

**Central SDHC FHA LLC  
HUD Project No.: 129-11054**

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

**June 30, 2025**

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**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

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**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

**June 30, 2025**

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

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Suket Dayal Date  
Executive Vice President of Business Administration  
and Chief Financial Officer  
Telephone Number: (619) 578-7608

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Beto Juarez Date  
S. Vice President of Property and Asset Management

**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

**June 30, 2025**

**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

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Beto Juarez Date  
S. Vice President of Property and Asset Management

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Suket Dayal  
Executive Vice President of  
Business Administration &  
Chief Financial Officer

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, 2025, 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, 2025, 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 24, 2025 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.



Sacramento, California  
September 24, 2025

Lead Auditor: Ahamadou Alainchar Bocar, CPA

**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

**Balance Sheet**  
**June 30, 2025**

Assets

|                                               |                            |
|-----------------------------------------------|----------------------------|
| Current assets                                |                            |
| Cash - operations                             | \$ 653,515                 |
| Tenant accounts receivable                    | 129,621                    |
| Allowance for doubtful accounts               | (29,077)                   |
| Accounts receivable - HUD                     | 9,780                      |
| Accounts and notes receivable - operations    | 86,134                     |
| Prepaid expenses                              | <u>21,500</u>              |
| Total current assets                          | <u>871,473</u>             |
| Deposits held in trust - funded               |                            |
| Tenant deposits                               | <u>162,099</u>             |
| Restricted deposits and funded reserves       |                            |
| Escrow deposits                               | 41,864                     |
| Reserve for replacements                      | <u>280,927</u>             |
| Total restricted deposits and funded reserves | <u>322,791</u>             |
| Rental property                               |                            |
| Land                                          | 3,852,360                  |
| Buildings                                     | 9,961,167                  |
| Maintenance equipment                         | <u>111,226</u>             |
|                                               | 13,924,753                 |
| Less accumulated depreciation                 | <u>(5,334,375)</u>         |
| Total rental property                         | <u>8,590,378</u>           |
| Total assets                                  | <u><u>\$ 9,946,741</u></u> |

**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

**Balance Sheet**  
**June 30, 2025**

Liabilities and Member's Equity (Deficit)

|                                                       |              |
|-------------------------------------------------------|--------------|
| Current liabilities                                   |              |
| Accounts payable - operations                         | \$ 214,287   |
| Accounts payable - entity                             | 116,293      |
| Accrued wages payable                                 | 42,550       |
| Accrued management fee payable                        | 19,031       |
| Accrued interest payable - first mortgage             | 34,736       |
| Mortgage payable - first mortgage, current maturities | 386,004      |
| Prepaid revenue                                       | 57,047       |
|                                                       | <hr/>        |
| Total current liabilities                             | 869,948      |
|                                                       | <hr/>        |
| Deposits liability                                    |              |
| Tenant deposits held in trust (contra)                | 162,087      |
|                                                       | <hr/>        |
| Long-term liabilities                                 |              |
| Mortgage payable - first mortgage, net                | 10,821,746   |
|                                                       | <hr/>        |
| Total long-term liabilities                           | 10,821,746   |
|                                                       | <hr/>        |
| Total liabilities                                     | 11,853,781   |
|                                                       | <hr/>        |
| Contingency                                           | -            |
|                                                       | <hr/>        |
| Member's equity (deficit)                             | (1,907,040)  |
|                                                       | <hr/>        |
| Total liabilities and member's equity (deficit)       | \$ 9,946,741 |
|                                                       | <hr/>        |

See Notes to Financial Statements.

**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

**Statement of Operations**  
**Year Ended June 30, 2025**

|                                                |                  |
|------------------------------------------------|------------------|
| Rental revenue                                 |                  |
| Rent revenue - gross potential                 | \$ 3,745,516     |
| Tenant assistance payments                     | <u>1,258,646</u> |
| Total rental revenue                           | <u>5,004,162</u> |
| Vacancies                                      |                  |
| Apartments                                     | (508,140)        |
| Rental concessions                             | <u>(28,493)</u>  |
| Total vacancies                                | <u>(536,633)</u> |
| Net rental revenue                             | <u>4,467,529</u> |
| Financial revenue                              |                  |
| Financial revenue - project operations         | 966              |
| Revenue from investments - replacement reserve | <u>243</u>       |
| Total financial revenue                        | <u>1,209</u>     |
| Other revenue                                  |                  |
| Laundry and vending                            | 23,873           |
| Tenant charges                                 | <u>39,942</u>    |
| Total other revenue                            | <u>63,815</u>    |
| Total revenue                                  | <u>4,532,553</u> |

