,730	
1470	Maintenance equipment	263,010	
1400T	Total fixed assets	18,235,395	
1495	Less accumulated depreciation	(7,461,322)	
1400N	Net fixed assets		10,774,073
1000T	Total assets		$ 13,345,614

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information

Balance Sheet Data
June 30, 2026

Liabilities and Member's Equity (Deficit)

Account No.			
Current liabilities			
2110	Accounts payable - operations		$ 130,765
2113	Accounts payable - entity		168,438
2120	Accrued wages payable		28,599
2123	Accrued management fee payable		27,707
2131	Accrued interest payable - first mortgage		55,158
2170	Mortgage payable - first mortgage (short-term)		635,347
2210	Prepaid revenue		91,654
2122T	Total current liabilities		1,137,668
Deposits liability			
2191	Tenant deposits held in trust (contra)		239,496
Long-term liabilities			
2320	Mortgage payable - first mortgage	$ 16,673,532	
2300T	Total long-term liabilities		16,673,532
2000T	Total liabilities		18,050,696
3130	Member's equity (deficit)		(4,705,082)
2033T	Total liabilities and member's equity (deficit)		$ 13,345,614

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2026

Account No.			
Rental revenue			
5120	Rent revenue - gross potential	$ 4,777,513	
5121	Tenant assistance payments	1,714,193	
5100T	Total rental revenue		$ 6,491,706
Vacancies			
5220	Apartments	(131,719)	
5200T	Total vacancies		(131,719)
5152N	Net rental revenue		6,359,987
Financial revenue			
5410	Financial revenue - project operations	1,896	
5440	Revenue from investments - replacement reserve	303	
5400T	Total financial revenue		2,199
Other revenue			
5910	Laundry and vending	49,205	
5920	Tenant charges	43,922	
5990	Miscellaneous revenue	225,602	
5900T	Total other revenue		318,729
5000T	Total revenue		6,680,915

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2026

Account No.			
Administrative expenses			
6250	Other renting expenses	1,634	
6310	Office salaries	272,276	
6311	Office expenses	28,821	
6320	Management fee	319,177	
6331	Administrative rent free unit	53,152	
6340	Legal expense - project	11,177	
6350	Auditing expense	15,446	
6370	Bad debts	58,325	
6390	Miscellaneous administrative expenses	6,516	
6263T	Total administrative expenses		766,524
Utilities expense			
6450	Electricity	52,468	
6451	Water	258,753	
6452	Gas	66,012	
6453	Sewer	112,312	
6400T	Total utilities expense		489,545
Operating and maintenance expenses			
6510	Payroll	225,795	
6515	Supplies	69,308	
6520	Contracts	768,020	
6525	Garbage and trash removal	154,945	
6530	Security payroll/contract	64,402	
6570	Vehicle and maintenance equipment operation and repairs	5,216	
6500T	Total operating and maintenance expenses		1,287,686

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2026

Account No.			
Taxes and insurance			
6720	Property and liability insurance	134,702	
6722	Workmen's compensation	14,500	
6723	Health insurance and other employee benefits	188,763	
6790	Miscellaneous taxes, licenses, permits and insurance	12,590	
6700T	Total taxes and insurance		350,555
Financial expenses			
6820	Interest on first mortgage payable	696,255	
6850	Mortgage insurance premium/service charge	80,705	
6800T	Total financial expenses		776,960
6000T	Total cost of operations before depreciation		3,671,270
5060T	Income (loss) before depreciation		3,009,645
Depreciation			
6600	Depreciation expense	642,850	
	Total depreciation		642,850
5060N	Operating income (loss)		2,366,795
	Total expenses		4,314,120
3250	Net income (loss)		$ 2,366,795

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2026

Account No.		
S1000-010	Total first mortgage (or bond) principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.	$ 611,938
S1000-020	Total of 12 monthly deposits in the audit year made to the replacement reserve account, as required by the regulatory agreement, even if payments may be temporarily suspended or reduced.	$ 90,000
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations.	$ 155,143
S1000-040	Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statement of operations.	$ -
S3100-120	Mortgage payable note detail (Section 236 only)	
	Interest reduction payments from subsidy.	$ -

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information

Statement of Member's Equity (Deficit) Data
Year Ended June 30, 2026

Account No.		Total
S1100-010	Member's equity (deficit) June 30, 2025	$ (5,909,517)
S1200-420	Distributions	(1,909,028)
S1200-430	Contributions	746,668
3250	Net income (loss)	2,366,795
3130	Member's equity (deficit) June 30, 2026	$ (4,705,082)

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2026

Account No.		
	Cash flows from operating activities	
S1200-010	Rental receipts	$ 6,256,733
S1200-020	Interest receipts	2,199
S1200-030	Other operating receipts	338,934
S1200-040	Total receipts	6,597,866
S1200-050	Administrative expenses paid	(63,594)
S1200-070	Management fees paid	(317,308)
S1200-090	Utilities paid	(489,545)
S1200-100	Salaries and wages paid	(581,276)
S1200-110	Operating and maintenance paid	(1,324,576)
S1200-140	Property insurance paid	(134,702)
S1200-150	Miscellaneous taxes and insurance paid	(12,590)
S1200-160	Net tenant security deposits received (paid)	(1)
S1200-170	Other operating expenses paid	(203,263)
S1200-180	Interest paid on first mortgage	(674,426)
S1200-210	Mortgage insurance premium paid	(79,794)
S1200-230	Total disbursements	(3,881,075)
S1200-240	Net cash provided by operating activities	2,716,791
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	2,076
S1200-250	Net withdrawals from reserve for replacements	64,840
S1200-330	Net purchases of fixed assets	(772,310)
S1200-350	Net cash used in investing activities	(705,394)
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	(611,938)
S1200-420	Distributions to member	(1,909,028)
S1200-430	Contributions by member	746,668
S1200-460	Net cash used in financing activities	(1,774,298)
S1200-470	Net increase in cash	237,099
S1200-480	Cash, beginning	1,270,012
S1200T	Cash, end	$ 1,507,111

