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

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.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

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

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.

PRELIMINARY DRAFT - SUBJECT TO CHANGE

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.

PRELIMINARY DRAFT SUBJECT TO CHANGE

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