



## EXECUTIVE SUMMARY

### HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

MEETING DATE: November 17, 2022

HCR22-029

SUBJECT: Fiscal Year 2022 Annual Comprehensive Financial Report (Annual Report) and Single Audit Reports

COUNCIL DISTRICT(S): Citywide

ORIGINATING DEPARTMENT: Financial Services

CONTACT/PHONE NUMBER: Suket Dayal, 619-578-7608

#### REQUESTED ACTION:

Accept the Fiscal Year 2022 (July 1, 2021 – June 30, 2022) Annual Comprehensive Financial Report (ACFR) and Single Audit Reports, specified in the list of attachments on page 3 of this report, as prepared by CohnReznick LLP, licensed certified public accountants.

#### EXECUTIVE SUMMARY OF KEY FACTORS:

- The San Diego Housing Commission (Housing Commission) received an “unmodified” (“clean”) opinion for the audit period July 1, 2021 - June 30, 2022.
- The Housing Commission did not receive a Management Comment Letter on internal controls.
- Government Accounting Standards Board (GASB) Pronouncement Statement No. 87 “Leases” in Fiscal Year 2022 added Lease Receivable and Deferred Inflows of over \$93 million and disclosure requirements in Annual Comprehensive Financial Report Note 10 – Leases.
- Total Revenues were \$574.8 million, of which 82.2 percent was from Federal grants.
- Total Expenses were \$555.2 million, of which \$402 million was related to Housing Assistance payments.
- Total Assets were \$1,108.5 million, including \$497.6 million in total notes and interest receivable, net of allowance.
- Total Liabilities were \$191.3 million.
- Total Net Position was \$823.4 million and was comprised of:
  - Net Investment in Capital Assets: \$159.3 million – the amount spent on capital assets and is used for operations.
  - Restricted Net Position: \$233.0 million – the amount is restricted by external creditors, grantors contributors, or laws or regulations of other governments.
  - Unrestricted Net Position: \$431.1 million, which is an accounting definition and not necessarily indicative of funds available for discretionary use.
- The increase in total assets of \$104.5 million is primarily due an increase in Noncurrent Assets of \$112.8 million as a result of the following increases:
  - Leases receivable noncurrent of \$93.2 million due to GASB 87 - Leases
  - Loans made of \$17.1 million and accrued interest of \$7.4 million on notes receivable



## REPORT

**DATE ISSUED:** November 10, 2022

**REPORT NO:** HCR22-029

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of November 17, 2022

**SUBJECT:** Fiscal Year 2022 Annual Comprehensive Financial Report (ACFR) and  
Single Audit Reports

**COUNCIL DISTRICT:** Citywide

### SUMMARY

Accept the Fiscal Year 2022 (July 1, 2021 – June 30, 2022) Annual Comprehensive Financial Report (ACFR) and Single Audit Reports, specified in the list of attachments on page 3 of this report, as prepared by CohnReznick LLP, licensed certified public accountants.

### COMMITTEE RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) accept and approve the Fiscal Year (FY) 2022 (July 1, 2021 – June 30, 2022) Annual Comprehensive Financial Report (ACFR) and Single Audit Reports prepared by CohnReznick LLP, an independent audit firm.

### SUMMARY

In November 2018, following a formal Request For Proposal process, the Housing Commission awarded a contract to CohnReznick LLP to conduct various financial audits of the Housing Commission with options for annual renewals through Fiscal Year 2023 (July 1, 2022 – June 30, 2023).

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

CohnReznick, LLP is responsible for expressing an opinion on the financial statements based on their audit. In their opinion, the financial statements present fairly, in all material respects, the financial position of the Housing Commission as of June 30, 2022.

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

CohnReznick, LLP is responsible for expressing an opinion on compliance for each of the Housing Commission's major Federal programs based on their audit of the types of compliance requirements identified. In their opinion, the Housing Commission complied, in all material respects, with the types of compliance requirements identified that could have a direct and material effect on each of its major Federal programs for the Fiscal Year that ended on June 30, 2022. The Report to the Audit Committee of the Housing Commission Board of Commissioners (Attachment 3) provides required information from CohnReznick relating to the audits.

### **INFORMATIONAL REPORTS PROVIDED**

Certain projects require Financial Statements with Supplementary Information and Independent Auditor's Report. The Housing Commission projects subject to this requirement are the Otay Villas Housing Development (Attachment 4) and Adaptable Housing Development (Attachment 5). For both projects, the opinion of the auditors was that the statement of project operations presents fairly, in all material respects, the operation of the project for the Fiscal Year that ended on June 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

The Housing Commission has three projects regulated by the U.S. Department of Housing and Urban Development (HUD) that have Federal Housing Administration (FHA) insured loans under Section 233(f) that require individual Financial Statements with Supplementary Information and Independent Auditor's Report. These projects are Northern SDHC FHA LLC (Attachment 6), Southern SDHC FHA LLC (Attachment 7) and Central SDHC FHA LLC (Attachment 8). CohnReznick, LLP completed the reports for FY 2022. For each project, the opinion of the auditors was that the statements of each project were presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. In addition, the Housing Commission complied, in all material respects, with HUD program and internal control requirements that could have a direct and material effect on each of the FHA Federal Programs.

### **CONCLUSION**

The audit reports are in compliance with applicable laws and the scope of work contained in the contract between the Housing Commission and CohnReznick, LLP. Housing Commission staff wishes to extend their appreciation to CohnReznick, LLP for the professional manner in which this audit was performed.

### **FISCAL CONSIDERATIONS**

The proposed action has no fiscal impact.

### **PREVIOUS COUNCIL and/or COMMITTEE ACTION**

On November 2, 2022, Housing Commission staff and the Auditors presented the Fiscal Year 2022 Annual Comprehensive Financial Report and attached financial reports to the Audit Committee, the Interim Chief Executive Officer, the Executive Vice President Business Administration and Chief Financial Officer, and the Housing Commission's General Counsel.

**ENVIRONMENTAL REVIEW**

This activity is not a project as defined by the California Environmental Quality Act (CEQA) Section 21065 and State CEQA Guidelines Section 15378(b)(5), as it is an administrative activity of government that will not result in direct or indirect physical changes in the environment. The determination that this activity is not subject to CEQA, pursuant to Section 15060(c)(3), is not appealable and a Notice of Right to Appeal the Environmental Determination (NORA) is not required. This activity is exempt from the National Environmental Policy Act (NEPA) pursuant to Section 58.34(a)(2) and (3) of Title 24 of the Code of Federal Regulations.

Respectfully submitted,

By: *Ryan Clumpner*  
Audit Committee

By: *Johanna Hester*  
Audit Committee

By: *Eugene "Mitch" Mitchell*  
Audit Committee

- Attachments:
- 1) FY22 Annual Comprehensive Financial Report (ACFR)
  - 2) FY22 Single Audit Reports
  - 3) FY22 Report to the Audit Committee of the Board of Commissioners
  - 4) FY22 Financial Statements on the Otay Villas Housing Development
  - 5) FY22 Financial Statements on the Adaptable Housing Development
  - 6) FY22 Northern SDHC FHA LLC Financial Statements
  - 7) FY22 Southern SDHC FHA LLC Financial Statements
  - 8) FY22 Central SDHC FHA LLC Financial Statements
  - 9) FY22 Popular Annual Financial Report (PAFR)

Docket materials are available online in the "Governance & Legislative Affairs" section of the San Diego Housing Commission website at [www.sdhc.org](http://www.sdhc.org)



SAN DIEGO  
HOUSING  
COMMISSION

Attachment 1

# San Diego Housing Commission Annual Comprehensive Financial Report

## A Component Unit of the City of San Diego

For the fiscal year ended June 30, 2022

San Diego Housing Commission  
1122 Broadway, Suite 300  
San Diego, CA 92101  
[www.sdhc.org](http://www.sdhc.org)



**San Diego Housing Commission**

**A Component Unit of the  
City of San Diego, California**

**Annual Comprehensive Financial Report**

**For the Year Ended  
June 30, 2022**

**Prepared by:  
Financial Services Department**

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SAN DIEGO  
HOUSING  
COMMISSION

# Introductory Section



## We're About People

Established in 1979, the San Diego Housing Commission (SDHC) is an award-winning public housing agency that serves the City of San Diego. SDHC's major program areas include providing rental assistance to more than 16,000 households with low income; addressing homelessness; and creating and preserving affordable rental housing.





November 3, 2022

Mayor Todd Gloria,  
Council President Sean Elo-Rivera, Members of the San Diego City Council,  
San Diego Housing Commission (SDHC) Chair of the Board Eugene “Mitch” Mitchell,  
Members of the SDHC Board of Commissioners, Citizens of the City of San Diego,  
California, and additional interested parties

California state law requires that all general purpose local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. As a component unit of the City of San Diego, and pursuant to the above-stated requirement, we hereby issue the Annual Comprehensive Financial Report (Annual Report) of the San Diego Housing Commission (SDHC) for the fiscal year that ended on June 30, 2022.

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

SDHC's financial statements have been audited by CohnReznick LLP, a firm of licensed certified public accountants. The goal of this independent audit was to provide reasonable assurance that SDHC's financial statements for the fiscal year that ended on June 30, 2022, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based upon their audit, that there was a reasonable basis for rendering an unmodified opinion that SDHC's financial statements for the fiscal year that ended on June 30, 2022, are fairly presented in conformity with GAAP.

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

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

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

Established in 1979, SDHC has earned a national reputation as a model public housing agency, with innovative programs that preserve and create additional affordable housing in the City of San Diego. SDHC's award-winning programs and services stimulate the local economy, revitalize neighborhoods, and positively impact the lives of San Diegans with low income and/or experiencing homelessness. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SDHC for its Annual Report for the fiscal year that ended on June 30, 2021. This was the 14th consecutive year that SDHC has achieved this prestigious award, recognizing "transparency and full disclosure" in the Annual Report. This report must satisfy both GAAP and applicable legal requirements.

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

The GFOA has also given an award for Outstanding Achievement in Popular Annual Financial Reporting to SDHC for its Popular Annual Financial Report for Fiscal Year 2021. This was the 12th consecutive year that SDHC has received this prestigious award.

## **Governing Body and Strategic Guidance**

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

SDHC Interim President & CEO Jeff Davis is the Executive Director of the Housing Authority.

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

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

The Mayor appoints Commissioners, who are confirmed by the San Diego City Council.

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

## **SDHC Vision**

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

## **SDHC Mission Statement**

The San Diego Housing Commission (SDHC) fosters social and economic stability for vulnerable populations in the City of San Diego through quality affordable housing, opportunities for financial self-reliance and homelessness solutions.

## **Purpose**

Help individuals, families and the San Diego community thrive.

## **Core Values**

At SDHC, we:

- Serve our clients with equity, dignity and respect.
- Are committed to excellence and innovation in all we do.
- Believe in transparency and being good financial stewards.

## Equity and Inclusivity

At SDHC, we are about people. SDHC embraces diverse approaches and points of view to improve our programs, projects and policies.

- We believe in delivering programs and services in innovative and inclusive ways.
- We are committed to advancing equity and inclusion both internally and externally.

## SDHC Strategic Plan Fiscal Year 2022- 2024

SDHC's Strategic Plan for Fiscal Year (FY) 2022 - 2024 serves as a roadmap for SDHC, guiding the agency's decisions, initiatives and day-to-day efforts. At the same time, SDHC has the flexibility to adapt this Strategic Plan as needed to address changing circumstances around the agency.

The SDHC Board of Commissioners approved this three-year Strategic Plan on July 9, 2021. SDHC's Strategic Plan and annual Progress Reports are available at [www.sdhc.org/about-us/plans-policies/strategic-plans](http://www.sdhc.org/about-us/plans-policies/strategic-plans).