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2026

Account No.				
	Reconciliation of net income (loss) to net cash provided by operating activities			
3250	Net income (loss)			$ 2,366,795
	Adjustments to reconcile net income (loss) to net cash provided by operating activities			
6600	Depreciation			642,850
S1200-486	Amortization of debt issuance costs			23,746
	Changes in asset and liability accounts			
	(Increase) decrease in assets			
S1200-490	Tenant accounts receivable			(51,232)
S1200-500	Accounts receivable - other			(202,849)
S1200-520	Prepaid expenses			911
S1200-530	Tenant security deposits funded			(2,923)
	Increase (decrease) in liabilities			
S1200-540	Accounts payable			(148,574)
S1200-560	Accrued liabilities			(16,934)
S1200-570	Accrued interest payable			(1,917)
S1200-580	Tenant security deposits held in trust			2,922
S1200-590	Prepaid revenue			2,950
S1200-605	Entity/construction liability accounts (include detail)			
S1200-606	Accounts payable - entity	$ 42,721		
				42,721
S1200-600	Other adjustments (include detail)			
S1200-601	Bad debts	58,325		
				58,325
	Total adjustments			349,996
S1200-610	Net cash provided by operating activities			$ 2,716,791

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information
Year Ended June 30, 2026

Reserve for Replacements

Account No.		
1320P	Balance at June 30, 2025	$ 507,029
1320DT	Total monthly deposits	90,000
1320INT	Interest income	303
1320WT	Approved withdrawals	(155,143)
1320	Balance at June 30, 2026	$ 442,189

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information
Period Ended December 31, 2025

Mid-year Computation of Surplus Cash

Account No.	Part A - Compute Surplus Cash		
S1400-020	Cash (Accounts 1120, 1170 and 1191)		$ 2,708,934
S1400-030	Accounts receivable - HUD		-
S1400-050	Total cash		2,708,934
S1400-060	Accrued mortgage interest payable		56,126
S1400-070	Delinquent mortgage principal payments		-
S1400-080	Delinquent deposits to reserve for replacements		-
S1400-090	Accounts payable (due within 30 days)		52,780
S1400-100	Loans and notes payable (due within 30 days)		-
S1400-110	Deficient tax, insurance or MIP escrow deposits		-
S1400-120	Accrued expenses (not escrowed)		-
S1400-130	Prepaid revenue (Account 2210)		104,751
S1400-140	Tenant security deposits liability (Account 2191)		238,098
S1400-150	Other current obligations (describe in detail)		
S1400-160	Accounts payable - entity	$ 348,151	
			348,151
S1400-180	Less total current obligations		799,906
S1400-190	Surplus cash (deficiency)		$ 1,909,028
S1400-240	Amount available for distribution during next fiscal period		$ 1,909,028

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information
Year Ended June 30, 2026

Computation of Surplus Cash, Distributions and Residual Receipts

Account No.	Part A - Compute Surplus Cash		
S1300-010	Cash (Accounts 1120, 1170 and 1191)		$ 1,746,625
1135	Accounts receivable - HUD		1,969
S1300-040	Total cash		1,748,594
S1300-050	Accrued mortgage interest payable		55,158
S1300-060	Delinquent mortgage principal payments		-
S1300-070	Delinquent deposits to reserve for replacements		-
S1300-075	Accounts payable (due within 30 days)		130,765
S1300-080	Loans and notes payable (due within 30 days)		-
S1300-090	Deficient tax, insurance or MIP escrow deposits		-
S1300-100	Accrued expenses (not escrowed)		56,306
2210	Prepaid revenue (Account 2210)		91,654
2191	Tenant security deposits liability (Account 2191)		239,496
S1300-110	Other current obligations (describe in detail)		
S1300-120	Accounts payable - entity	$ 168,438	
			168,438
S1300-140	Less total current obligations		741,817
S1300-150	Surplus cash (deficiency)		$ 1,006,777
S1300-200	Amount available for distribution during next fiscal period		$ 1,006,777

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information
Year Ended June 30, 2026

Changes in Fixed Asset Accounts

	Assets			
	Balance 6/30/25	Additions	Deductions	Balance 6/30/26
Land	$ 3,682,655	$ -	$ -	$ 3,682,655
Buildings	14,289,730	-	-	14,289,730
Maintenance equipment	209,416	53,594	-	263,010
	$ 18,181,801	$ 53,594	$ -	$ 18,235,395
Accumulated depreciation	$ 6,818,472	$ 642,850	$ -	$ 7,461,322
Total net book value				$ 10,774,073

Fixed Asset Detail

Additions to Maintenance Equipment Account

Item and quantity	Amount
Water Heater replacement	$ 41,344
HVAC Replacement	12,250
	$ 53,594

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information
Year Ended June 30, 2026

Detail of Accounts - Balance Sheet

Accounts and Notes Receivable - Operations (Account No. 1140)

Other		
Interest rebate receivable - Build America Bonds	$	36,463
Insurance claims settlement receivable		221,234
	$	257,697

Detail of Accounts - Statement of Operations

Miscellaneous Other Revenue (Account No. 5990)

Miscellaneous income	$	3,640
Interest rebate - Build America Bonds		221,962
	$	225,602

Miscellaneous Taxes, Licenses, Permits and Insurance (Account No. 6790)

LLC fees & taxes	$	12,590

Other Information

Related party transactions detail:

Account No.	Entity name	Amount paid
S3100-210	Management fee paid to SDHC	$ 317,308

Independent Auditor's Report 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 Sole Member
Southern SDHC FHA LLC

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 Southern SDHC FHA LLC, which comprise the balance sheet as of June 30, 2026, and the related statements of operations, member's equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 14, 2026.