**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

**Statement of Operations**  
**Year Ended June 30, 2025**

|                                                         |           |
|---------------------------------------------------------|-----------|
| Administrative expenses                                 |           |
| Other renting expenses                                  | 9,753     |
| Office salaries                                         | 229,120   |
| Office expenses                                         | 34,444    |
| Management fee                                          | 225,140   |
| Administrative rent free unit                           | 28,548    |
| Legal expense - project                                 | 77,568    |
| Auditing expense                                        | 14,748    |
| Bad debts                                               | 422,963   |
| Miscellaneous administrative expenses                   | 9,791     |
|                                                         | <hr/>     |
| Total administrative expenses                           | 1,052,075 |
|                                                         | <hr/>     |
| Utilities expense                                       |           |
| Electricity                                             | 28,284    |
| Water                                                   | 292,790   |
| Gas                                                     | 43,631    |
| Sewer                                                   | 177,477   |
|                                                         | <hr/>     |
| Total utilities expense                                 | 542,182   |
|                                                         | <hr/>     |
| Operating and maintenance expenses                      |           |
| Payroll                                                 | 197,783   |
| Supplies                                                | 52,222    |
| Contracts                                               | 807,749   |
| Garbage and trash removal                               | 99,458    |
| Security payroll/contract                               | 72,227    |
| Vehicle and maintenance equipment operation and repairs | 5,416     |
|                                                         | <hr/>     |
| Total operating and maintenance expenses                | 1,234,855 |
|                                                         | <hr/>     |

**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

**Statement of Operations**  
**Year Ended June 30, 2025**

|                                                      |                          |
|------------------------------------------------------|--------------------------|
| Taxes and insurance                                  |                          |
| Real estate taxes                                    | 1,609                    |
| Property and liability insurance                     | 99,931                   |
| Workmen's compensation                               | 12,015                   |
| Health insurance and other employee benefits         | 172,541                  |
| Miscellaneous taxes, licenses, permits and insurance | <u>6,800</u>             |
| Total taxes and insurance                            | <u>292,896</u>           |
| Financial expenses                                   |                          |
| Interest on first mortgage payable                   | 439,106                  |
| Mortgage insurance premium/service charge            | <u>52,295</u>            |
| Total financial expenses                             | <u>491,401</u>           |
| Total cost of operations before depreciation         | <u>3,613,409</u>         |
| Income (loss) before depreciation                    | <u>919,144</u>           |
| Depreciation                                         |                          |
| Depreciation expense                                 | <u>415,034</u>           |
| Total depreciation                                   | <u>415,034</u>           |
| Total expenses                                       | <u>4,028,443</u>         |
| Net income (loss)                                    | <u><u>\$ 504,110</u></u> |

See Notes to Financial Statements.

**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

**Statement of Member's Equity (Deficit)**  
**Year Ended June 30, 2025**

|                                            |                              |
|--------------------------------------------|------------------------------|
| Member's equity (deficit)<br>June 30, 2024 | \$ (1,726,596)               |
| Distributions                              | (693,154)                    |
| Contributions                              | 8,600                        |
| Net income (loss)                          | <u>504,110</u>               |
| Member's equity (deficit)<br>June 30, 2025 | <u><u>\$ (1,907,040)</u></u> |

See Notes to Financial Statements.