The Strategic Plan includes five strategic priorities, which include metrics to monitor progress:

1. Increasing and preserving housing solutions
2. Helping families increase opportunities for self-sufficiency and quality of life
3. Investing in our team
4. Advancing homelessness solutions – supporting the City of San Diego Community Action Plan on Homelessness
5. Advocacy, Communication, Public Engagement

## SDHC Strategic Plan Accomplishments

### 1. Increasing and preserving housing solutions

- Areas of Focus:
  1. Production: Identify opportunities to produce and retain affordable and middle-income housing and permanent supportive housing solutions
  2. Preservation: Preserve existing deed-restricted affordable housing or naturally occurring affordable housing (NOAH)
  3. Funding: Identify and pursue additional funding mechanisms dedicated to increasing housing solutions
  4. Advocacy: In alignment with Strategic Priority 5, conduct advocacy with policy makers at local, state and federal levels.
- 2,319 affordable housing units currently pending completion with approved SDHC financing
- 997 affordable housing units completed in Fiscal Year 2022

- Emergency Housing Vouchers: 480 awarded to SDHC
  - June 30, 2022: 94 percent have been awarded to families who have leased a rental home (379) or are in the process of searching for a rental home with their voucher (74).
- Affordable Housing Preservation Collaborative Convened
  - Representatives of affordable housing property owners, for-profit and nonprofit real estate developers, housing advocates and tenants' rights groups
  - Objectives:
    - Reach out to owners of naturally occurring affordable housing (NOAH) and deed-restricted properties at risk of expiration of affordability.
    - Educate community members, NOAH owners and stakeholder groups about preservation resources and funding.
    - Revise the Preservation Priority Matrix over time to align with changing City goals and priorities.
    - Community engagement and outreach.

## **2. Helping families increase opportunities for self-sufficiency and quality of life**

- Areas of focus:
  1. Conduct a needs assessment of existing program participants and residents to determine opportunities for quality-of-life enhancements in SDHC- or affiliate-owned housing communities.
  2. Explore an online tenant portal to streamline application process.
  3. Increase awareness of existing and/or new SDHC resources, including developing a communications plan to increase awareness.
  4. Explore new funding structures to support priority programming and identified quality-of-life opportunities, including joint funding opportunities with partners.
- Digital Media Job Training/Placement for SDHC Achievement Academy Participants
- Digital Equity and Inclusion Project
  - Needs Assessment Survey
  - Request for Qualifications
  - Affordable Connectivity Program
  - SANDAG Partnership
- Security Assessment Project

## **3. Investing in our team**

- Areas of focus:
  1. Enhance communication/engagement through the development and implementation of a year-round internal engagement plan.
  2. Audit employee benefits and explore additional workplace programs.
  3. Conduct a classification and compensation study.

4. Ensure team members have the training and resources needed to support SDHC's vision and grow individually.
  5. Ensure SDHC has the people it needs today and tomorrow to achieve success as outlined in the Strategic Plan.
  6. Ensure team members have the necessary technologies to support SDHC's vision.
- Classification and Compensation Study
    - Consultant partner has been identified through a formal Request for Proposal process.
    - Implementation will include three phases:
      - Classification
      - Compensation Review
      - Final Report and Recommendations
  - Projected completion is the end of 2022.
- 4. Advancing homelessness solutions – supporting the City of San Diego Community Action Plan on Homelessness**
- Areas of focus:
    1. Continue to support the City of San Diego Community Action Plan on Homelessness
    2. Establish an internal working group to evaluate all SDHC divisions to look for opportunities to support the Action Plan. Ensure the areas of support align with Housing First principles and SDHC's role in the implementation of the Action Plan.
    3. Evaluate funding, infrastructure and capacity – staffing, technology, training, communications, etc.
  - New Shelters
    - Harm Reduction Shelter - Operating since December 2021
    - Coordinated Care Shelter - Anticipated opening in July 2022
  - SDHC Division-Specific Actions
  - Capacity Building
    - Homelessness Program for Engaged Educational Resources (PEER)
    - Compensation Study
    - Wellness Initiative
  - City of San Diego Eviction Prevention Program
  - Community Action Plan on Homelessness
    - Online dashboards updated quarterly
    - Updating calculations and goals

## 5. Advocacy, Communication, Public Engagement

- Areas of focus:
  1. Advocacy: Establish priority policy areas and a policy engagement guide to foster progress toward SDHC's vision and secure additional public funding.
  2. Stakeholder Communication: Develop a communications strategy for SDHC and key housing/homelessness issues that builds support and awareness for SDHC and its multifaceted responsibilities.
  3. Public Engagement: Develop and implement an ongoing public engagement plan designed to build support for housing and homelessness solutions and SDHC among the broader public, including neighborhood planning associations, community leaders and the public at large.
  
- Policy Engagement Guide
  
- Communications Plan
  - Outreach Example: First-Time Homebuyer Program
    - Flyers in English and Spanish
    - Emailed to hundreds of community organizations, as well as Realtors and loan officers
    - News media coverage on local television news
  - In Progress:
    - Community outreach and engagement online platform
    - Stakeholder Communications Working Group
    - Exploring social media options
  
- Compliance and Equity Assurance

### SDHC Business Activities

#### Providing Rental Assistance

SDHC administers a variety of federally funded affordable housing programs and services, including the Section 8 Housing Choice Voucher Program, which provides rental assistance to more than 16,000 families with low income in the City of San Diego.

SDHC's Rental Assistance Division manages the program and is dedicated to assisting families with supportive services and individualized case management to encourage financial self-reliance.

#### New Voucher Awards

During Fiscal Year 2022, SDHC was awarded 50 additional tenant-based Veterans Affairs Supportive Housing (VASH) vouchers. These vouchers serve veterans experiencing homelessness who are eligible for a VASH voucher.



## 'Moving to Work' Agency

SDHC is one of only 39 original "Moving to Work" (MTW) agencies out of approximately 3,200 public housing authorities nationwide. In 2022, HUD announced the addition of 70 public housing authorities as new MTW agencies.

MTW status provides flexibility and allows SDHC to determine the most effective housing assistance programs for households with low income or experiencing homelessness in the City of San Diego.

## Committing Federal Rental Housing Vouchers to Address Homelessness

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

At the close of Fiscal Year 2022, SDHC had committed a total of more than 5,200 rental assistance subsidies for families and individuals experiencing homelessness dating back to 2002. This includes 1,235 Veterans Affairs Supportive Housing (VASH) vouchers that have been allocated since 2008 and the 50 additional VASH vouchers allocated in 2022 to serve veterans experiencing homelessness.

## Committing Federal Rental Housing Vouchers for Affordable Housing

SDHC also committed 141 federal Project-Based Housing Vouchers (PBVs) to affordable housing developments in Fiscal Year 2022. These vouchers are known as affordable housing PBVs. They provide rental assistance to households with low income in the City of San Diego. Applicants are selected through SDHC's PBV Wait List. PBVs are linked to the specific housing unit to which they are awarded so that when a tenant moves on, the voucher remains with the unit to help another household.

## Additional MTW Programs

SDHC's MTW operating budget in Fiscal Year 2022 was \$243,940,647. Examples of MTW initiatives that SDHC has implemented are the Choice Communities Initiative, updates to rental assistance payment standards, Path to Success, the SDHC Achievement Academy, and HOUSING FIRST – SAN DIEGO homelessness initiatives, such as Guardian Scholars, the Monarch School Project, SDHC Moving Home Rapid Rehousing and SDHC Moving On Rental Assistance.

## Choice Communities

SDHC's Choice Communities initiative, developed under SDHC's federal designation as an MTW public housing agency, provides families that receive rental assistance with more flexibility to choose to live in neighborhoods that offer more opportunities for transportation, schools and employment.

To increase housing opportunities through this initiative and to assist as many low-income families as possible, on May 1, 2022, SDHC updated the payment standards that are used to determine the amount of rental assistance each family receives.

In Fiscal Year 2022, 1,586 families moved to Enterprise or Choice communities. In addition, 532 families were contacted by an SDHC Mobility Counselor to assist with pre- and post-moving counseling, housing search assistance and guidance about neighborhood features for families moving to Choice or Enterprise Communities.

Families moving to Choice or Enterprise Communities are eligible for no-interest security deposit loans up to the payment standard for the area for their voucher size. In Fiscal Year 2022, 125 families participated in this Security Deposit Loan Program, and SDHC loaned a total of more than \$221,878 through this program.

### SDHC Achievement Academy

The SDHC Achievement Academy is a learning and resource center. Its programs emphasize career development, job skills, job placement and personal financial education. The SDHC Achievement Academy is available at no charge to families with low income in the City of San Diego, predominately those receiving Federal Section 8 Housing Choice Voucher rental assistance and public housing residents.

In Fiscal Year 2022, more than 2,900 SDHC Achievement Academy participants attended 265 workshops addressing various topics, such as financial education, life skills, workforce readiness, computer literacy and job recruitments. In addition to attending workshops, 1,316 participants received core services, including benefits screening and meeting with a certified financial counselor; 200 participants were placed in jobs; and 259 increased their earnings. In Fiscal Year 2022, the average hourly wage earned by SDHC Achievement Academy participants was \$18.86, which reflects a 62 percent increase in the average hourly wage of SDHC Achievement Academy participants placed in jobs in the last five years. From recruitment fairs and employer presentations to small business classes and industry-specific trainings, the SDHC Achievement Academy offers an array of services to meet the varying needs of its participants.

### EnVision Center

The SDHC Achievement Academy is one of the key partners in the collaboration among SDHC, the City of San Diego, and the San Diego Workforce Partnership that HUD selected to be an EnVision Center, which promotes financial self-reliance among federal rental assistance participants and public housing residents. Through its designation as an EnVision Center, the SDHC Achievement Academy is able to offer its programs and services to households with low income throughout the City of San Diego.

### Path to Success

SDHC's Path to Success initiative encourages Section 8 Housing Choice Voucher rental assistance families to become more financially self-reliant.

Average annual income among Work-Able families in Fiscal Year 2022 was 66 percent higher than in Fiscal Year 2013, the last year before Path to Success was implemented.

## Oversight and Administration of Emergency Rental Assistance Programs

Throughout the COVID-19 pandemic, SDHC has seamlessly continued to provide essential housing assistance to thousands of families, seniors, veterans and San Diegans experiencing homelessness in the City of San Diego. The agency has also undertaken many actions to support the health and well-being of all SDHC employees as they carry out the agency's mission.

### COVID-19 Housing Stability Assistance Program

SDHC administers the City of San Diego COVID-19 Housing Stability Assistance Program, which helps pay rent and utilities for households with low income that experience financial hardship due to or during the COVID-19 pandemic.

SDHC began making payments for qualifying applicants in late April 2021. As of September 30, 2022, SDHC had disbursed \$218,608,971.45 in assistance payments to help 18,317 qualifying households.

Since before the launch of this program, SDHC engaged in extensive, comprehensive outreach to help make households and landlords aware of the assistance available through the COVID-19 Housing Stability Assistance Program. Outreach efforts included but were not limited to: application assistance events; direct mail to City of San Diego residents, including utility customers, San Diego Unified School District families, and residents of 10 specific ZIP Codes with high COVID-19 case rates; Spanish- and English-language advertising on buses, trolleys, billboards, bus benches, radio, television and community newspapers; news conferences and news media coverage; and collaboration with community-based organizations to raise awareness and help households complete their applications.

### City of San Diego's Homeless Shelters and Services Programs

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

The City's homelessness programs also include:

- Day Center Facility for Adults Experiencing Homelessness;
- Homeless Transitional Storage Center;
- Homelessness Response Center;
- Coordinated Outreach Program;
- Four interim housing programs (Connections Housing Downtown, a one-stop housing and services center for single adults experiencing homelessness; Interim Housing Program for Families, which provides short-term housing and services to help families experiencing homelessness stabilize their lives; the Interim Housing Program for Adults operated out of the Paul Mirable Center on the Father Joe's Villages main campus; and the Bishop Interim Shelter Program, which also provides shelter beds for single adults);

- Three Bridge Shelters;
- A rapid rehousing program; and
- The City's Serial Inebriate Program (SIP) transitional housing program.