Report on Internal Control over Financial Reporting

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

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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern SDHC FHA LLC'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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Sacramento, California
September 14, 2026

Independent Auditor's Report on Compliance for the Major HUD Program
and Report on Internal Control over Compliance Required by the
Consolidated Audit Guide for Audits of HUD Programs

To the Sole Member
Southern SDHC FHA LLC

Report on Compliance for the Major HUD Program

Opinion on the Major HUD Program

We have audited Southern SDHC FHA LLC's compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide") that could have a direct and material effect on Southern SDHC FHA LLC's major U.S. Department of Housing and Urban Development ("HUD") program for the year ended June 30, 2026. Southern SDHC FHA LLC's major HUD program and the related direct and material compliance requirements are as follows:

Name of Major HUD Program	Direct and Material Compliance Requirements
Section 223(f) - Mortgage Insurance program	Fair housing and nondiscrimination, mortgage loan status, reserve for replacements, distributions to owners, equity skimming, cash receipts, cash disbursements, security deposits, management functions, unauthorized ownership changes, and unauthorized loans of project funds.

In our opinion, Southern SDHC FHA LLC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major HUD program for the year ended June 30, 2026.

Basis for Opinion on the Major HUD Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Guide. Our responsibilities under those standards and the Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Southern SDHC FHA LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that our audit provides a reasonable basis for our opinion on compliance for the major HUD program. Our audit does not provide a legal determination of Southern SDHC FHA LLC's compliance.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, regulations, rules, and provisions of contracts and or grant agreements applicable to its HUD programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on Southern SDHC FHA LLC's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Southern SDHC FHA LLC's compliance with the requirements of the major HUD program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Southern SDHC FHA LLC's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of Southern SDHC FHA LLC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of Southern SDHC FHA LLC's internal control. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 compliance requirement of a HUD 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 compliance requirement of a HUD 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 compliance requirement of a HUD 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 Auditor's Responsibilities for the Audit of Compliance 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, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Guide. Accordingly, this report is not suitable for any other purpose.

CohnReznick LLP

Sacramento, California
September 14, 2026

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Schedule of Findings, Questioned Costs and Recommendations
June 30, 2026

Our audit disclosed no findings that are required to be reported herein under the HUD Consolidated Audit Guide.

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Schedule of the Status of Prior Audit Findings,
Questioned Costs and Recommendations
June 30, 2026

1. Audit Report, dated September 22, 2025, for the year ended June 30, 2025, issued by CohnReznick LLP.

   There are no open findings from the prior audit report.

2. There were no reports issued by HUD OIG or other federal agencies or contract administrators during the period covered by this audit.

3. There were no other letters or reports issued by HUD management during the period covered by this audit.

CohnReznick

Independent Member of Nexia

cohnreznick.com

Attachment 8

Central SDHC FHA LLC
HUD Project No.: 129-11054

Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

June 30, 2026

CohnReznick

Central SDHC FHA LLC
HUD Project No.: 129-11054

Index

	PAGE
Mortgagor's Certification	2
Managing Agent's Certification	3
Independent Auditor's Report	4
Financial Statements	
Balance Sheet	7
Statement of Operations	9
Statement of Member's Equity (Deficit)	12
Statement of Cash Flows	13
Notes to Financial Statements	15
Supplementary Information	
Balance Sheet Data	21
Statement of Operations Data	23
Statement of Member's Equity (Deficit) Data	27
Statement of Cash Flows Data	28
Reserve for Replacements	30
Mid-Year Computation of Surplus Cash, Distributions and Residual Receipts	31
Computation of Surplus Cash, Distributions and Residual Receipts	32
Changes in Fixed Asset Accounts	33
Detail of Accounts - Balance Sheet	34
Other Information	34
Independent Auditor's Report 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*	35
Independent Auditor's Report on Compliance for the Major HUD Program and Report on Internal Control over Compliance Required by the *Consolidated Audit Guide for Audits of HUD Programs*	37
Schedule of Findings, Questioned Costs and Recommendations	40
Schedule of the Status of Prior Audit Findings, Questioned Costs and Recommendations	41

Central SDHC FHA LLC
HUD Project No.: 129-11054

June 30, 2026

Mortgagor's Certification

We hereby certify that we have examined the accompanying financial statements and supplementary data of Central SDHC FHA LLC and, to the best of our knowledge and belief, the same are complete and accurate.

Sole Member

San Diego Housing Commission

Julie Conserva Date
Vice President of Finance - Real Estate
Telephone Number: (619) 578-7608

Beto Juarez Date
S. Vice President of Property and Asset Management

Central SDHC FHA LLC
HUD Project No.: 129-11054

June 30, 2026

Managing Agent's Certification

We hereby certify that we have examined the accompanying financial statements and supplementary data of Central SDHC FHA LLC and, to the best of our knowledge and belief, the same are complete and accurate.

Managing Agent

San Diego Housing Commission

Beto Juarez Date
S. Vice President of Property and Asset Management

Julie Conserva
Vice President of Finance - Real Estate

Managing Agent Taxpayer
Identification Number: 95-3390896

Independent Auditor's Report

To the Sole Member
Central SDHC FHA LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Central SDHC FHA LLC, which comprise the balance sheet as of June 30, 2026, and the related statements of operations, member's equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Central SDHC FHA LLC as of June 30, 2026, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Central SDHC FHA LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Central SDHC FHA LLC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Central SDHC FHA LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Central SDHC FHA LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The HUD-required financial data templates are presented for purposes of additional analysis and are 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 GAAS. In our opinion, the HUD-required financial data templates are fairly stated in all material respects in relation to the financial statements as a whole.

Other Matters

The Schedule of the Status of Prior Audit Findings, Questioned Costs and Recommendations has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2026, on our consideration of Central SDHC FHA LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 Central SDHC FHA LLC'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 Central SDHC FHA LLC's internal control over financial reporting and compliance.