**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

**Statement of Cash Flows**  
**Year Ended June 30, 2025**

|                                               |              |
|-----------------------------------------------|--------------|
| Cash flows from operating activities          |              |
| Rental receipts                               | \$ 4,069,821 |
| Interest receipts                             | 1,209        |
| Other operating receipts                      | 63,815       |
|                                               | <hr/>        |
| Total receipts                                | 4,134,845    |
|                                               | <hr/>        |
| Administrative expenses paid                  | (125,747)    |
| Management fees paid                          | (224,565)    |
| Utilities paid                                | (542,182)    |
| Salaries and wages paid                       | (511,043)    |
| Operating and maintenance paid                | (1,046,164)  |
| Real estate taxes paid                        | (1,609)      |
| Property insurance paid                       | (99,931)     |
| Miscellaneous taxes and insurance paid        | (6,800)      |
| Net tenant security deposits paid             | (4,467)      |
| Other operating expenses paid                 | (184,556)    |
| Interest paid on first mortgage               | (424,233)    |
| Mortgage insurance premium paid               | (51,600)     |
|                                               | <hr/>        |
| Total disbursements                           | (3,222,897)  |
|                                               | <hr/>        |
| Net cash provided by operating activities     | 911,948      |
|                                               | <hr/>        |
| Cash flows from investing activities          |              |
| Net withdrawals from mortgage escrows         | 1,137        |
| Net withdrawals from reserve for replacements | 38,095       |
| Net purchases of fixed assets                 | (8,161)      |
|                                               | <hr/>        |
| Net cash provided by investing activities     | 31,071       |
|                                               | <hr/>        |
| Cash flows from financing activities          |              |
| Mortgage principal payments - first mortgage  | (372,191)    |
| Distributions to sole member                  | (693,154)    |
| Contributions by sole member                  | 8,600        |
|                                               | <hr/>        |
| Net cash used in financing activities         | (1,056,745)  |
|                                               | <hr/>        |
| Net decrease in cash and restricted cash      | (113,726)    |
|                                               | <hr/>        |
| Cash and restricted cash, beginning           | 929,340      |
|                                               | <hr/>        |
| Cash and restricted cash, end                 | \$ 815,614   |
|                                               | <hr/>        |

**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

**Statement of Cash Flows**  
**Year Ended June 30, 2025**

|                                                                                         |            |
|-----------------------------------------------------------------------------------------|------------|
| Reconciliation of net income (loss) to net cash provided by operating activities        |            |
| Net income (loss)                                                                       | \$ 504,110 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities |            |
| Depreciation                                                                            | 415,034    |
| Amortization of debt issuance costs                                                     | 16,005     |
| Bad debts                                                                               | 422,963    |
| Changes in asset and liability accounts                                                 |            |
| (Increase) decrease in assets                                                           |            |
| Tenant accounts receivable                                                              | (382,772)  |
| Accounts receivable - other                                                             | (6,489)    |
| Prepaid expenses                                                                        | 695        |
| Increase (decrease) in liabilities                                                      |            |
| Accounts payable                                                                        | 20,557     |
| Accrued liabilities                                                                     | (11,338)   |
| Accrued interest payable                                                                | (1,132)    |
| Tenant security deposits held in trust                                                  | (4,467)    |
| Prepaid revenue                                                                         | 20,101     |
| Entity/construction liability accounts (include detail)                                 |            |
| Accounts payable - entity                                                               | (81,319)   |
| Total adjustments                                                                       | 407,838    |
| Net cash provided by operating activities                                               | \$ 911,948 |

See Notes to Financial Statements.

**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

**Notes to Financial Statements**  
**June 30, 2025**

**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, 2025, the allowance for doubtful accounts is \$29,077.

**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

**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

**Notes to Financial Statements**  
**June 30, 2025**

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, 2025.

**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, 2025, the balance in the escrow deposits is \$41,864.

**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, 2025, 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, 2025, the balance in the reserve for replacements is \$280,927.

**Central SDHC FHA LLC**  
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**Notes to Financial Statements**  
**June 30, 2025**

**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, 2025, the outstanding principal and accrued interest is \$11,420,099 and \$34,736, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$212,349 as of June 30, 2025, 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 \$16,005 for the year ended June 30, 2025 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, 2025 are as follows:

|                                         |                             |
|-----------------------------------------|-----------------------------|
| 2026                                    | \$ 386,004                  |
| 2027                                    | 400,332                     |
| 2028                                    | 415,191                     |
| 2029                                    | 430,601                     |
| 2030                                    | 446,584                     |
| Thereafter                              | <u>9,341,387</u>            |
| Subtotal                                | 11,420,099                  |
| Less unamortized debt<br>issuance costs | <u>(212,349)</u>            |
| Total                                   | <u><u>\$ 11,207,750</u></u> |

**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, 2025, management fees of \$225,140 were incurred and charged to operations. As of June 30, 2025, management fees of \$19,031 remain payable.