SDHC administers these programs through Memoranda of Understanding (MOU) with the City.

In Fiscal Year 2022, SDHC also supported more than 138 transitional housing beds, operated by three providers at different locations in the City, with City of San Diego Inclusionary Housing Funds and Housing Trust Funds.

With Federal Emergency Solutions Grant (ESG) and Continuum of Care funds, SDHC partnered with several local nonprofit agencies to provide Rapid Rehousing services. The ESG grant also funds the City's Security Deposit Plus program, which provides financial move-in assistance for persons experiencing homelessness.

In October 2021, the San Diego City Council authorized the reallocation of the CARES Act CDBG funds to fund an eviction prevention and education activity program. The City of San Diego's Eviction Prevention Program (EPP) provides assistance, education, legal representation and public awareness to certain populations in the City of San Diego, and emergency and limited legal assistance to eligible tenants facing eviction due to the state of emergency caused by the COVID-19 pandemic, the expired statewide eviction moratorium or financial hardship in accordance with HUD CDBG-CV regulatory requirements. EPP will function as a centralized resource for low-income renters facing eviction and available to all qualified individuals regardless of their immigration status.

In Fiscal Year 2022, SDHC also received approval from the City Council to maintain three Rapid Rehousing (RRH) Programs, with funding from Homeless Housing, Assistance and Prevention (HHAP) Program and American Rescue Plan Act (ARPA) Funds. The RRH programs launched in July 2019 and contained funds to serve 120 high-need households experiencing homelessness throughout the program term (both families and individuals). Additional funding allocated for Fiscal Year 2022 allowed households to continue receiving critical housing support as well as expands the program to serve up to an additional 100 households.

SDHC administers the contracts for the City of San Diego's (City) Interim Shelter for Transition-Age Youth (TAY) based on a Memorandum of Understanding between SDHC and the City for the administration and oversight of HHAP-funded homelessness programs, which first took effect on June 16, 2020. The Interim Shelter for Transition-Age Youth provides a 24-hour-per-day, seven-day-per week, service-enhanced interim housing program in alignment with Housing First principles. The SafeTAY Network Outreach Program is an outreach program that focuses on providing outreach services and emergency hotel/motel vouchers to transition-age youth while prioritizing TAY single adults/households who are part of the Lesbian, Gay, Bisexual, Transgender, Questioning community who are experiencing unsheltered homelessness within the City of San Diego. The Unaccompanied Youth Program provides temporary emergency shelter for Runaway Homeless Youth ages 12-17. The program offers four beds in

addition to food, transportation and assistance in reuniting with family or connecting youth with safe, long-term housing.

As part of the City of San Diego's comprehensive approach to addressing homelessness, SDHC partnered to support two new interim shelters and one temporary shelter: Harm Reduction Interim Shelter, Rachel's Promise Women's Interim Shelter and Rosecrans Shelter. The Harm Reduction Shelter provides services for individuals who experience co-occurring substance use and mental health conditions to prepare individuals for the most appropriate longer-term or permanent housing interventions. Rachel's Promise Women's Shelter provides women experiencing homelessness who have not been successfully diverted from the homeless assistance system, with shelter and diverse on-site supportive services, including but not limited to, stabilization and housing relocation services. Rosecrans Shelter provides safe, low-barrier, just-in-time emergency shelter to persons with immediate need for shelter beds experiencing homelessness who have not been successfully diverted from the homeless assistance system as well as access to diverse on-site supportive services, including but not limited to, care coordination and stabilization services, and linkage to community resources for medical care. The services component of the programs are operated by two experienced providers and are funded by City General Funds.

### Creating Affordable Housing

As of June 30, 2022, SDHC owns 150 properties with 2,401 housing rental units, 189 of those properties are federal public housing units that SDHC operates in the City of San Diego.

- Housing Development Partners, SDHC's nonprofit affiliate, has developed 1,719 affordable rental housing units in the City at properties it has acquired and created through partnership developments, which include 769 units on SDHC-owned land that is ground leased to HDP: Casa Colina (74 affordable units and one manager's unit), Parker Kier Apartments (33 affordable units and one manager's unit), Hotel Churchill (72 affordable units and one manager's unit), Village North Senior Garden Apartments (119 affordable units and one manager's unit), Quality Inn (91 affordable units and one manager's unit), West Park Inn (46 affordable units and one manager's unit), San Diego Square (154 affordable units and two manager's units), and Mariner's Village (170 affordable units and two manager's units).

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

In Fiscal Year 2022, SDHC completed the following affordable housing partnership development in the City of San Diego:

- Ivy Senior Apartments, 52 affordable rental units for senior San Diegans experiencing homelessness

- Saint Teresa de Calcutta Villa, 403 affordable rental units for San Diegans with low income or experiencing homelessness
- Trinity Apartments, 73 affordable rental units for senior San Diegans experiencing homelessness
- Keeler Court, 70 affordable rental units for veterans experiencing homelessness, families and senior San Diegans
- Quality Inn, 91 affordable rental units for San Diegans experiencing homelessness
- Mariner's Village, 170 affordable rental units for low income San Diegans

## COVID-19

As COVID-19 continues to impact San Diego's local economy and worldwide financial markets due to emerging variants, SDHC continues to keep the safety and well-being of SDHC's employees and constituents its top priority. While SDHC currently remains closed to the public, SDHC continues to serve the City of San Diego by providing essential housing assistance and access to supportive services to thousands of San Diegans experiencing homelessness or at risk of being homeless.

## Management's Discussion & Analysis

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

The preparation of this report is made possible through the ongoing and dedicated service of the entire staff of SDHC's Financial Services Department. Credit also must be given to management and the governing boards for their support in maintaining the highest standards of professionalism in the management of SDHC's finances.

DocuSigned by:

*Jeff Davis*  
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Jeff Davis  
Interim President and Chief Executive Officer

DocuSigned by:

*Suket Dayal*  
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Suket Dayal  
Executive Vice President of Business Administration, and Chief Financial Officer



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Presented to

**San Diego Housing Commission  
California**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

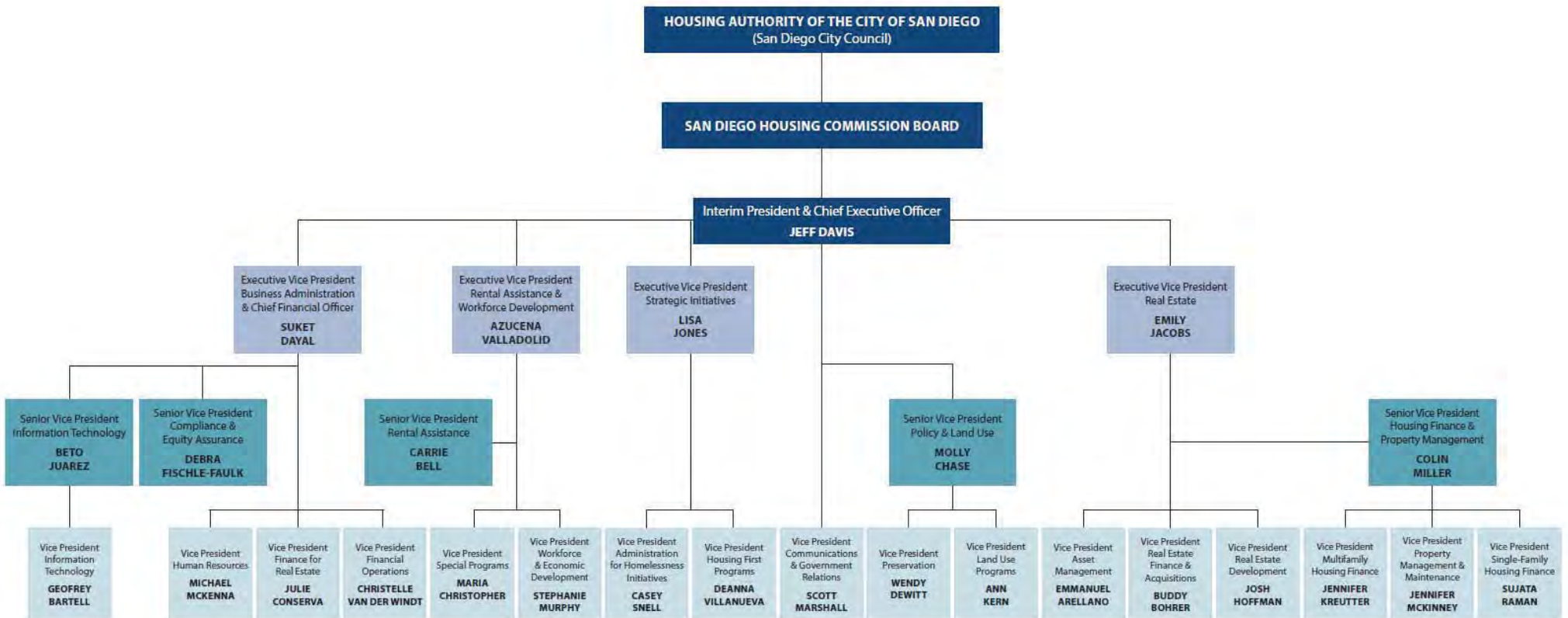
June 30, 2021

*Christopher P. Morill*

Executive Director/CEO



## SDHC Organizational Chart



As of September 16, 2022





SAN DIEGO HOUSING COMMISSION  
ROSTER OF OFFICIALS  
AS OF JUNE 30, 2022

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

**Housing Authority of the City of San Diego**

City Council President	Sean Elo-Rivera, District 9
City Council President Pro Tem	Monica Montgomery Steppe, District 4
Councilmember	Joe LaCava, District 1
Councilmember	Jennifer Campbell, District 2
Councilmember	Stephen Whitburn, District 3
Councilmember	Marni von Wilpert, District 5
Councilmember	Chris Cate, District 6
Councilmember	Raul Campillo, District 7
Councilmember	Vivian Moreno, District 8

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

**SDHC Board of Commissioners**

Chair	Eugene "Mitch" Mitchell
Vice Chair	Ryan Clumpner
Commissioner	Stefanie Benvenuto
Commissioner	Johanna Hester
Commissioner	Kellee Hubbard
Commissioner	Melinda Vasquez



SAN DIEGO  
HOUSING  
COMMISSION

# Financial Section



## We're About People

For the 14th consecutive year, the SDHC Financial Services Department was recognized by the Government Finance Officers Association (GFOA) of the United States and Canada with the "Certificate of Achievement for Excellence in Financial Reporting" for the fiscal year 2021 (July 1, 2020 – June 30, 2021) Annual Comprehensive Financial Report.



## Independent Auditor's Report

To the Board of Commissioners  
of the San Diego Housing Commission

Report on the Audit of the Financial Statements

### *Opinions*

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units and the fiduciary fund of the San Diego Housing Commission (SDHC), a component unit of the City of San Diego, California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise SDHC's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditor, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units and the fiduciary fund of the San Diego Housing Commission, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

### *Basis for Opinions*

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

### *Responsibilities of Management for the Financial Statements*

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

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

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SDHC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SDHC's ability to continue as a going concern for a reasonable period of time.

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

### *Required Supplementary Information*

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

### *Supplementary Information*

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

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

### *Other Information*

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2022, on our consideration of SDHC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SDHC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SDHC's internal control over financial reporting and compliance.

*CohnReznick LLP*

Sacramento, California  
November 3, 2022



## San Diego Housing Commission

Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2022

Management's Discussion and Analysis is a supplement to the accompanying year-end financial statements and presents an analysis of the San Diego Housing Commission's (SDHC's) financial performance for the fiscal year ended June 30, 2022. This analysis should be read in conjunction with the letter of transmittal preceding this section and the financial statements and related notes following this section.