CohnReznick LLP

Sacramento, California
September 17, 2026

Lead Auditor: Ahamadou Alainchar Bocar, CPA

Central SDHC FHA LLC
HUD Project No.: 129-11054

Balance Sheet
June 30, 2026

Assets

Current assets		
Cash - operations	$	837,793
Tenant accounts receivable		62,116
Allowance for doubtful accounts		(16,404)
Accounts and notes receivable - operations		281,694
Prepaid expenses		20,780
Total current assets		1,185,979
Deposits held in trust - funded		
Tenant deposits		207,770
Restricted deposits and funded reserves		
Escrow deposits		40,684
Reserve for replacements		324,121
Total restricted deposits and funded reserves		364,805
Rental property		
Land		3,852,360
Buildings		9,961,167
Maintenance equipment		149,905
		13,963,432
Less accumulated depreciation		(5,739,867)
Total rental property		8,223,565
Total assets	$	9,982,119

Central SDHC FHA LLC
HUD Project No.: 129-11054

Balance Sheet
June 30, 2026

Liabilities and Member's Equity (Deficit)

Current liabilities		
Accounts payable - operations	$	174,336
Accounts payable - entity		340,973
Accrued wages payable		23,826
Accrued management fee payable		22,562
Accrued interest payable - first mortgage		33,562
Mortgage payable - first mortgage, current maturities		400,332
Prepaid revenue		43,521
Total current liabilities		1,039,112
Deposits liability		
Tenant deposits held in trust (contra)		207,755
Long-term liabilities		
Mortgage payable - first mortgage, net		10,437,246
Total long-term liabilities		10,437,246
Total liabilities		11,684,113
Contingency		-
Members' equity (deficit)		(1,701,994)
Total liabilities and members' equity (deficit)	$	9,982,119

See Notes to Financial Statements.

Central SDHC FHA LLC
HUD Project No.: 129-11054

Statement of Operations
Year Ended June 30, 2026

Rental revenue		
Rent revenue - gross potential	$	4,270,094
Tenant assistance payments		1,296,088
Total rental revenue		5,566,182
Vacancies		
Apartments		(573,654)
Rental concessions		(108)
Total vacancies		(573,762)
Net rental revenue		4,992,420
Financial revenue		
Financial revenue - project operations		1,086
Revenue from investments - replacement reserve		208
Total financial revenue		1,294
Other revenue		
Laundry and vending		28,156
Tenant charges		37,726
Total other revenue		65,882
Total revenue		5,059,596

Central SDHC FHA LLC
HUD Project No.: 129-11054

Statement of Operations
Year Ended June 30, 2026

Administrative expenses	
Advertising and marketing	1,286
Other renting expenses	14,386
Office salaries	219,819
Office expenses	45,365
Management fee	251,290
Administrative rent free unit	32,558
Legal expense - project	75,667
Auditing expense	15,449
Bad debts	231,716
Miscellaneous administrative expenses	8,097
Total administrative expenses	895,633
Utilities expense	
Electricity	29,814
Water	284,468
Gas	46,956
Sewer	146,402
Total utilities expense	507,640
Operating and maintenance expenses	
Payroll	235,617
Supplies	86,847
Contracts	1,188,905
Garbage and trash removal	148,977
Security payroll/contract	64,483
Vehicle and maintenance equipment operation and repairs	4,586
Total operating and maintenance expenses	1,729,415

Central SDHC FHA LLC
HUD Project No.: 129-11054

Statement of Operations
Year Ended June 30, 2026

Taxes and insurance	
Real estate taxes	2,721
Property and liability insurance	107,397
Workmen's compensation	12,861
Health insurance and other employee benefits	166,936
Miscellaneous taxes, licenses, permits and insurance	6,800
Total taxes and insurance	296,715
Financial expenses	
Interest on first mortgage payable	425,076
Mortgage insurance premium/service charge	50,592
Total financial expenses	475,668
Total cost of operations before depreciation	3,905,071
Income (loss) before depreciation	1,154,525
Depreciation	
Depreciation expense	405,492
Total depreciation	405,492
Total expenses	4,310,563
Net income (loss)	$ 749,033

See Notes to Financial Statements.

Central SDHC FHA LLC
HUD Project No.: 129-11054

Statement of Member's Equity (Deficit)
Year Ended June 30, 2026

Members' equity (deficit) June 30, 2025	$	(1,907,040)
Distributions		(857,828)
Contributions		313,841
Net income (loss)		749,033
Members' equity (deficit) June 30, 2026	$	(1,701,994)

See Notes to Financial Statements.

Central SDHC FHA LLC
HUD Project No.: 129-11054

Statement of Cash Flows
Year Ended June 30, 2026

Cash flows from operating activities		
Rental receipts	$	4,779,232
Interest receipts		1,294
Other operating receipts		65,882
Total receipts		4,846,408
Administrative expenses paid		(171,081)
Management fees paid		(247,759)
Utilities paid		(507,640)
Salaries and wages paid		(538,643)
Operating and maintenance paid		(1,429,315)
Real estate taxes paid		(2,721)
Property insurance paid		(106,677)
Miscellaneous taxes and insurance paid		(6,800)
Net tenant security deposits received (paid)		45,668
Other operating expenses paid		(179,797)
Interest paid on first mortgage		(410,419)
Mortgage insurance premium paid		(50,592)
Total disbursements		(3,605,776)
Net cash provided by operating activities		1,240,632
Cash flows from investing activities		
Net withdrawals from mortgage escrows		1,180
Net deposits to reserve for replacements		(43,194)
Net purchases of fixed assets		(38,679)
Net cash used in investing activities		(80,693)
Cash flows from financing activities		
Mortgage principal payments - first mortgage		(386,003)
Distributions to members		(857,828)
Contributions by members		313,841
Net cash used in financing activities		(929,990)
Net increase in cash and restricted cash		229,949
Cash and restricted cash, beginning		815,614
Cash and restricted cash, end	$	1,045,563

Central SDHC FHA LLC
HUD Project No.: 129-11054

Statement of Cash Flows
Year Ended June 30, 2026

Reconciliation of net income (loss) to net cash provided by operating activities		
Net income (loss)	$	749,033
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation		405,492
Amortization of debt issuance costs		15,831
Bad debts		231,716
Changes in asset and liability accounts		
(Increase) decrease in assets		
Tenant accounts receivable		(176,884)
Accounts receivable - other		(185,780)
Prepaid expenses		720
Increase (decrease) in liabilities		
Accounts payable		(39,951)
Accrued liabilities		(15,193)
Accrued interest payable		(1,174)
Tenant security deposits held in trust		45,668
Prepaid revenue		(13,526)
Entity/construction liability accounts (include detail)		
Accounts payable - entity		224,680
Total adjustments		491,599
Net cash provided by operating activities	$	1,240,632

See Notes to Financial Statements.