**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

**Notes to Financial Statements**  
**June 30, 2025**

**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                                                                | \$ 653,515               |
| Tenant deposits                                                     | <u>162,099</u>           |
| Total cash and restricted cash shown in the statement of cash flows | <u><u>\$ 815,614</u></u> |

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, 2025, the Company recognized housing assistance payments revenue amounting to \$1,258,646.

**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, 2025, \$116,293 is due.

**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 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, 2025.

**Note 10 - 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

**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

**Notes to Financial Statements**  
**June 30, 2025**

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 24, 2025, 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, 2025**

| <u>Account No.</u>                      |                                            | <u>Assets</u>      |                  |
|-----------------------------------------|--------------------------------------------|--------------------|------------------|
| Current assets                          |                                            |                    |                  |
| 1120                                    | Cash - operations                          |                    | \$ 653,515       |
| 1130                                    | Tenant accounts receivable                 | \$ 129,621         |                  |
| 1131                                    | Allowance for doubtful accounts            | <u>(29,077)</u>    |                  |
| 1130N                                   | Net tenants accounts receivable            |                    | 100,544          |
| 1135                                    | Accounts receivable - HUD                  |                    | 9,780            |
| 1140                                    | Accounts and notes receivable - operations |                    | 86,134           |
| 1200                                    | Prepaid expenses                           |                    | <u>21,500</u>    |
| 1100T                                   | Total current assets                       |                    | 871,473          |
| Deposits held in trust - funded         |                                            |                    |                  |
| 1191                                    | Tenant deposits                            |                    | 162,099          |
| Restricted deposits and funded reserves |                                            |                    |                  |
| 1310                                    | Escrow deposits                            | 41,864             |                  |
| 1320                                    | Reserve for replacements                   | <u>280,927</u>     |                  |
| 1300T                                   | Total deposits                             |                    | 322,791          |
| Rental property                         |                                            |                    |                  |
| 1410                                    | Land                                       | 3,852,360          |                  |
| 1420                                    | Buildings                                  | 9,961,167          |                  |
| 1470                                    | Maintenance equipment                      | <u>111,226</u>     |                  |
| 1400T                                   | Total fixed assets                         | 13,924,753         |                  |
| 1495                                    | Less accumulated depreciation              | <u>(5,334,375)</u> |                  |
| 1400N                                   | Net fixed assets                           |                    | <u>8,590,378</u> |
| 1000T                                   | Total assets                               |                    | \$ 9,946,741     |

**Central SDHC FHA LLC**  
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**Supplementary Information**

**Balance Sheet Data**  
**June 30, 2025**

|                       |                                                 | <u>Liabilities and Member's Equity (Deficit)</u> |                    |
|-----------------------|-------------------------------------------------|--------------------------------------------------|--------------------|
| <u>Account No.</u>    |                                                 |                                                  |                    |
| Current liabilities   |                                                 |                                                  |                    |
| 2110                  | Accounts payable - operations                   | \$                                               | 214,287            |
| 2113                  | Accounts payable - entity                       |                                                  | 116,293            |
| 2120                  | Accrued wages payable                           |                                                  | 42,550             |
| 2123                  | Accrued management fee payable                  |                                                  | 19,031             |
| 2131                  | Accrued interest payable - first mortgage       |                                                  | 34,736             |
| 2170                  | Mortgage payable - first mortgage (short-term)  |                                                  | 386,004            |
| 2210                  | Prepaid revenue                                 |                                                  | <u>57,047</u>      |
| 2122T                 | Total current liabilities                       |                                                  | 869,948            |
| Deposits liability    |                                                 |                                                  |                    |
| 2191                  | Tenant deposits held in trust (contra)          |                                                  | 162,087            |
| Long-term liabilities |                                                 |                                                  |                    |
| 2320                  | Mortgage payable - first mortgage               | <u>\$ 10,821,746</u>                             |                    |
| 2300T                 | Total long-term liabilities                     |                                                  | <u>10,821,746</u>  |
| 2000T                 | Total liabilities                               |                                                  | 11,853,781         |
| 3130                  | Member's equity (deficit)                       |                                                  | <u>(1,907,040)</u> |
| 2033T                 | Total liabilities and member's equity (deficit) | <u>\$</u>                                        | <u>9,946,741</u>   |