### Financial Highlights

- The assets of SDHC exceeded its liabilities and deferred inflows by \$823.4 million (net position). Of this amount, \$431.1 million (unrestricted net position) is available to meet ongoing and recurring obligations, \$233.0 million is restricted for specific purposes (restricted net position) and \$159.3 million is the net investment in capital assets.
- Total net position of SDHC increased \$19.6 million. The changes in net position is comprised of \$511.0 million of non-operating revenue and expenses (net), principally of revenue earned through the Moving to Work (MTW) program and other Federal programs, and operating revenues of \$56.7 million principally related to dwelling (tenant rental) income, offset by operating expenses of \$537.4 million primarily related to housing assistance payments, administrative expenses and grant expense as well as depreciation expense of \$10.7 million.
- Current liabilities decreased \$5.7 million. This is primarily due to a decrease in unearned revenue of \$6.1 million, offset in part by an increase of \$1.3 million related to accounts payable. The decrease in unearned revenue was primarily due to a decrease of \$6.8 million of ESG CARES act funds used for the operations of the Bridge Shelters.
- Noncurrent assets increased \$112.8 million. This increase is primarily related to a \$93.2 million increase in lease receivable non current as a result of the implementation of GASB 87 as well as a \$17.0 million increase in notes and mortgages receivable (principal), net of allowance.

### Overview of the Financial Statements

SDHC provides a variety of affordable housing and supportive services to individuals within the City of San Diego. The financial statements include the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), basic financial statements, accompanying notes and supplemental information.

### Required Financial Statements

SDHC Financial statements report information using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial



information about SDHC activities. Basic Financial Statements include both Government-Wide and Fiduciary Fund Statements.

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

The **Statement of Net Position** includes all of SDHC's assets and liabilities for the year ended June 30, 2022, and provides information about the nature and amounts of investments in resources (assets) and obligations to SDHC's creditors (liabilities). It also provides the basis for computing rates of return, evaluating the capital structure of SDHC, and assessing the liquidity and financial flexibility of SDHC.

The **Statement of Revenues, Expenses and Changes in Net Position** accounts for all of SDHC's revenues and expenses for the year ended June 30, 2022. The statement reflects the results of SDHC's operations over the year and can be used to determine SDHC's credit worthiness and its ability to successfully recover all its costs through grants, tenant charges and other income.

The **Statement of Cash Flows** provides information about SDHC's cash receipts and cash payments during the year ended June 30, 2022. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, capital and noncapital related financing activities, and investment activities. The statement provides answers to questions of where cash came from, what cash was used for and what caused changes in cash for the reporting periods covered.

SDHC's Fiduciary Fund is comprised of a pension trust fund and a deferred compensation plan, both defined contribution plans that are for the benefit of employees and retirees, as applicable and presents financial information about the pension trust and deferred compensation plan activities. SDHC acts solely as an agent for the benefit of its employees and retirees and fiduciary activities do not support SDHC's government-wide activities. The basic financial statements of the Fiduciary Fund include:

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

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

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

In addition to the basic financial statements and accompanying notes, the final section in this report also presents certain **supplementary information** for SDHC, the Primary Government. This supplementary information section contains the Combining Schedule of Net Position, Combining Schedule of Revenues, Expenses and Changes in Net Position, and





Combining Schedule of Cash Flows, along with the annual Financial Data Submission Summary (FDS) report electronically submitted to HUD.

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

### Financial Analysis of SDHC (Primary Government) (Condensed)

The following analysis summarizes SDHC's net position (Table 1) as of June 30, 2022 and June 30, 2021 and changes in net position (Table 2) during the fiscal years then ended.

**TABLE 1**  
**Net Position**  
**(Dollars in Thousands)**

	<u>June 30,</u> <u>2022</u>	<u>June 30,</u> <u>2021</u>	<u>Change</u> <u>\$</u>	<u>Change</u> <u>%</u>
<u>Assets</u>				
Current assets	\$ 131,137	\$ 132,519	\$ (1,382)	-1%
Noncurrent assets	676,759	563,930	112,829	20%
Capital assets net of depreciation	<u>300,621</u>	<u>307,534</u>	<u>(6,913)</u>	<u>-2%</u>
<b>Total assets</b>	<b><u>\$1,108,517</u></b>	<b><u>\$ 1,003,983</u></b>	<b><u>\$ 104,534</u></b>	<b><u>10%</u></b>
<u>Liabilities</u>				
Current liabilities	\$ 53,032	\$ 58,736	\$ (5,704)	-10%
Notes payable and non-current liabilities	<u>138,297</u>	<u>141,438</u>	<u>(3,141)</u>	<u>-2%</u>
Total liabilities	<u>191,329</u>	<u>200,174</u>	<u>(8,845)</u>	<u>-4%</u>
Deferred inflows of resources	<u>93,775</u>	<u>-</u>	<u>93,775</u>	<u>100%</u>
<u>Net Position</u>				
Net investment in capital assets	159,314	167,437	(8,123)	-5%
Restricted	233,033	224,768	8,265	4%
Unrestricted	<u>431,066</u>	<u>411,604</u>	<u>19,462</u>	<u>5%</u>
Total net position	<u>823,413</u>	<u>803,809</u>	<u>19,604</u>	<u>2%</u>
<b>Total liabilities, deferred inflows and net position</b>	<b><u>\$1,108,517</u></b>	<b><u>\$ 1,003,983</u></b>	<b><u>\$ 104,534</u></b>	<b><u>10%</u></b>



SDHC's net position increased from \$803.8 million to \$823.4 million due to a \$19.6 million surplus generated during fiscal year 2022. The fiscal year 2022 surplus is \$113.9 million less than the fiscal year 2021 surplus of \$133.5 million.

Total assets increased \$104.5 million from \$1,004.0 million in fiscal year 2021 to \$1,108.5 million in fiscal year 2022. The increase in total assets is primarily due to an increase of \$112.8 million in non-current assets, primarily related to the increase in lease receivable of \$93.2 million as a result of the implementation of GASB 87 - Leases, as well as an increase of \$17.1 million in loans made, and \$7.4 million in accrued interest on notes receivable.

Total liabilities decreased \$8.8 million from \$200.1 million in fiscal year 2021 to \$191.3 million in fiscal year 2022. The decrease in total liabilities is due to a decrease of \$6.1 million in unearned revenue as well as a \$3.3 million decrease in notes payable, noncurrent, principally related to the payments on loans as well as recognition of the forgiveness of \$696 thousand on the loan from City of San Diego in accordance with the terms of the loan.

Deferred inflows of resources increased \$93.8 related to the aforementioned implementation of GASB 87 – Leases.

Net investment in capital assets decreased by \$8.1 million from \$167.4 million in fiscal year 2021 to \$159.3 million in fiscal year 2022. This was principally due to depreciation of \$10.7 million, offset by \$3.8 million increase of improvement for ADA accessibility as well as fire and life safety improvements at Hillcrest, Kearny Vista and Valley Vista Apartments.

Restricted net position increased \$8.3 million from \$224.7 million in fiscal year 2021 to \$233.0 million in fiscal year 2022. The increase in restricted net position is primarily due to an increase in overall notes receivable programmatic reserves. Additional information can be found in Note 14 to the Basic Financial Statements.

Unrestricted net position increased \$19.5 million from \$411.6 million in fiscal year 2021 to \$431.1 million in fiscal year 2022. Unrestricted net position includes funds that will be spent for future years' contractual, grant and other obligations, funds invested in notes receivable, public housing funds, capital funds needed for future property maintenance and improvements, funds reserved for future MTW program initiatives and unrestricted reserve funds available for operations and contingencies.



**TABLE 2**  
**Changes in Net Position**  
**(Dollars in Thousands)**

	<u>June 30,</u> <u>2022</u>	<u>June 30,</u> <u>2021</u>	<u>Change</u> <u>\$</u>	<u>Change</u> <u>%</u>
Operating revenues				
Dwelling rental income	\$ 36,641	\$ 32,472	\$ 4,169	13%
Land lease and other rental income	4,553	3,884	669	17%
Fee revenue	4,657	6,755	(2,098)	-31%
Other revenue	<u>10,829</u>	<u>8,398</u>	<u>2,431</u>	<u>29%</u>
Total operating revenues	56,680	51,509	5,171	10%
Operating expenses	<u>537,427</u>	<u>350,597</u>	<u>186,830</u>	<u>53%</u>
Deficit before depreciation and other nonoperating income and expenses	(480,747)	(299,088)	(181,659)	61%
Depreciation	<u>10,683</u>	<u>9,470</u>	<u>1,213</u>	<u>13%</u>
Deficit before other non- operating income and expenses	(491,430)	(308,558)	(182,872)	59%
Other nonoperating income and expenses, net	<u>511,034</u>	<u>408,857</u>	<u>102,177</u>	<u>25%</u>
Income before capital transactions	19,604	100,299	(80,695)	-80%
Transfer of properties to component unit	<u>-</u>	<u>33,164</u>	<u>(33,164)</u>	<u>100%</u>
Change in net position	19,604	133,463	(113,859)	-85%
Net position beginning of year	<u>803,809</u>	<u>670,346</u>	<u>133,463</u>	<u>20%</u>
Net position end of year	<u>\$ 823,413</u>	<u>\$ 803,809</u>	<u>\$ 19,604</u>	<u>2%</u>

Total operating revenues increased by \$5.2 million from \$51.5 million in 2021 to \$56.7 million in fiscal year 2022. The increase was primarily related to an increase of \$4.2 million in dwelling rental income as a result of a full year income for the newly acquired hotel properties as well as a \$2.4 million increase of other revenue which includes Port-In HAP of \$1.2 million and loan forgiveness of \$0.7 million. This is offset by a decrease in fee revenue of \$2.1 million primarily related to bond and rental housing finance fees.

Operating expenses increased \$186.8 million from \$350.6 million in fiscal year 2021 to \$537.4 million in fiscal year 2022. This increase is primarily due to an increase of \$164.2 million in housing assistance payments (\$146.9 million related to the City of San Diego's Emergency Assistance and HSAP (COVID-19 programs) and \$15.9 million related to the HCV and Mainstream voucher programs. Additionally, there was an increase in administrative expenses



of \$9.5 million due to staffing and other administrative costs primarily for the COVID-19 programs, as well as an \$8.7 million increase in asset management expenses primarily related to utilities and other housing costs related to the Housing Stability program.

Other nonoperating income and expenses (net) increased \$102.2 million from \$408.9 million in fiscal year 2021 to \$511.0 million in fiscal year 2022. This increase was mainly due to an increase in grant revenue of \$105.6 million and offset by a decrease of \$3.2 million in interest income. The increases in grant revenue is primarily related to increases of \$164.3 million of Housing Stability program, \$13.0 million of State of California Cash Flow Loan funds and \$2.0 million for State Homeless Housing Assistant Program; offset by a decrease of \$66.3 million of grant funding used in fiscal year 2021 towards the acquisition of Valley Vista and Kearny Vista properties as well as a decrease of \$8.7 million in funds received for Emergency Rental Assistance program.

SDHC considers the sale of property to a component unit as a transfer of assets in substance. The transfer of properties to component unit in fiscal year 2021 of \$33.2 million was comprised of the \$32.1 million recognition of the gain on sale of Mariner’s Village to HDP from the prior year which had been deferred due to the transaction occurring after HDP’s fiscal year end and the \$1.1 million gain on sale related to the five single family properties sold to HDP. With the recognition of the Mariner’s Village transaction by both the primary government and the discrete component unit in FY21, there is essentially no impact to the overall financial position of the entities when taken as a whole. There was no similar transaction in fiscal year 2022.

The following summarizes SDHC's capital assets, net of accumulated depreciation, and changes therein (Table 3) as of June 30, 2022 and June 30, 2021:

**TABLE 3**  
**Net Capital Assets**  
**(Dollars in Thousands)**

	<u>June 30,</u> <u>2022</u>	<u>June 30,</u> <u>2021</u>	<u>Change</u> <u>\$</u>	<u>Change</u> <u>%</u>
Land and buildings	\$ 297,912	\$ 304,971	\$ (7,059)	-2%
Construction-in-progress	550	758	(208)	-27%
Equipment	2,159	1,805	354	20%
Total	<u>\$ 300,621</u>	<u>\$ 307,534</u>	<u>\$ (6,913)</u>	<u>-2%</u>

**Capital Assets**

Capital assets, net, decreased \$6.9 million. The change is due to an increase in building improvement of \$2.9 million and equipment of \$0.9 million related to ADA accessibility upgrades and fire and life safety improvements at Hillcrest, Kearny Vista and Valley Vista Apartments. This is offset by depreciation expense for the year of \$10.7 million. Additional information on SDHC's capital assets can be found in Note 7 to the Basic Financial Statements.