Note 1 - Organization and nature of operations

Central SDHC FHA LLC (the "Company") was formed as a limited liability company under the laws of the State of California on July 13, 2010 for the purpose of owning and operating rental housing projects under Section 207, pursuant to Section 223(f) of the National Housing Act as regulated by the U.S. Department of Housing and Urban Development ("HUD") and is subject to restrictions as to the operating policies, rental charges, operating expenditures and distributions to the sole member. The Company has executed a limited liability company operating agreement (the "operating agreement") dated August 20, 2010. The Company properties, which consist of 22 apartment complexes totaling 234 units, are located in San Diego, California (the "Projects"). The Company began operation in September 2010. The Projects are currently operating under the name of SDHC Central Portfolio.

The Company is wholly owned by San Diego Housing Commission ("SDHC"). The Company is also a blended component unit of SDHC.

The Company will continue to operate until July 13, 2065, unless dissolved earlier in accordance with the operating agreement.

Cash distributions are limited by agreements between the Company and HUD to the extent of surplus cash as defined by HUD.

Note 2 - Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, income is recognized as earned and expensed as incurred, regardless of the timing of payments.

Tenant accounts receivable

Tenant accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on the historical collection experience and a review of the current status of tenants' accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2026, the allowance for doubtful accounts is $16,404.

Rental property

Rental property is carried at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives by use of the straight-line method. The estimated useful lives of the assets are as follows:

Building and improvements	12 to 37 years
Dwelling equipment	5 years

Impairment of long-lived assets

The Company reviews its investment in rental property for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the Projects are less than its

carrying amount, management compares the carrying amount of the Projects to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized for the year ended June 30, 2026.

Debt issuance costs
Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Rental revenue
Rental revenue is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Company and the tenants of the Projects are operating leases.

Income taxes
The Company is a single member limited liability company and is a disregarded entity for income tax purposes and is not subject to income taxes. The Company's federal tax status as a disregarded entity is based on its legal status as a single member limited liability company. SDHC, the sole member of the Company, is a state agency which is exempt from filing any income tax returns. Accordingly, these financial statements do not reflect a provision for income taxes and the Company has no other tax positions which must be considered for disclosure.

Advertising costs
Advertising and marketing costs are expensed as incurred.

Use of estimates
The preparation of financial statements in accordance with GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Restricted deposits and funded reserves

Escrow deposits
Under agreements with the mortgage lender and HUD, the Company is required to make monthly deposits to escrow accounts. Funds deposited are used to pay mortgage insurance premiums. As of June 30, 2026, the balance in the escrow deposits is $40,684.

Reserve for replacements
The Company is required to make monthly deposits to a reserve for replacements account to fund future maintenance and replacement costs. Monthly payments of $5,850 are required to be deposited with the mortgage lender. During the year ended June 30, 2026, the Company resumed making monthly deposits to the replacement reserve. In a prior year, the lender and HUD approved a waiver of the deposit requirement as long as the replacement reserve balance exceeds $1,000 per unit or $234,000. As of June 30, 2026, the balance in the reserve for replacements is $324,121.

Note 4 - Mortgage payable

In September 2010, the Company entered into a mortgage agreement with PNC Bank, N.A., a national banking association, in the original amount of $15,726,100. The mortgage is secured by a deed of trust and insured by HUD. The mortgage bears an annual interest rate of 3.65%. Principal and interest are paid in monthly installments of $66,369 through maturity on October 1, 2045. As of June 30, 2026, the outstanding principal and accrued interest is $11,034,096 and $33,562, respectively.

Debt issuance costs, net of accumulated amortization, totaled $196,518 as of June 30, 2026, and are related to the first mortgage. Debt issuance costs on the above mortgage are being amortized using an imputed rate of 3.86%. Amortization of debt issuance costs is $15,831 for the year ended June 30, 2026 and is included in interest on first mortgage payable on the statement of operations.

The liability of the Company under the mortgage note is limited to the underlying value of the real estate collateral plus other amounts deposited with the lender.

Aggregate annual maturities of the mortgage payable over each of the next five years and thereafter subsequent to June 30, 2026 are as follows:

2027	$ 400,332
2028	415,191
2029	430,601
2030	446,584
2031	463,160
Thereafter	8,878,228
Subtotal	11,034,096
Less unamortized debt issuance costs	(196,518)
Total	$ 10,837,578

Note 5 - Management fee

The Company has entered into an agreement with SDHC in connection with the management of the rental operations of the Projects. The property management fee is based on 5% of the effective gross income of the Projects, as defined. For the year ended June 30, 2026, management fees of $251,290 were incurred and charged to operations. As of June 30, 2026, management fees of $22,562 remain payable.

Note 6 - Statement of cash flows

The following table provides a reconciliation of cash and restricted cash reported within the balance sheet that sum to the total of the same such amounts in the statement of cash flows:

Cash	$ 837,793
Tenant deposits	207,770
Total cash and restricted cash shown in the statement of cash flows	$1,045,563

The amount included in restricted cash consists of security deposits held in trust for the future benefit of tenants upon moving out of the Projects as required by the regulatory authority.