**Central SDHC FHA LLC**  
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**Supplementary Information**

**Statement of Operations Data**  
**Year Ended June 30, 2025**

| <u>Account No.</u> |                                                |                  |                  |
|--------------------|------------------------------------------------|------------------|------------------|
| Rental revenue     |                                                |                  |                  |
| 5120               | Rent revenue - gross potential                 | \$ 3,745,516     |                  |
| 5121               | Tenant assistance payments                     | <u>1,258,646</u> |                  |
| 5100T              | Total rental revenue                           |                  | \$ 5,004,162     |
| Vacancies          |                                                |                  |                  |
| 5220               | Apartments                                     | (508,140)        |                  |
| 5250               | Rental concessions                             | <u>(28,493)</u>  |                  |
| 5200T              | Total vacancies                                |                  | <u>(536,633)</u> |
| 5152N              | Net rental revenue                             |                  | 4,467,529        |
| Financial revenue  |                                                |                  |                  |
| 5410               | Financial revenue - project operations         | 966              |                  |
| 5440               | Revenue from investments - replacement reserve | <u>243</u>       |                  |
| 5400T              | Total financial revenue                        |                  | 1,209            |
| Other revenue      |                                                |                  |                  |
| 5910               | Laundry and vending                            | 23,873           |                  |
| 5920               | Tenant charges                                 | <u>39,942</u>    |                  |
| 5900T              | Total other revenue                            |                  | <u>63,815</u>    |
| 5000T              | Total revenue                                  |                  | <u>4,532,553</u> |

**Central SDHC FHA LLC**  
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**Supplementary Information**

**Statement of Operations Data**  
**Year Ended June 30, 2025**

Account No.

Administrative expenses

|      |                                       |         |
|------|---------------------------------------|---------|
| 6250 | Other renting expenses                | 9,753   |
| 6310 | Office salaries                       | 229,120 |
| 6311 | Office expenses                       | 34,444  |
| 6320 | Management fee                        | 225,140 |
| 6331 | Administrative rent free unit         | 28,548  |
| 6340 | Legal expense - project               | 77,568  |
| 6350 | Auditing expense                      | 14,748  |
| 6370 | Bad debts                             | 422,963 |
| 6390 | Miscellaneous administrative expenses | 9,791   |

|       |                               |           |
|-------|-------------------------------|-----------|
| 6263T | Total administrative expenses | 1,052,075 |
|-------|-------------------------------|-----------|

Utilities expense

|      |             |         |
|------|-------------|---------|
| 6450 | Electricity | 28,284  |
| 6451 | Water       | 292,790 |
| 6452 | Gas         | 43,631  |
| 6453 | Sewer       | 177,477 |

|       |                         |         |
|-------|-------------------------|---------|
| 6400T | Total utilities expense | 542,182 |
|-------|-------------------------|---------|

Operating and maintenance expenses

|      |                                                         |         |
|------|---------------------------------------------------------|---------|
| 6510 | Payroll                                                 | 197,783 |
| 6515 | Supplies                                                | 52,222  |
| 6520 | Contracts                                               | 807,749 |
| 6525 | Garbage and trash removal                               | 99,458  |
| 6530 | Security payroll/contract                               | 72,227  |
| 6570 | Vehicle and maintenance equipment operation and repairs | 5,416   |

|       |                                          |           |
|-------|------------------------------------------|-----------|
| 6500T | Total operating and maintenance expenses | 1,234,855 |
|-------|------------------------------------------|-----------|