## Current and Long-Term Debt

Notes payable, (including current and noncurrent) totaled \$139.4 million, net of \$1.2 million of unamortized debt issuance cost at June 30, 2022. Of this balance, \$76.6 million are FHA and Fannie Mae loans, which are non-recourse obligations of the LLCs only and not of SDHC.

SDHC entered into two loan agreements with JP Morgan Chase for the acquisition of Valley Vista and Kearny Vista hotels. The first loan has a balance of \$31.9 million on June 30, 2022 and is collateralized by Valley Vista property. This loan bears an interest rate of 3.29% with a maturity date of November 24, 2030. The second loan has a balance of \$16.9 million on June 30, 2022 and is collateralized by Kearny Vista property. This loan bears an interest rate of 3.39% with a maturity date of November 24, 2030. Both loans require monthly payments.

SDHC held two loans payable to the City of San Diego. The first of these loans, with a balance on June 30, 2022 of \$5.8 million, is forgivable in 2065 and carries 1% simple interest. The second loan, in the amount of \$0.7 million, was forgiven in 2022 and is non-interest bearing.

Two loans from the State of California, originally made to finance the acquisition of the Otay Villas Apartments and Adaptable Housing properties, constitute \$4.6 million of the notes payable balance. These loans were renegotiated through the Housing Loan Conversion Program in May 2013, and their terms were extended for 55 years to 2068. These two loans now bear an interest rate of 3% with required annual interest payments and potential residual receipt payments.

Further detail related to debt obligations and payments can be found in Note 9 to the Basic Financial Statements.

## Financial Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement 61 and Statement 80, SDHC's LLCs (blended component unit), the financial reporting entity of consolidated Housing Development Partners (discrete component unit) and SDHC Building Opportunities, Inc. (blended component unit) are incorporated into the accompanying Government-wide basic financial statements. The LLCs and SDHC Building Opportunities, Inc. are separate legal entities that are blended component units with the primary government, SDHC, due to their fiscal dependency and financial benefit/burden relationship. Further information on the LLCs and SDHC Building Opportunities, Inc. can be found in Note 18 to the Basic Financial Statements.

The financial reporting entity of consolidated Housing Development Partners consists of 23 separate legal entities, which have substantively the same governing body as SDHC; however, the entities are not financially dependent on SDHC and these entities have their own operational policies, and, therefore, are presented as discrete component units. The financial reporting entity of consolidated Housing Development Partners has been independently audited by CohnReznick LLP. Note 19 to the Basic Financial Statements includes a reconciliation of the December 31, 2021 consolidated Housing Development Partners financial statements conformed to the presentation of the Primary Government.



## Economic Factors and Next Year's Budget

The majority of SDHC's programs depend on federal financial assistance from HUD to continue operations. In fiscal year 2022, SDHC received 82% of its revenue from HUD and the U.S. Treasury, most of which was awarded to SDHC for Moving to Work (MTW) initiatives and for COVID-19 related assistance programs, respectively. SDHC's budget and financial condition are greatly affected by the financial condition of the federal government and Congress' annual appropriation to HUD.

HUD grants for housing programs and program administration funding may decrease due to the national economic and political climate. As good stewards of the taxpayer's money, it is SDHC's responsibility to strive to do more with less. Through a combination of expense reduction and the prudent utilization of available programmatic reserves, SDHC was able to maintain a balanced budget in fiscal year 2022 and will have a balanced budget in fiscal year 2023.

Annually, SDHC submits a MTW Plan to HUD that describes initiatives to be implemented over the next fiscal year. Following each year, SDHC issues a MTW Report that gives an accounting of activities put into action during the fiscal year. HUD approved SDHC's 2023 MTW Plan on August 11, 2022. HUD's fiscal year runs from October to September. The plans can be viewed at <http://www.sdhc.org/about-us/plans-policies/mtw-annual-plans/>

In 2022, the financial impact of the novel COVID-19 coronavirus has continued to be felt both worldwide and in the United States. While vaccines have become available to help reduce the adverse health effects of COVID-19, throughout the United States businesses in all financial sectors continue to feel its negative impact as COVID-19 variants emerge and threaten the resumption of business.

While SDHC cannot readily estimate the financial impact that the pandemic will have on its business operations, SDHC does not believe that the mission will be adversely impacted as it has received federal stimulus funding to continue providing essential housing assistance to the thousands of families, seniors, veterans and San Diegans experiencing homelessness in the City of San Diego.

Local employment is an indicator of the economy. According to a report issued on September 16, 2022 by the State of California Employment Development Department the unemployment rate in San Diego County was 3.4 percent in August 2022, up from a revised 3.1 percent in July 2022, and below the year-ago estimate of 6.5 percent. This compares with an unadjusted unemployment rate of 4.1 percent for California and 3.8 percent for the nation during the same period. [https://www.labormarketinfo.edd.ca.gov/file/lfmonth/sand\\$pds.pdf](https://www.labormarketinfo.edd.ca.gov/file/lfmonth/sand$pds.pdf)

The high cost of living and affordability of homes continues to be a challenge in San Diego and contributes to the homelessness crisis. The San Diego Point-in-Time Count, known as #We All Count was conducted on February 24, 2022. HUD requires that cities receiving federal funding to combat homelessness complete the Point-In-Time Count each year and it was coordinated by the Regional Task Force on Homelessness. The count typically identifies both sheltered and unsheltered individuals. Last year, due to health and safety concerns related to the pandemic, the count of unsheltered individuals was not completed. This year's count of



homeless persons identified 8,427 individuals in the County of San Diego. This number is up 10 percent from the count in 2020 of 7,638. Their 2022 report is located here:

[https://www.rfhhsd.org/wp-content/uploads/2022-San-Diego-Region-FINAL\\_05192022-1.pdf](https://www.rfhhsd.org/wp-content/uploads/2022-San-Diego-Region-FINAL_05192022-1.pdf)

SDHC's vision is that "Everyone in the City of San Diego has a home they can afford."

Through the execution of SDHC's original fiscal year 2023 budget of \$594.8 million, SDHC plans to:

- **Provide Rental Assistance to Households with Low-Income:**
  - Assist more than 16,000 households
  - Continue to administer the City of San Diego COVID-19 Housing Stability Assistance Program
  - Continue specialized programs: Assist populations, such as individuals experiencing chronic homelessness, individuals with serious mental illness experiencing homelessness, and transition age youth
  - Assist 480 households through the Emergency Housing Voucher Program
  - Continue Landlord Partnership Program to attract and retain landlords to the rental assistance program
- **Create and Preserve Affordable Housing:**
  - Invest \$15 million to acquire affordable housing properties
  - Award up to \$13 million to developers to create permanent affordable housing units
  - Use \$25 million of Moving to Work (MTW) funds to reduce notes on affordable housing properties to increase cash flow for future opportunities
  - Invest \$8 million to rehabilitate SDHC-owned units
  - Dedicate \$5.3 million to help households become first-time homebuyers
- **Address Homelessness:**
  - Dedicate \$131.3 million to address homelessness in the City of San Diego
  - Further the goals of the Community Action Plan on Homelessness for the City of San Diego
  - Continue HOUSING FIRST – SAN DIEGO, which creates housing opportunities through effective programming that meets the varied needs of people who are at risk of or experiencing homelessness in the City of San Diego



### **Contacting SDHC's Financial Management**

This financial report was designed to provide a general overview of SDHC's financial position and is intended for distribution to a wide variety of interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Suket Dayal, Executive Vice President of Business Administration and Chief Financial Officer, San Diego Housing Commission, 1122 Broadway, Suite 300, San Diego, California 92101.





SAN DIEGO  
HOUSING  
COMMISSION

# Basic Financial Statements



## We're About People

HOUSING FIRST – SAN DIEGO, the San Diego Housing Commission's (SDHC) homelessness action plan, which launched November 12, 2014, has created more than 10,600 housing solutions for families and individuals experiencing homelessness or at risk of homelessness in the City of San Diego.

This action plan is an effective, diverse funding and housing strategy that is rooted in the national "Housing First" model of addressing homelessness, which focuses on providing appropriate housing options as quickly as possible, with as few requirements or conditions as possible, and access to supportive services, as needed.





San Diego Housing Commission  
STATEMENT OF NET POSITION  
June 30, 2022  
(Dollars in Thousands)

	Primary Government	Component Units
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 36,670	\$ 18,004
Restricted cash and cash equivalents	3,442	995
Short-term investments	52,039	-
Accounts receivable - tenants, net	1,045	117
Accounts receivable - funding sources	27,727	53
Accounts receivable - other, net	3,682	851
Lease receivable - current	1,876	-
Notes and mortgages receivable, current portion	58	-
Accrued interest receivable - investments	178	-
Prepaid items and other assets	4,420	524
	<u>131,137</u>	<u>20,544</u>
Total current assets		
Noncurrent assets		
Restricted cash and cash equivalents	81	9,438
Lease receivable - noncurrent	93,187	-
Long-term investments	86,129	-
Accrued interest receivable - notes and mortgages receivable	69,268	-
Notes and mortgages receivable, net of allowance for loan losses	428,088	-
Investment in partnerships	-	67
Other assets	6	3,084
Capital assets not being depreciated	109,167	4,702
Capital assets, net of accumulated depreciation	191,454	134,348
	<u>977,380</u>	<u>151,639</u>
Total noncurrent assets		
Total assets	<u>\$ 1,108,517</u>	<u>\$ 172,183</u>
Deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>
Total assets and deferred outflows	<u>\$ 1,108,517</u>	<u>\$ 172,183</u>



San Diego Housing Commission  
STATEMENT OF NET POSITION  
June 30, 2022  
(Dollars in Thousands)

	Primary Government	Component Units
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 14,951	\$ 3,349
Accounts payable - funding sources	88	8
Accrued payroll and benefits	2,485	36
Accrued compensated absences	3,887	-
Accrued interest payable	503	254
Notes payable, current portion	3,293	20,275
Deposits payable	2,346	654
Unearned revenue	25,387	232
Other current liabilities	92	-
Total current liabilities	53,032	24,808
Noncurrent liabilities		
Accrued interest payable - noncurrent	1,639	9,581
Notes payable noncurrent, net	136,098	153,850
Other liabilities	560	11,862
Total noncurrent liabilities	138,297	175,293
Total liabilities	\$ 191,329	\$ 200,101
Deferred inflows of resources	\$ 93,775	\$ -
Total liabilities and deferred inflows	\$ 285,104	\$ 200,101
<u>Net Position</u>		
Net investment in capital assets	\$ 159,314	\$ -
Restricted		
HOME notes receivable reserve	197,439	-
NSP notes receivable reserve	6,130	-
CDBG notes receivable reserve	23,237	-
Replacement reserves	2,851	-
VASH, FUP and Mainstream housing assistance reserves	3,376	-
Non-controlling interest - tax credit partnerships	-	27,320
Total restricted	233,033	27,320
Unrestricted	431,066	(55,238)
Total net position	\$ 823,413	\$ (27,918)
Total liabilities, deferred inflows and net position	\$ 1,108,517	\$ 172,183

See notes to financial statements



San Diego Housing Commission  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 For the Year Ended June 30, 2022  
 (Dollars in Thousands)