Note 7 - Housing assistance payments

Certain tenants of the Projects are recipients of Housing Choice Vouchers awarded by SDHC under Section 8 of the National Housing Act. During the year ended June 30, 2026, the Company recognized housing assistance payments revenue amounting to $1,296,088.

Note 8 - Related party transactions

Accounts payable - entity on the balance sheet includes operating expenses of the Company which were paid by SDHC under an expense reimbursement agreement. As of June 30, 2026, $340,973 is due.

Note 9 - Lawsuits and claims

The Company is subject to lawsuits and claims, which arise out of the normal course of its activities. In the opinion of management, based upon the opinions of legal counsel, the disposition of any and all such actions of which it is aware, will not have a material effect on the financial statements of the Company.

Note 10 - Concentration of credit risk

The Company maintains its cash accounts with various financial institutions. At times, these balances may exceed the federal insurance limits; however, the Company has not experienced any losses with respect to its bank balances in excess of government provided insurance. Bank balances are fully insured and/or collateralized with securities held by the pledging financial institutions in SDHC's, the Company's sole member, name as discussed below.

Cash deposits are secured by pledging securities as collateral. Collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits are considered to be held in SDHC's name. The fair value of pledged securities must equal at least 110% of SDHC's cash deposits. California law also allows institutions to secure SDHC deposits by pledging first trust deed mortgage notes having a value of 150% of SDHC's total cash deposits. SDHC may waive collateral requirements for cash deposits that are fully insured by the Federal Deposit Insurance Corporation.

The Company believes that no significant concentration of credit risks exists with respect to these cash balances at June 30, 2026.

Note 11 - Current vulnerability due to certain concentrations

The Company's principal assets consist of 234 units within various apartment projects. The Company's operations are concentrated in the multifamily real estate market. In addition, the Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 12 - Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Company through September 17, 2026, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information

Supporting Data Required by HUD

Central SDHC FHA LLC
HUD Project No.: 129-11054

Supplementary Information

Balance Sheet Data
June 30, 2026

Assets

Account No.			
Current assets			
1120	Cash - operations		$ 837,793
1130	Tenant accounts receivable	$ 62,116	
1131	Allowance for doubtful accounts	(16,404)	
1130N	Net tenants accounts receivable		45,712
1140	Accounts and notes receivable - operations		281,694
1200	Prepaid expenses		20,780
1100T	Total current assets		1,185,979
Deposits held in trust - funded			
1191	Tenant deposits		207,770
Restricted deposits and funded reserves			
1310	Escrow deposits	40,684	
1320	Reserve for replacements	324,121	
1300T	Total deposits		364,805
Rental property			
1410	Land	3,852,360	
1420	Buildings	9,961,167	
1470	Maintenance equipment	149,905	
1400T	Total fixed assets	13,963,432	
1495	Less accumulated depreciation	(5,739,867)	
1400N	Net fixed assets		8,223,565
1000T	Total assets		$ 9,982,119

Central SDHC FHA LLC
HUD Project No.: 129-11054

Supplementary Information

Balance Sheet Data
June 30, 2026

Liabilities and Member's Equity (Deficit)

Account No.			
Current liabilities			
2110	Accounts payable - operations		$ 174,336
2113	Accounts payable - entity		340,973
2120	Accrued wages payable		23,826
2123	Accrued management fee payable		22,562
2131	Accrued interest payable - first mortgage		33,562
2170	Mortgage payable - first mortgage (short-term)		400,332
2210	Prepaid revenue		43,521
2122T	Total current liabilities		1,039,112
Deposits liability			
2191	Tenant deposits held in trust (contra)		207,755
Long-term liabilities			
2320	Mortgage payable - first mortgage	$ 10,437,246	
2300T	Total long-term liabilities		10,437,246
2000T	Total liabilities		11,684,113
3130	Members' equity (deficit)		(1,701,994)
2033T	Total liabilities and members' equity (deficit)		$ 9,982,119

Central SDHC FHA LLC
HUD Project No.: 129-11054

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2026

Account No.			
Rental revenue			
5120	Rent revenue - gross potential	$ 4,270,094	
5121	Tenant assistance payments	1,296,088	
5100T	Total rental revenue		$ 5,566,182
Vacancies			
5220	Apartments	(573,654)	
5250	Rental concessions	(108)	
5200T	Total vacancies		(573,762)
5152N	Net rental revenue		4,992,420
Financial revenue			
5410	Financial revenue - project operations	1,086	
5440	Revenue from investments - replacement reserve	208	
5400T	Total financial revenue		1,294
Other revenue			
5910	Laundry and vending	28,156	
5920	Tenant charges	37,726	
5900T	Total other revenue		65,882
5000T	Total revenue		5,059,596

Central SDHC FHA LLC
HUD Project No.: 129-11054

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2026

Account No.			
Administrative expenses			
6210	Advertising and marketing	1,286	
6250	Other renting expenses	14,386	
6310	Office salaries	219,819	
6311	Office expenses	45,365	
6320	Management fee	251,290	
6331	Administrative rent free unit	32,558	
6340	Legal expense - project	75,667	
6350	Auditing expense	15,449	
6370	Bad debts	231,716	
6390	Miscellaneous administrative expenses	8,097	
6263T	Total administrative expenses		895,633
Utilities expense			
6450	Electricity	29,814	
6451	Water	284,468	
6452	Gas	46,956	
6453	Sewer	146,402	
6400T	Total utilities expense		507,640
Operating and maintenance expenses			
6510	Payroll	235,617	
6515	Supplies	86,847	
6520	Contracts	1,188,905	
6525	Garbage and trash removal	148,977	
6530	Security payroll/contract	64,483	
6570	Vehicle and maintenance equipment operation and repairs	4,586	
6500T	Total operating and maintenance expenses		1,729,415