**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

**Supplementary Information**

**Statement of Operations Data**  
**Year Ended June 30, 2025**

|                     |                                                      |                |                          |
|---------------------|------------------------------------------------------|----------------|--------------------------|
| <u>Account No.</u>  |                                                      |                |                          |
| Taxes and insurance |                                                      |                |                          |
| 6710                | Real estate taxes                                    | 1,609          |                          |
| 6720                | Property and liability insurance                     | 99,931         |                          |
| 6722                | Workmen's compensation                               | 12,015         |                          |
| 6723                | Health insurance and other employee benefits         | 172,541        |                          |
| 6790                | Miscellaneous taxes, licenses, permits and insurance | <u>6,800</u>   |                          |
| 6700T               | Total taxes and insurance                            |                | 292,896                  |
| Financial expenses  |                                                      |                |                          |
| 6820                | Interest on first mortgage payable                   | 439,106        |                          |
| 6850                | Mortgage insurance premium/service charge            | <u>52,295</u>  |                          |
| 6800T               | Total financial expenses                             |                | <u>491,401</u>           |
| 6000T               | Total cost of operations before depreciation         |                | <u>3,613,409</u>         |
| 5060T               | Income (loss) before depreciation                    |                | <u>919,144</u>           |
| Depreciation        |                                                      |                |                          |
| 6600                | Depreciation expense                                 | <u>415,034</u> |                          |
|                     | Total depreciation                                   |                | <u>415,034</u>           |
| 5060N               | Operating income (loss)                              |                | <u>504,110</u>           |
|                     | Total expenses                                       |                | <u>4,028,443</u>         |
| 3250                | Net income (loss)                                    |                | <u><u>\$ 504,110</u></u> |

**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

**Supplementary Information**

**Statement of Operations Data**  
**Year Ended June 30, 2025**

| <u>Account No.</u> |                                                                                                                                                                                            |
|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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.        |
|                    | <u>\$ 372,191</u>                                                                                                                                                                          |
| 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. |
|                    | <u>\$ 70,200</u>                                                                                                                                                                           |
| S1000-030          | Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations.                                                                 |
|                    | <u>\$ 108,538</u>                                                                                                                                                                          |
| S1000-040          | Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statement of operations.                                                |
|                    | <u>\$ -</u>                                                                                                                                                                                |
| S3100-120          | Mortgage payable note detail (Section 236 only)<br>Interest reduction payments from subsidy.                                                                                               |
|                    | <u>\$ -</u>                                                                                                                                                                                |

**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

**Supplementary Information**

**Statement of Member's Equity (Deficit) Data**  
**Year Ended June 30, 2025**

| <u>Account No.</u> |                                            |                              |
|--------------------|--------------------------------------------|------------------------------|
| S1100-010          | Member's equity (deficit)<br>June 30, 2024 | \$ (1,726,596)               |
| S1200-420          | Distributions                              | (693,154)                    |
| S1200-430          | Contributions                              | 8,600                        |
| 3250               | Net income (loss)                          | <u>504,110</u>               |
| 3130               | Member's equity (deficit)<br>June 30, 2025 | <u><u>\$ (1,907,040)</u></u> |

**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

**Supplementary Information**

**Statement of Cash Flows Data**  
**Year Ended June 30, 2025**

| <u>Account No.</u> |                                               |                          |
|--------------------|-----------------------------------------------|--------------------------|
|                    | Cash flows from operating activities          |                          |
| S1200-010          | Rental receipts                               | \$ 4,069,821             |
| S1200-020          | Interest receipts                             | 1,209                    |
| S1200-030          | Other operating receipts                      | <u>63,815</u>            |
| S1200-040          | Total receipts                                | <u>4,134,845</u>         |
| S1200-050          | Administrative expenses paid                  | (125,747)                |
| S1200-070          | Management fees paid                          | (224,565)                |
| S1200-090          | Utilities paid                                | (542,182)                |
| S1200-100          | Salaries and wages paid                       | (511,043)                |
| S1200-110          | Operating and maintenance paid                | (1,046,164)              |
| S1200-120          | Real estate taxes paid                        | (1,609)                  |
| S1200-140          | Property insurance paid                       | (99,931)                 |
| S1200-150          | Miscellaneous taxes and insurance paid        | (6,800)                  |
| S1200-170          | Other operating expenses paid                 | (184,556)                |
| S1200-180          | Interest paid on first mortgage               | (424,233)                |
| S1200-210          | Mortgage insurance premium paid               | <u>(51,600)</u>          |
| S1200-230          | Total disbursements                           | <u>(3,218,430)</u>       |
| S1200-240          | Net cash provided by operating activities     | <u>916,415</u>           |
|                    | Cash flows from investing activities          |                          |
| S1200-245          | Net withdrawals from mortgage escrows         | 1,137                    |
| S1200-250          | Net withdrawals from reserve for replacements | 38,095                   |
| S1200-330          | Net purchases of fixed assets                 | <u>(8,161)</u>           |
| S1200-350          | Net cash provided by investing activities     | <u>31,071</u>            |
|                    | Cash flows from financing activities          |                          |
| S1200-360          | Mortgage principal payments - first mortgage  | (372,191)                |
| S1200-420          | Distributions to member                       | (693,154)                |
| S1200-430          | Contributions by member                       | <u>8,600</u>             |
| S1200-460          | Net cash used in financing activities         | <u>(1,056,745)</u>       |
| S1200-470          | Net decrease in cash                          | (109,259)                |
| S1200-480          | Cash, beginning                               | <u>762,774</u>           |
| S1200T             | Cash, end                                     | <u><u>\$ 653,515</u></u> |