	Primary Government	Component Units
Operating revenues		
Dwelling rental income	\$ 36,641	\$ 16,455
Land lease and other rental income	4,553	142
Fee revenue	4,657	1,637
Other revenue	10,829	260
Total operating revenues	56,680	18,494
Operating expenses		
Administrative expenses	64,076	4,820
Tenant services	2,181	252
Asset management	27,248	4,866
General expenses	3,701	1,274
Grant expense	38,253	-
Housing assistance	401,968	-
Depreciation	10,683	4,765
Total operating expenses	548,110	15,977
Operating (loss) income	(491,430)	2,517
Nonoperating revenues (expenses)		
Grant revenue	507,053	383
Interest income on investments and notes receivable	11,093	5
Interest expense and other expenses	(7,084)	(6,630)
Loss on sale of capital asset	(28)	-
Total nonoperating revenues (expenses)	511,034	(6,242)
Income (loss) before capital transactions	19,604	(3,725)
Contributions, net of distributions	-	3,505
Change in net position	19,604	(220)
Net position		
Beginning of year	803,809	(27,698)
End of year	\$ 823,413	\$ (27,918)

See notes to financial statements



San Diego Housing Commission  
 STATEMENT OF CASH FLOWS  
 For the Year Ended June 30, 2022  
 (Dollars in Thousands)

	<u>Primary Government</u>
Cash flows from operating activities	
Cash received from tenants and other revenue	\$ 56,062
Cash payments to suppliers for goods and services	(479,294)
Cash payments to employees for services	<u>(67,258)</u>
Net cash used for operating activities	<u>(490,490)</u>
Cash flows from capital and related financing activities	
Principal paid on notes payable	(3,583)
Acquisition and construction of capital assets	(3,971)
Interest payments	<u>(6,949)</u>
Net cash used for capital and related financing activities	<u>(14,503)</u>
Cash flows from noncapital financing activities	
Cash received from grants	<u>493,420</u>
Net cash provided by noncapital financing activities	<u>493,420</u>
Cash flows from investing activities	
Interest on investments and notes receivable	3,690
Collection of notes receivable	5,995
Cash loaned on notes receivable	(20,548)
Purchases of investments	(43,806)
Proceeds from sale of investments	<u>48,498</u>
Net cash used for investing activities	<u>(6,171)</u>
Net decrease in cash and cash equivalents	(17,744)
Cash and cash equivalents	
Beginning of year	<u>57,937</u>
End of year	<u>\$ 40,193</u>
Financial statement presentation	
Cash and cash equivalents	\$ 36,670
Restricted cash and cash equivalents	<u>3,523</u>
Total cash and cash equivalents	<u>\$ 40,193</u>



San Diego Housing Commission  
 STATEMENT OF CASH FLOWS - CONTINUED  
 For the Year Ended June 30, 2022  
 (Dollars in Thousands)

	Primary Government
Reconciliation of operating loss to net cash used for operating activities	
Operating loss	\$ (491,430)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	10,683
Amortization	78
Allowance for accounts receivable	(659)
Provision for loan losses	364
Forgiveness of notes payable	(696)
Allowance for forgivable loans	530
Changes in operating assets and liabilities:	
Decrease (increase) in tenant receivables	(594)
Decrease (increase) in other receivables	(3,599)
Decrease (increase) in prepaid items and other assets	(390)
Increase (decrease) in accounts payable	822
Increase (decrease) in accrued payroll and benefits	466
Increase (decrease) in deposits payable	77
Increase (decrease) in unearned revenue	(6,121)
Increase (decrease) in other liabilities	(21)
Net cash used for operating activities	\$ (490,490)

Supplemental Disclosure of Cash Flow Information:

Noncash provided by capital and related financing activities :	
Decrease in note payable forgiven	\$ (696)
Total noncash capital and related financing activities	\$ (696)

See notes to financial statements



San Diego Housing Commission  
 FIDUCIARY FUND  
 STATEMENT OF FIDUCIARY NET POSITION  
 June 30, 2022  
 (Dollars in Thousands)

Assets

Cash and investments:

Mutual funds	\$ 45,408
Common collective trust funds	6,744
Participant-directed brokerage accounts	3,733
Pooled separate accounts, at fair value	19,487
Guaranteed interest accounts, at contract value	4,588
Guaranteed interest accounts, at fair value	459
Cash	14

Total Cash and investments	80,433
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Receivables:

Notes receivable from participants	831
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Total receivables	831
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Total assets	\$ 81,264
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Liabilities	\$ -
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Fiduciary net position	\$ 81,264
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Restricted for

Pension	\$ 54,303
Other employee benefit other than pension	26,961

	\$ 81,264
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See notes to financial statements



San Diego Housing Commission  
 FIDUCIARY FUND  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 For the Year Ended June 30, 2022  
 (Dollars in Thousands)

Additions to net position	
Investment Income:	
Interest and dividends	\$ 2,384
Net depreciation in fair value of investments	(14,417)
Total investment income (loss)	(12,033)
Interest on notes receivable from participants	38
Contributions:	
Employer contributions	5,311
Participant contributions	2,618
Rollover contributions	248
Total contributions	8,177
Total additions	(3,818)
Deductions from net position	
Benefits paid directly to participants or beneficiaries, including direct rollovers	3,924
Administrative fees and expenses	135
	4,059
Change in net position	(7,877)
Fiduciary net position	
Beginning of year	89,141
End of year	\$ 81,264

See notes to financial statements





San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

**Note 1 - The Financial Reporting Entity**

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

*Government-Wide Financial Statements*

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

**Primary Government**

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

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

**Component Units**

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



## San Diego Housing Commission

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

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

**Blended Component Units**

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

SDHC has seven LLC blended component units: Belden SDHC FNMA LLC, Northern SDHC FNMA LLC, Central SDHC FNMA LLC, Northern SDHC FHA LLC, Southern SDHC FHA LLC, Central SDHC FHA LLC and Mercado SDHC LLC (together collectively referred to as the LLCs). With the exception of Mercado SDHC LLC, the titles of 77 properties have been transferred from SDHC to the LLCs. SDHC includes its blended component units within its business-type activities in the financial statements. See Note 18 for additional information about the blended component units.

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

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

The specific purpose of Building Opportunities is to improve the quality of life of low- and moderate- income residents of the City of San Diego and County of San Diego. Building Opportunities has received Internal Revenue Code Section 501(c)(3) status from the Internal Revenue Service, which has classified it as a public charity. Building Opportunities has no members and any action would only require approval of its Board of Directors (Board). Its Board is comprised of persons appointed by the President and Chief Executive Officer of SDHC. The appointed Board members are employees of SDHC, as are its officers. Building Opportunities did not have significant activities during the year ended June 30, 2022 and pursuant to GASB Statement 80, it has been included in the financial



## San Diego Housing Commission

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

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

**Discretely Presented Component Units**

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

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

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

*Fiduciary Fund Financial Statements*

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

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

**Government-Wide and Fiduciary Funds Financial Statements**

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

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

**Basic Financial Statements**

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

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

SDHC distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services. Operating expenses include the cost of sales and services, general and administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Fair Value**

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

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

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

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

**New Accounting Pronouncements**

During the fiscal year ending June 30, 2022, SDHC has adopted the following new accounting standards issued by the GASB:

Statement No. 87, "Leases". GASB Statement No. 87 requires that government lessees recognize a lease liability and intangible assets representing the lessee's right to use the leased asset and report in its financial statements amortization



## San Diego Housing Commission

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

expense for using the lease asset for the shorter of the lease term or the useful life of the underlying asset, interest expense on the lease liability and note disclosures about the lease. The Statement also requires government lessors recognize a lease receivable and a deferred inflow of resources and continue to report the leased asset in its financial statements. The revenue, recognized over the term of the lease, corresponding with the reduction of the deferred inflow, interest income on the receivable and note disclosures about the lease must also be included in the financial statements. The requirements of this Statement are effective for SDHC's fiscal year ending June 30, 2022. The adoption of GASB 87 had no effect on the beginning net position of the Commission since the deferred inflows equal the amount of the leases receivable.

Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period". GASB Statement No. 89 provides accounting requirements for interest cost incurred before the end of a construction period. It establishes guidance designed to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. The requirements of this Statement are effective for SDHC's fiscal year ending June 30, 2022. The adoption of this statement had no impact on the Commission's financial statements and related disclosures.

Statement No. 92, "Omnibus 2020". GASB Statement No. 92 amends the accounting and financial reporting requirements for specific issues relating to Leases, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, Intra-entity transfers of assets and reinsurance recoveries. The requirements of this Statement are effective for SDHC's fiscal year ending June 30, 2022. The adoption of this statement had no impact on the Commission's financial statements and related disclosures.

Statement No. 93, "Replacement of Interbank Offered Rates". GASB Statement No. 93 assists state and local governments in the transition away from existing interbank offered rates (IBOR) to other reference rates because of global reference rate reform, wherein the London Interbank Offered Rate (LIBOR) is expected to cease to exist in its current form at the end of 2021. The objective of this Statement is to address implications that result from the replacement of an IBOR in Statement No. 53, Accounting and Financial Reporting for Derivative Instruments and Statement No. 87, Leases and other accounting and financial reporting implications. The removal of LIBOR as an appropriate benchmark interest rate in this Statement are effective for SDHC's fiscal year ending June 30, 2023. All other requirements of this statement are effective for SDHC's fiscal year ending June 30, 2022. The adoption of this statement had no impact on the Commission's financial statements and related disclosures.



## San Diego Housing Commission

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32". The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years ending June 30, 2022. The adoption of this statement had no impact on the Commission's financial statements and related disclosures.

Statement No. 98, "The Annual Comprehensive Financial Report". GASB Statement No. 98 amends the title of the annual report. The requirements of this Statement are effective for SDHC's fiscal year ending June 30, 2022. The adoption of this statement had no impact on the Commission's financial statements and related disclosures.

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

Statement No. 91, "Conduit Debt Obligations". The primary objectives of GASB Statement No. 91 are to provide a single method to report conduit debt obligation and to eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations and related note disclosures. The requirements of this Statement are effective for SDHC's fiscal year ending June 30, 2023.

Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". GASB Statement No. 94 establishes standards of accounting and financial reporting for Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs). The requirements of this Statement are effective for SDHC's fiscal year ending June 30, 2023.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Statement No. 96, "Subscription-Based Information Technology Arrangements". GASB Statement No. 96 establishes standards of accounting and financial reporting for subscription-based information technology (SBITAs) for government end users. Under this Statement, a government generally should recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability. The requirements of the Statement are effective for SDHC's fiscal year ending June 30, 2023.

Statement No. 99, "Omnibus 2022". GASB Statement No. 99 addresses a variety of topics including, among other things, Leases, PPPs, and SBITAs, extension of use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, financial guarantees, and classification and reporting of derivative instruments. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for the Agency's year ending June 30, 2024. The requirements of this statement are effective for the SDHC's fiscal year ending June 30, 2024.

Statement No. 100, "Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62". Statement No. 100 establishes standards to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for the SDHC's fiscal year ending June 30, 2024.

Statement No. 101, "Compensated Absences". Statement No. 101 establishes standards to unify the recognition and measurement model of liabilities for compensated absences. The requirements of this statement are effective for the SDHC's fiscal year ending June 30, 2025.

**Cash and Cash Equivalents**

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

**Restricted Cash and Cash Equivalents**

Restricted cash and cash equivalents represent deposits to lender required reserves for replacements, unspent CARES Act Housing Choice Voucher and Mainstream





San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Administrative Fees, HUD's family self-sufficiency program, insurance reserve and security deposit accounts.

**Transaction Flow Assumption**

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

**Investments**

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

**Interfund Transactions**

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

**Notes and Interest Receivable**

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

**Capital Assets**

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

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

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

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

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

**Impairment of Capital Assets**

SDHC reviews its capital assets for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. As of June 30, 2022, there has been no impairment of the capital assets.

**Accrued Compensated Absences**

It is SDHC's policy to permit employees hired prior to July 1, 1994, to accumulate up to 650 hours of annual leave. Employees hired after July 1, 1994, are permitted to accumulate a maximum of 380 hours. All employees whose service is terminated shall be entitled to receive the equivalent amount of pay for the balance in their annual leave account at the time of termination.