Central SDHC FHA LLC
HUD Project No.: 129-11054

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2026

Account No.			
Taxes and insurance			
6710	Real estate taxes	2,721	
6720	Property and liability insurance	107,397	
6722	Workmen's compensation	12,861	
6723	Health insurance and other employee benefits	166,936	
6790	Miscellaneous taxes, licenses, permits and insurance	6,800	
6700T	Total taxes and insurance		296,715
Financial expenses			
6820	Interest on first mortgage payable	425,076	
6850	Mortgage insurance premium/service charge	50,592	
6800T	Total financial expenses		475,668
6000T	Total cost of operations before depreciation		3,905,071
5060T	Income (loss) before depreciation		1,154,525
Depreciation			
6600	Depreciation expense	405,492	
	Total depreciation		405,492
5060N	Operating income (loss)		749,033
	Total expenses		4,310,563
3250	Net income (loss)		$ 749,033

Central SDHC FHA LLC
HUD Project No.: 129-11054

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2026

Account No.		
S1000-010	Total first mortgage (or bond) principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.	$ 386,003
S1000-020	Total of 12 monthly deposits in the audit year made to the replacement reserve account, as required by the regulatory agreement, even if payments may be temporarily suspended or reduced.	$ 70,200
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations.	$ 27,214
S1000-040	Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statement of operations.	$ -
S3100-120	Mortgage payable note detail (Section 236 only)	
	Interest reduction payments from subsidy.	$ -

Central SDHC FHA LLC
HUD Project No.: 129-11054

Supplementary Information

Statement of Member's Equity (Deficit) Data
Year Ended June 30, 2026

Account No.			
S1100-010	Members' equity (deficit) June 30, 2025	$	(1,907,040)
S1200-420	Distributions		(857,828)
S1200-430	Contributions		313,841
3250	Net income (loss)		749,033
3130	Members' equity (deficit) June 30, 2026	$	(1,701,994)

Central SDHC FHA LLC
HUD Project No.: 129-11054

Statement of Cash Flows Data
Year Ended June 30, 2026

Account No.		
	Cash flows from operating activities	
S1200-010	Rental receipts	$ 4,779,232
S1200-020	Interest receipts	1,294
S1200-030	Other operating receipts	65,882
S1200-040	Total receipts	4,846,408
S1200-050	Administrative expenses paid	(171,081)
S1200-070	Management fees paid	(247,759)
S1200-090	Utilities paid	(507,640)
S1200-100	Salaries and wages paid	(538,643)
S1200-110	Operating and maintenance paid	(1,429,315)
S1200-120	Real estate taxes paid	(2,721)
S1200-140	Property insurance paid	(106,677)
S1200-150	Miscellaneous taxes and insurance paid	(6,800)
S1200-160	Net tenant security deposits received (paid)	(3)
S1200-170	Other operating expenses paid	(179,797)
S1200-180	Interest paid on first mortgage	(410,419)
S1200-210	Mortgage insurance premium paid	(50,592)
S1200-230	Total disbursements	(3,651,447)
S1200-240	Net cash provided by operating activities	1,194,961
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	1,180
S1200-250	Net deposits to reserve for replacements	(43,194)
S1200-330	Net purchases of fixed assets	(38,679)
S1200-350	Net cash used in investing activities	(80,693)
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	(386,003)
S1200-420	Distributions to members	(857,828)
S1200-430	Contributions by members	313,841
S1200-460	Net cash used in financing activities	(929,990)
S1200-470	Net increase in cash	184,278
S1200-480	Cash, beginning	653,515
S1200T	Cash, end	$ 837,793

Central SDHC FHA LLC
HUD Project No.: 129-11054

Statement of Cash Flows Data
Year Ended June 30, 2026

Account No.			
	Reconciliation of net income (loss) to net cash provided by operating activities		
3250	Net income (loss)		$ 749,033
	Adjustments to reconcile net income (loss) to net cash provided by operating activities		
6600	Depreciation		405,492
S1200-486	Amortization of debt issuance costs		15,831
	Changes in asset and liability accounts		
	(Increase) decrease in assets		
S1200-490	Tenant accounts receivable		(176,884)
S1200-500	Accounts receivable - other		(185,780)
S1200-520	Prepaid expenses		720
S1200-530	Tenant security deposits funded		(45,671)
	Increase (decrease) in liabilities		
S1200-540	Accounts payable		(39,951)
S1200-560	Accrued liabilities		(15,193)
S1200-570	Accrued interest payable		(1,174)
S1200-580	Tenant security deposits held in trust		45,668
S1200-590	Prepaid revenue		(13,526)
S1200-605	Entity/construction liability accounts (include detail)		
S1200-606	Accounts payable - entity	$ 224,680	
			224,680
S1200-600	Other adjustments (include detail)		
S1200-601	Bad debts	231,716	
			231,716
	Total adjustments		445,928
S1200-610	Net cash provided by operating activities		$ 1,194,961

Central SDHC FHA LLC
HUD Project No.: 129-11054

Supplementary Information
Year Ended June 30, 2026

Reserve for Replacements

Account No.			
1320P	Balance at June 30, 2025	$	280,927
1320DT	Total monthly deposits		70,200
1320INT	Interest income		208
1320WT	Approved withdrawals		(27,214)
1320	Balance at June 30, 2026	$	324,121

Central SDHC FHA LLC
HUD Project No.: 129-11054

Supplementary Information
Period Ended December 31, 2025

Mid-Year Computation of Surplus Cash, Distributions and Residual Receipts

Account No.	Part A - Compute Surplus Cash		
S1400-020	Cash (Accounts 1120, 1170 and 1191)		$ 1,292,947
S1400-030	Accounts receivable - HUD		1,076
S1400-050	Total cash		1,294,023
S1400-060	Accrued mortgage interest payable		34,155
S1400-070	Delinquent mortgage principal payments		-
S1400-080	Delinquent deposits to reserve for replacements		-
S1400-090	Accounts payable (due within 30 days)		34,978
S1400-100	Loans and notes payable (due within 30 days)		-
S1400-110	Deficient tax, insurance or MIP escrow deposits		-
S1400-120	Accrued expenses (not escrowed)		-
S1400-130	Prepaid revenue (Account 2210)		67,250
S1400-140	Tenant security deposits liability (Account 2191)		181,815
S1400-150	Other current obligations (describe in detail)		
S1400-160	Accounts payable - entity	$ 297,360	
			297,360
S1400-180	Less total current obligations		615,558
S1400-190	Surplus cash (deficiency)		$ 678,465
S1400-240	Amount available for distribution during next fiscal period		$ 678,465