**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

**Supplementary Information**

**Statement of Cash Flows Data**  
**Year Ended June 30, 2025**

| <u>Account No.</u> |                                                                                         |             |            |
|--------------------|-----------------------------------------------------------------------------------------|-------------|------------|
|                    | Reconciliation of net income (loss) to net cash provided by operating activities        |             |            |
| 3250               | Net income (loss)                                                                       |             | \$ 504,110 |
|                    | Adjustments to reconcile net income (loss) to net cash provided by operating activities |             |            |
| 6600               | Depreciation                                                                            |             | 415,034    |
| S1200-486          | Amortization of debt issuance costs                                                     |             | 16,005     |
|                    | Changes in asset and liability accounts                                                 |             |            |
|                    | (Increase) decrease in assets                                                           |             |            |
| S1200-490          | Tenant accounts receivable                                                              |             | (382,772)  |
| S1200-500          | Accounts receivable - other                                                             |             | (6,489)    |
| S1200-520          | Prepaid expenses                                                                        |             | 695        |
| S1200-530          | Tenant security deposits funded                                                         |             | 4,467      |
|                    | Increase (decrease) in liabilities                                                      |             |            |
| S1200-540          | Accounts payable                                                                        |             | 20,557     |
| S1200-560          | Accrued liabilities                                                                     |             | (11,338)   |
| S1200-570          | Accrued interest payable                                                                |             | (1,132)    |
| S1200-580          | Tenant security deposits held in trust                                                  |             | (4,467)    |
| S1200-590          | Prepaid revenue                                                                         |             | 20,101     |
| S1200-605          | Entity/construction liability accounts (include detail)                                 |             |            |
| S1200-606          | Accounts payable - entity                                                               | \$ (81,319) | (81,319)   |
| S1200-600          | Other adjustments (include detail)                                                      |             |            |
| S1200-601          | Bad debts                                                                               | 422,963     | 422,963    |
|                    | Total adjustments                                                                       |             | 412,305    |
| S1200-610          | Net cash provided by operating activities                                               |             | \$ 916,415 |

**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

**Supplementary Information**  
**Year Ended June 30, 2025**

**Reserve for Replacements**

| <u>Account No.</u> |                          |                          |
|--------------------|--------------------------|--------------------------|
| 1320P              | Balance at June 30, 2024 | \$ 319,022               |
| 1320DT             | Total monthly deposits   | 70,200                   |
| 1320INT            | Interest income          | 243                      |
| 1320WT             | Approved withdrawals     | <u>(108,538)</u>         |
| 1320               | Balance at June 30, 2025 | <u><u>\$ 280,927</u></u> |

**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

**Supplementary Information**  
**Period Ended December 31, 2024**

**Mid-Year Computation of Surplus Cash, Distributions and Residual Receipts**

| <u>Account No.</u> | <u>Part A - Compute Surplus Cash</u>                        |                   |
|--------------------|-------------------------------------------------------------|-------------------|
| S1400-020          | Cash (Accounts 1120, 1170 and 1191)                         | \$ 967,001        |
| S1400-030          | Accounts receivable - HUD                                   | <u>6,395</u>      |
| S1400-050          | Total cash                                                  | <u>973,396</u>    |
| S1400-060          | Accrued mortgage interest payable                           | 35,307            |
| S1400-070          | Delinquent mortgage principal payments                      | -                 |
| S1400-080          | Delinquent deposits to reserve for replacements             | -                 |
| S1400-090          | Accounts payable (due within 30 days)                       | 32,748            |
| 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)                              | 60,236            |
| S1400-140          | Tenant security deposits liability (Account 2191)           | 157,061           |
| S1400-150          | Other current obligations (describe in detail)              |                   |
| S1400-160          | Accounts payable - entity                                   | <u>\$ 223,892</u> |
|                    |                                                             | <u>223,892</u>    |
| S1400-180          | Less total current obligations                              | <u>509,244</u>    |
| S1400-190          | Surplus cash (deficiency)                                   | <u>\$ 464,152</u> |
| S1400-240          | Amount available for distribution during next fiscal period | <u>\$ 464,152</u> |