In accordance with GASB standards, vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees, if the leave is attributable to past service and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means such as cash payments at termination or retirement. The liability for compensated absences was approximately \$3,887 at June 30, 2022.

In providing direction for conversion to the GAAP basis of accounting, HUD's Accounting Brief No. 6 discusses the conflicting direction given in HUD grant handbooks, which are not considered GAAP, and the cost principles of GAAP. In its final analysis, HUD opines that "Compensation for personnel services includes all remuneration, paid currently or accrued,



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

for services rendered during the period of performance under federal awards, including but not necessarily limited to wages, salaries, and fringe benefits." Since federal awards extend for a limited time period, and accrued benefits may not be paid out during the term of the award, the above analysis can be reasonably interpreted to mean that costs may be drawn down at the close of the award period to fund unpaid compensated absences.

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

**Notes Payable and Interest Payable**

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

**Unearned Revenue**

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. SDHC does not have any items that currently meet this criterion as of June 30, 2022.

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

**Net Position**

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

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

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

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

**Use of Estimates**

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

**Deferred Compensation Plan**

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

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

**Pension Plan**

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

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

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

*GOVERNMENT-WIDE FUND*

Cash, cash equivalents and investments at June 30, 2022 consist of the following:

Deposits and petty cash	\$	36,670
Local Agency Investment Fund		15,960
San Diego County Investment Pool		22,327
Agency Bonds		99,881
Total investments		138,168
Restricted cash and cash equivalents		3,523
Total	\$	178,361



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

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

**Deposits**

The fair value of SDHC's cash deposits and petty cash are \$36,670 at June 30, 2022. Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250 and for amounts over \$250 collateralized with securities held by the pledging financial institutions in SDHC's name in accordance with California Government Code as discussed below. \$35,705 is collateralized as of June 30, 2022 and the remaining \$13 is uncollateralized cash deposits and cash equivalents.

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

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

**Investment Policy**

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

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

Investments in the State's Local Agency Investment Fund (LAIF) and the San Diego County Investment Pool (SDCIP) represent SDHC's equity in pooled investments. Other



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

investments such as CDs, bonds, government agency securities and demand deposit accounts are safe kept with commercial banking institutions.

**Local Agency Investment Fund Investments**

SDHC participates in the State's LAIF, which is regulated by California Government Code. LAIF is part of the State of California Pooled Money Investment Account (PMIA) and is protected by statute ensuring invested funds remain Commission assets. The LAIF investments are backed with the full faith and credit of the State of California as the State of California cannot declare bankruptcy under Federal law and monies placed for deposit in LAIF are not subject to a) transfer or loan pursuant to Sections 16310, 16312, or 16313, or (b) impoundment or seizure by any state official or state agency. The fair value of the investment portfolio of PMIA at June 30, 2022, was approximately \$231,867,874. PMIA is not registered with the Securities and Exchange Commission (SEC) but is required to invest in accordance with California State Code. The average maturity of PMIA investments was 311 days as of June 30, 2022.

As of June 30, 2022, SDHC had \$15,960 invested in LAIF. At that date, LAIF fair value factor of .0987125414 was used to calculate the fair value of the investments in LAIF. More information on LAIF investment pool can be found at: [http://www.treasurer.ca.gov/pmia - laif/laif.asp](http://www.treasurer.ca.gov/pmia-laif/laif.asp)

**San Diego County Investment Pool Investments**

SDHC voluntarily participates in the SDCIP. SDCIP is a Standard & Poor's AAA - rated fund managed by the San Diego County Treasurer - Tax Collector. The fair value of the investment portfolio of SDCIP at June 30, 2022 was \$13,553,588 and had a weighted average yield to maturity of 1.25%, a weighted average days to maturity of 551 days and an effective duration of 1.36 years. In addition to voluntary participants such as SDHC, the pool is largely made up of mandatory participants such as the County of San Diego (33.08%), public schools (46.91%), community colleges (11.05%) and non-County funds (.90%). Voluntary depositors make up only 8.06% of the invested funds as of June 30, 2022.

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



## San Diego Housing Commission

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

As of June 30, 2022, SDHC had \$22,327 invested in SDCIP. More information on SDCIP can be found at:

<https://www.sdttc.com/content/ttc/en/treasury/financial-reports.html>

**Agency Bonds**

SDHC's investments under U.S. Government Agency bonds are mortgage-backed security (MBS) bonds and debentures traded on an active secondary market. MBS bonds are a security or debt obligation that represents a claim on the monthly cash flows from mortgage loans. They represent investments in securities that are backed by pools of high quality multi-family mortgages guaranteed by a government agency or Government Sponsored Enterprises (GSE). Government Agency Debentures are also bonds traded on an active secondary market and represent a security or debt obligation of the issuer. While Standard & Poor's and Moody's does not specifically rate MBS, they carry an implied rating based on the credit worthiness of FNMA (Federal National Mortgage Association), FHLMC (Federal Home Loans Money Corporation) and FRESB (Freddie Mac Small Balance Loans). Moody rate FNMA, FHLMC and FRESB as AAA while Standard & Poor's rate FNMA, FHLMC and FRESB as AA+. At June 30, 2022, SDHC had \$99,881 invested in Agency MBS bonds.

**Fair Value Classification**

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

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

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

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





San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

The following table summarized the valuation of SDHC's fair value measurements in accordance with authoritative guidance at June 30, 2022.

	Level 1	Level 2	Level 3	Total
MBS	\$ -	\$ 99,881	\$ -	\$ 99,881
Total	\$ -	\$ 99,881	\$ -	\$ 99,881

*FIDUCIARY FUND*

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

Cash, cash equivalents and investments at June 30, 2022 consist of the following:

Assets

Cash and investments:

Mutual funds	\$ 45,408
Common collective trust funds	6,744
Participant-directed brokerage accounts	3,733
Pooled separate accounts, at fair value	19,487
Guaranteed interest accounts, at contract value	4,588
Guaranteed interest accounts, at fair value	459
Cash	14

Total cash and investments	<u>\$ 80,433</u>
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**Fair Value Classification**

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

- Investments in mutual funds are considered Level 1 assets and are reported at fair value based on quoted net asset values of the shares held by the pension plan at year-end.
- The investment in common collective trust funds are reported at fair value using Net Asset Value (NAV). The collective trust fund offered by the pension plan, which is the Diversified Investment Advisors Stable Pooled Fund (the "Stable Pooled Fund"), invests in fully benefit-responsive investments through its indirect investment in the Wells Fargo



## San Diego Housing Commission

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Stable Return Fund G, a collective trust fund sponsored by Wells Fargo Bank, N.A. that invests in stable value investment vehicles such as guaranteed investment contracts, bank investment contracts and synthetic guaranteed investment contracts issued by highly-rated financial institutions and corporations, as well as obligations of the U.S. Government or its agencies. Participant assets may be deposited to or withdrawn from the Stable Pooled Fund at the stated unit value as of the close of business on any business day, and there are no unfunded commitments. The Stable Pooled Fund calculates fair value using net asset value per share, and the relevant measurement attribute is contract value because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. As such, the fair value of the Stable Pooled Fund is equal to the contract value of the Stable Pooled Fund as of those measurement dates.

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

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

- Pooled separate accounts (“PSA”) represent units held in pooled separate accounts that are valued using the Net Asset Value (“NAV”) of the fund. The NAV is based on the fair value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of units outstanding. The NAV of a PSA is calculated based on a compilation of primarily observable market information. The number of units of the fund that are outstanding on the calculation date is derived from observable purchase and redemption activity in the fund.
- Investments held in the Participant Directed Brokerage Accounts consist of equities, mutual funds, index and trust funds, and cash and cash equivalents, which are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets and liabilities at the measurement date.
- The Great-West Guaranteed Certificate Fund, Guaranteed Interest Account is considered a Level 2 asset and is reported at fair value by discounting the related cash flows based



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

The following tables summarizes assets in the pension trust and deferred compensation plan measured at fair value by classification within the fair value hierarchy at June 30, 2022:

<b>Pension Trust</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual funds	\$ 45,408	\$ -	\$ -	\$ 45,408
Participant directed brokerage accounts	2,137	-	-	2,137
Total assets in the fair value hierachy	47,545	-	-	47,545
Investments measured at net asset value	-	-	-	6,744
Investments at fair value	<u>\$ 47,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,289</u>

<b>Deferred Compensation Plan</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Participant directed brokerage accounts:				
Money market funds	\$ 886	\$ -	\$ -	\$ 886
Equities	710	-	-	710
Guaranteed interest accounts	-	459	-	459
Total assets in the fair value hierachy	1,596	459	-	2,055
Investments measured at net asset value	-	-	-	19,487
Investments at fair value	<u>\$ 1,596</u>	<u>\$ 459</u>	<u>\$ -</u>	<u>\$ 21,542</u>

**Note 4 - Investment Risk Factors (Dollars in Thousands)**

*GOVERNMENT-WIDE FUND*

SDHC's investment policy allows the agency to invest surplus funds in accordance with the provisions of the U.S. Department of Housing and Urban Development (HUD) Notice PIH 96 - 33 and California Government Code Sections 5922 and 53601. The investment policy's foremost objective is the safety of principal, which is achieved by mitigating credit risk and interest rate risk. These risks, along with custodial risk, concentration of credit risk and market risk, all affect the value of investments to a varying degree. Equity and debt



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risk and changes in interest rates.

*FIDUCIARY FUND*

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

**Credit Risk**

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

*GOVERNMENT-WIDE FUND*

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

*FIDUCIARY FUND*

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

**Custodial Credit Risk**

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

*GOVERNMENT-WIDE FUND*

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

SDHC's debt securities exposure to credit risk and custodial risk as of June 30, 2022 is as follows:

	Standard and Poor's Credit Rating				
	Total fair	AA+	AA	A	Not Provided
Cash and cash equivalents					
Cash and cash equivalents	\$ 36,670	\$ -	\$ -	\$ -	\$ 36,670
Restricted cash and cash equivalents	3,523	-	-	-	3,523
Total cash and cash equivalents	<u>\$ 40,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,193</u>
Short-term investments					
Local Agency Investment Fund	\$ 15,960	\$ -	\$ -	\$ -	\$ 15,960
San Diego County Investment Pool	22,327	22,327	-	-	-
Agency Bonds					
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	4,918	4,918	-	-	-
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	778	778	-	-	-
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	7,816	7,816	-	-	-
Freddie Mac Small Balance Loans	240	240	-	-	-
Total short-term Investments	<u>\$ 52,039</u>	<u>\$ 36,079</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,960</u>
Long-term investments					
Agency Bonds					
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	\$ 31,707	\$ 31,707	\$ -	\$ -	\$ -
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	23,065	23,065	-	-	-
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	29,115	29,115	-	-	-
Freddie Mac Small Balance Loans	2,242	2,242	-	-	-
Total long-term Investments	<u>\$ 86,129</u>	<u>\$ 86,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*FIDUCIARY FUND*

For the pension plan, SDHC has appointed State Street Bank as the Trustee of the plan assets with authority over management and investment of plan assets. For the deferred compensation plan, SDHC has appointed Great-West Life & Annuity Insurance Company as Trustee of the plan assets with authority over management and investment of plan assets.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

**Concentration of Credit Risk**

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

*GOVERNMENT-WIDE FUND*

The U.S. Government Agency securities in SDHC's portfolio include Fannie Mae Federal National Mortgage Association (FNMA/FNA) and Freddie Mac Federal Home Loan Mortgage Corporation (FHMS). Of the \$99,881 invested in agency bonds and debentures as of June 30, 2022, all are mortgage-backed securities (MBS) issued either by Freddie Mac Federal Home Loan Mortgage Corporation K series, Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE), Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) or Freddie Mac Small Balance Loans.