Central SDHC FHA LLC
HUD Project No.: 129-11054

Supplementary Information
Year Ended June 30, 2026

Computation of Surplus Cash, Distributions and Residual Receipts

Account No.	Part A - Compute Surplus Cash		
S1300-010	Cash (Accounts 1120, 1170 and 1191)		$ 1,045,563
1135	Accounts receivable - HUD		-
S1300-040	Total cash		1,045,563
S1300-050	Accrued mortgage interest payable		33,562
S1300-060	Delinquent mortgage principal payments		-
S1300-070	Delinquent deposits to reserve for replacements		-
S1300-075	Accounts payable (due within 30 days)		174,336
S1300-080	Loans and notes payable (due within 30 days)		-
S1300-090	Deficient tax, insurance or MIP escrow deposits		-
S1300-100	Accrued expenses (not escrowed)		46,388
2210	Prepaid revenue (Account 2210)		43,521
2191	Tenant security deposits liability (Account 2191)		207,755
S1300-110	Other current obligations (describe in detail)		
S1300-120	Accounts payable entity	$ 340,973	
			340,973
S1300-140	Less total current obligations		846,535
S1300-150	Surplus cash (deficiency)		$ 199,028
S1300-200	Amount available for distribution during next fiscal period		$ 199,028

Central SDHC FHA LLC
HUD Project No.: 129-11054

Supplementary Information
Year Ended June 30, 2026

Changes in Fixed Asset Accounts

	Assets			
	Balance 6/30/25	Additions	Deductions	Balance 6/30/26
Land	$ 3,852,360	$ -	$ -	$ 3,852,360
Buildings	9,961,167	-	-	9,961,167
Maintenance equipment	111,226	38,679	-	149,905
	$ 13,924,753	$ 38,679	$ -	$ 13,963,432
Accumulated depreciation	$ 5,334,375	$ 405,492	$ -	$ 5,739,867
Total net book value				$ 8,223,565

Fixed Asset Detail

Additions to Maintenance Equipment Account

Item and quantity	Amount
Water heater	$ 38,679

Central SDHC FHA LLC
HUD Project No.: 129-11054

Supplementary Information
Year Ended June 30, 2026

Detail of Accounts - Balance Sheet

Accounts and Notes Receivable - Operations (Account No. 1140)

Other	
Insurance settlement receivable	$ 281,694

Other Information

Related party transactions detail:

Account No.	Entity name	Amount paid
S3100-210	Management fee paid to SDHC	$ 247,759

Independent Auditor's Report 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 Sole Member
Central SDHC FHA LLC

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 Central SDHC FHA LLC, which comprise the balance sheet as of June 30, 2026, and the related statements of operations, member's equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 17, 2026.

Report on Internal Control over Financial Reporting

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

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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central SDHC FHA LLC'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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Sacramento, California
September 17, 2026

Independent Auditor's Report on Compliance for the Major HUD Program
and Report on Internal Control over Compliance Required by the
Consolidated Audit Guide for Audits of HUD Programs

To the Sole Member
Central SDHC FHA LLC

Report on Compliance for the Major HUD Program

Opinion on the Major HUD Program

We have audited Central SDHC FHA LLC's compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide") that could have a direct and material effect on Central SDHC FHA LLC's major U.S. Department of Housing and Urban Development ("HUD") program for the year ended June 30, 2026. Central SDHC FHA LLC's major HUD program and the related direct and material compliance requirements are as follows:

Name of Major HUD Program	Direct and Material Compliance Requirements
Section 223(f) - Mortgage Insurance program	Fair housing and nondiscrimination, mortgage loan status, reserve for replacements, distributions to owners, equity skimming, cash receipts, cash disbursements, security deposits, management functions, unauthorized ownership changes, and unauthorized project loans.

In our opinion, Central SDHC FHA LLC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major HUD program for the year ended June 30, 2026.

Basis for Opinion on the Major HUD Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Guide. Our responsibilities under those standards and the Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Central SDHC FHA LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that our audit provides a reasonable basis for our opinion on compliance for the major HUD program. Our audit does not provide a legal determination of Central SDHC FHA LLC's compliance.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, regulations, rules, and provisions of contracts or grant agreements applicable to its HUD programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on Central SDHC FHA LLC's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Central SDHC FHA LLC's compliance with the requirements of the major HUD program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Central SDHC FHA LLC's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of Central SDHC FHA LLC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of Central SDHC FHA LLC's internal control. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 compliance requirement of a HUD program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD 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 compliance requirement of a HUD 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 Auditor's Responsibilities for the Audit of Compliance 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, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Guide. Accordingly, this report is not suitable for any other purpose.

CohnReznick LLP

Sacramento, California
September 17, 2026

Central SDHC FHA LLC
HUD Project No.: 129-11054

Schedule of Findings, Questioned Costs and Recommendations
June 30, 2026

Our audit disclosed no findings that are required to be reported herein under the HUD Consolidated Audit Guide.

Central SDHC FHA LLC
HUD Project No.: 129-11054

Schedule of the Status of Prior Audit Findings,
Questioned Costs and Recommendations
June 30, 2026

1. Audit Report, dated September 24, 2025, for the year ended June 30, 2025, issued by CohnReznick LLP.

   There are no open findings from the prior audit report.

2. There were no reports issued by HUD OIG or other federal agencies or contract administrators during the period covered by this audit.

3. There were no letters or reports issued by HUD management during the period covered by this audit.

CohnReznick

Independent Member of Nexia

cohnreznick.com