**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

**Supplementary Information**  
**Year Ended June 30, 2025**

**Computation of Surplus Cash, Distributions and Residual Receipts**

| <u>Account No.</u> | <u>Part A - Compute Surplus Cash</u>                        |                   |
|--------------------|-------------------------------------------------------------|-------------------|
| S1300-010          | Cash (Accounts 1120, 1170 and 1191)                         | \$ 815,614        |
| 1135               | Accounts receivable - HUD                                   | <u>9,780</u>      |
| S1300-040          | Total cash                                                  | <u>825,394</u>    |
| S1300-050          | Accrued mortgage interest payable                           | 34,736            |
| S1300-060          | Delinquent mortgage principal payments                      | -                 |
| S1300-070          | Delinquent deposits to reserve for replacements             | -                 |
| S1300-075          | Accounts payable (due within 30 days)                       | 214,287           |
| 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)                             | 61,581            |
| 2210               | Prepaid revenue (Account 2210)                              | 57,047            |
| 2191               | Tenant security deposits liability (Account 2191)           | 162,087           |
| S1300-110          | Other current obligations (describe in detail)              |                   |
| S1300-120          | Accounts payable - entity                                   | <u>\$ 116,293</u> |
|                    |                                                             | <u>116,293</u>    |
| S1300-140          | Less total current obligations                              | <u>646,031</u>    |
| S1300-150          | Surplus cash (deficiency)                                   | <u>\$ 179,363</u> |
| S1300-200          | Amount available for distribution during next fiscal period | <u>\$ 179,363</u> |

**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

**Supplementary Information**  
**Year Ended June 30, 2025**

**Changes in Fixed Asset Accounts**

|                          | Assets               |                   |             |                      |
|--------------------------|----------------------|-------------------|-------------|----------------------|
|                          | Balance 6/30/24      | Additions         | Deductions  | Balance 6/30/25      |
| Land                     | \$ 3,852,360         | \$ -              | \$ -        | \$ 3,852,360         |
| Buildings                | 9,961,167            | -                 | -           | 9,961,167            |
| Maintenance equipment    | 103,065              | 8,161             | -           | 111,226              |
|                          | <u>\$ 13,916,592</u> | <u>\$ 8,161</u>   | <u>\$ -</u> | <u>\$ 13,924,753</u> |
| Accumulated depreciation | <u>\$ 4,919,341</u>  | <u>\$ 415,034</u> | <u>\$ -</u> | <u>\$ 5,334,375</u>  |
| Total net book value     |                      |                   |             | <u>\$ 8,590,378</u>  |

Fixed Asset Detail

Additions to Maintenance Equipment Account

| <u>Item and quantity</u> | <u>Amount</u>   |
|--------------------------|-----------------|
| Water heater             | <u>\$ 8,161</u> |

**Central SDHC FHA LLC**  
**HUD Project No.: 129-11054**

**Supplementary Information**  
**Year Ended June 30, 2025**

**Detail of Accounts - Balance Sheet**

Accounts and Notes Receivable - Operations (Account No. 1140)

Other

Insurance settlement receivable

\$ 85,849

Miscellaneous

285

\$ 86,134

**Other Information**

Related party transactions detail:

| <u>Account No.</u> | <u>Entity name</u>          | <u>Amount paid</u>       |
|--------------------|-----------------------------|--------------------------|
| S3100-210          | Management fee paid to SDHC | <u><u>\$ 224,565</u></u> |

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, 2025, 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 24, 2025.

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 24, 2025

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, 2025. 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, tenant leasing and eligibility, 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, 2025.

*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 24, 2025

**Central SDHC FHA LLC  
HUD Project No.: 129-11054**

**Schedule of Findings, Questioned Costs and Recommendations  
June 30, 2025**

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, 2025**

1. Audit Report, dated September 25, 2024, for the year ended June 30, 2024, 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.



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