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

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

*FIDUCIARY FUND*

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

**Market Risk**

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

*GOVERNMENT-WIDE FUND*

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

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

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

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

SDHC's exposure to market risk as of June 30, 2022, is as follows:

	Investment maturities			
	Total fair value	Less than 3 months	4 - 12 months	1 - 5 years
Cash and cash equivalents				
Deposits	\$ 36,655	\$ 36,655	\$ -	\$ -
Petty cash	15	15	-	-
Total cash and cash equivalents	<u>\$ 36,670</u>	<u>\$ 36,670</u>	<u>\$ -</u>	<u>\$ -</u>
Restricted cash and cash equivalents	<u>\$ 3,523</u>	<u>\$ 3,523</u>	<u>\$ -</u>	<u>\$ -</u>
Short-term investments				
Local Agency Investment Fund	\$ 15,960	\$ 15,960	\$ -	\$ -
San Diego County Investment Pool	22,327	22,327	-	-
Agency Bonds				
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	4,918	955	3,963	-
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	778	76	702	-
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	7,816	-	7,816	-
Freddie Mac Small Balance Loans	240	-	240	-
Total short-term investments	<u>\$ 52,039</u>	<u>\$ 39,318</u>	<u>\$ 12,721</u>	<u>\$ -</u>
Long-term investments:				
Agency Bonds				
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	\$ 31,707	\$ -	\$ -	\$ 31,707
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	23,065	-	-	23,065
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	29,115	-	-	29,115
Freddie Mac Small Balance Loans	2,242	-	-	2,242
Total long-term Investments	<u>\$ 86,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,129</u>

**FIDUCIARY FUND**

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





San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

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

At June 30, 2022, amounts due from funding sources consist of the following:

Source / Program	Amount
<b>Business</b>	
City of San Diego	\$ 9,989
<b>Total business</b>	<u>9,989</u>
<b>Federal</b>	
Moving to Work (MTW)	3,617
Emergency Solutions Grant	3,504
Community Development Block Grant (CDBG)	1,741
Continuum of Care	1,271
Emergency Housing Voucher	837
5 Year Mainstream	179
Federal - Various	53
Operating Fund	36
Capital Fund	34
<b>Total federal</b>	<u>11,272</u>
<b>State</b>	
California Homeless, Assistance, and Prevention Program (HHAP)	6,300
Various - state	136
<b>Total state</b>	<u>6,436</u>
<b>Local</b>	
Local - Various	30
<b>Total local</b>	<u>30</u>
<b>Total</b>	<u><u>\$ 27,727</u></u>

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

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

Loans made by SDHC consist of three types:

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

Notes, mortgages and interest receivable at June 30, 2022, consist of the following:

Borrower	Project Address	Interest Rate	Maturity Date	Principal Amount
HDP Mariner's Village, LP-Mariner's Vlg.	6847 Potomac Street, San Diego, CA 92139	3.15%	12/31/55	\$ 31,707
Town & Country Village Apts. HDP T&C	4015-409 Messina Dr. San Diego, CA 92113	6.80%	12/31/73	15,673
Arbor Terrace	3693-374 Florida St. San Diego, CA 92104	4.86%	07/01/62	13,653
Mesa Verde CIC, LP/Mission Gorge	7811 Mission Gorge Rd. San Diego, CA 92120	4.00%	06/30/73	9,600
Fairmount Family Housing, LP/ Bluewater	6121-612 Fairmount Ave. San Diego, CA 92120	4.00%	12/31/74	9,469
San Ysidro CIC, LP/Paseo La Paz	238-240; 251-263 Cypress Dr. San Diego, CA 92173	4.00%	12/31/74	9,250
Villa Encantada AMCAL	505-537 62nd; 504-528 63rd St, SD, CA 92114	4.00%	12/31/73	7,500
Twain Housing, L.P.(Stella)	4304 Twain Ave. San Diego, CA 92120	3.00%	12/31/74	7,500
Hilltop Family Hsg LP-The Orchard	922 - 944 Euclid Avenue, San Diego, CA 92114	4.00%	12/31/77	7,470
City Heights Ten, L.,	10 non-contiguous parcels San Diego, CA 92105	3.56%	03/31/69	7,278
Mercado CIC, LP	Cesar E Chavez Parkway Lot 2,6&7, SD CA 92113	5.00%	05/02/68	7,000
Texas St. Sr. Hsg LP/North Park Sr. Apts	4200 Texas St. San Diego, CA 92104	4.00%	07/31/73	7,000
Florida Street Housing Assoc - Kalos Apt	3783-3825 Florida St. San Diego, CA 92104	3.00%	02/01/67	6,966
Dawson Ave. Senior Apts. LP-Courtyard	4321-52nd St. San Diego, CA 92115	2.00%	11/12/63	6,951
Ulric St. Hsg. Ass. LP - Ulric	2645-2685 Ulric Street, San Diego CA 92111	3.00%	09/30/77	6,300
Delta Village Housing Assoc.	4316-436 Delta St. San Diego, CA 92113	3.00%	05/01/36	6,100
Fairmount Senior Hsg, CIC LP (Eastblock)	4320 44th Stree, San Diego, CA 92101	4.00%	10/01/76	6,075
14th & Commercial CIC, LP	1 14th Street, San Diego, CA 921010	3.00%	05/01/77	5,545
LINC Arbor Village Apartments Allison R	4914-499 Logan Ave. San Diego, CA 92113	3.00%	05/01/67	5,460
HDP Quality Inn, LLC Quality Inn	1840 4th Avenue, San Diego, CA 92101	4.00%	12/31/75	5,240
Normal Heights, CIC LP/Loft @ Normal Hgt	3808 El Cajon Blvd. San Diego, CA 92105	3.00%	05/31/74	5,200
Georgia Street, L.P./ City Scene	4105 Georgia St. San Diego, CA 92104	3.00%	07/01/66	5,111
San Diego Commons, LP/ Mesa Commons	6456 El Cajon Blvd. San Diego, CA 92115	3.00%	04/30/69	4,905
Benson Place, LP (Hollister)	1010 Otter Road, San Diego, CA 92154	4.00%	12/31/75	4,860
14th & Comm CIC-VHHP, LP (14C-VHHP)	1 14th Street, San Diego, CA 921010	3.00%	05/01/77	4,825
Talmadge Gateway, LP	4422 Euclid Ave. San Diego, CA 92115	3.00%	06/01/72	4,800
Market Square Manor Associates, LP	525 14th St. San Diego, CA 92113	5.60%	02/10/58	4,559
Villa Harvey Mandel, L.P.	72 17th Ave. San Diego, CA 92101	5.60%	02/12/57	4,537
Renaissance Sr Hsg.	4330 30th St. San Diego, CA 92104	4.65%	04/12/59	4,512
Beyer Blvd Apts. LP	3412-346 Beyer Blvd. San Diego, CA 92154	3.00%	10/22/59	4,200
Del Sol Apts. LP	Del Sol Apts, 3606-3690 Del Sol San Diego, CA 92154	3.00%	08/31/61	4,126
Vista del Puente, L.P.	3934 Gamma St; 1510 S 40th St. San Diego, CA 92113	3.00%	12/31/75	4,100
Creekside - Affirmed Hsg. Partners	2125-215 Coronado Ave. San Diego, CA 92154	5.20%	06/30/35	4,087



## San Diego Housing Commission

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Borrower	Project Address	Interest	Maturity	Principal
Radisson Hotel ,Tizon	11520 Bernardo Ct. San Diego, CA 92127	4.00%	07/31/78	3,825
HDP Churchill, L.P./Hotel Churchill_Sr.	827 C St. San Diego, CA 92101	3.00%	08/31/71	3,800
San Ysidro Hsg Partners, LP -Jamboree SY	429-437 W. San Ysidro Blvd. San Diego CA	3.00%	12/31/78	3,780
Alabama Manor Hsg Associates	3822-383 Alabama St. San Diego, CA 92104	0.00%	12/31/63	3,750
Golden Age Garden Hsing Prtn	740 South 36th St. San Diego, CA 92113	3.00%	12/31/67	3,661
HDP West Park, LP(West Park)	1830 Fourth Avenue, San Diego CA 92101	4.00%	06/30/75	3,593
Wakeland-Beacon, LP Beacon Apartments	145 C St. San Diego, CA 92110	4.50%	12/31/74	3,563
Imperial Urban Hsg, LP/ Cypress Apts.	1435 Imperial Ave. San Diego, 92101	3.00%	12/31/72	3,535
Mt. Alifan Apts., LP (Ivy Senior)	5858 Mt Alifan Drive, San Diego, CA 92111	4.00%	12/31/76	3,500
15th & Commercial, L.P.	1506 Commercial St. San Diego, CA 92101	3.00%	01/01/66	3,464
Comm22 Sr. Hsg., LP/Victoria	Commercial & 22nd St. San Diego, CA 92113	3.00%	05/01/69	3,456
Front & Beech SH, LP- The Helm	191 West Beech Street, San Diego CA 92101	4.00%	12/31/77	3,145
Trolley Residential CIC, L.P.	4981 Market St. San Diego, CA 92114	4.00%	06/30/72	3,120
HDP New Palce, LP/New Palace	1814 5th Ave. San Diego, CA 92101	4.00%	12/31/73	3,100
Ulric II, Linda Vista Housing	2601 Ulric Street San Diego, CA 92111	4.00%	12/31/78	3,056
Wakeland Atmosphere, LP/Atmosphere I	5th Ave. & Beech St. San Diego, CA 92101	4.00%	03/01/70	3,000
Grantville Veteran Housing, LP/Zephyr	4370 Alvarado Canyon Rd. San Diego, CA 92120	3.00%	12/31/73	3,000
Wakeland Vista Grande/Vista Grande	5391-541 Santa Margarita, San Diego, CA 92114	3.00%	05/01/67	2,967
34th Street Project, LLC	4637 34th St. San Diego, CA 92116	3.00%	02/24/77	2,920
Juniper Gardens, L.P,	4251 Juniper St. San Diego, CA 92105	3.00%	12/31/68	2,839
Hacienda Townhomes,Ltd.	350 17th St. San Diego, CA 92101	4.50%	07/01/48	2,807
Vietnam Veterans ofSD/ Phase II	Veterans Village, 4141 Pacific Highway, S D 92110	3.00%	05/29/72	2,760
WJJ CIC, L.P./Independence Point Apts.	327 S Willie James Jones, San Diego, CA 92130	4.00%	01/31/71	2,500
Amcal Mission, LP/Mission Apartments	1815-187 Hancock St. San Diego, CA 92110	3.00%	01/01/68	2,499
HDP Mason Hsg. Corp./Mason Hotel	1337-134 Fifth Avenue, San Diego CA 92103	3.00%	02/28/68	2,434
Metro Villas Housing Partners	4031-408 39th St. San Diego, CA 92105	4.85%	02/01/58	2,369
Riverwalk Apartments, L.P.	1194 Hollister St. San Diego, CA 92154	3.00%	03/01/65	2,275
"j" Street Inn, LP J Street	222 J Street, San Diego, CA 92101	0.00%	12/31/27	2,268
HDP ADU, LLC (Companion Units)	1144 Twining Avenue, San Diego CA 92154	3.00%	12/01/75	2,260
NCRC NSV LP, Nestor Senior	1120 Nestor Way San Diego, CA 92154	4.00%	12/31/78	2,215
Wakeland Village Green Apts LP	4140-415 Bonillo Dr. San Diego, CA 92115	3.00%	04/01/65	2,165
HDP Churchill, L.P./Hotel Churchill-Sub	827 C St. San Diego, CA 92101	3.00%	08/31/71	2,156
Winona Gardens Hsg. Assoc.-Bandar Salaam	3810 Winona Ave. San Diego, CA 92105	3.00%	07/01/55	2,100
Pathfinders of San D,	2621-262 University Ave. San Diego, CA 92104	3.00%	07/15/65	2,050
Terramar CIC, L.P.,	13481 Silver Ivy Lane, San Diego, CA 92129	3.00%	06/01/68	2,035
Vietnam Veterans of SD/ Phase III	4141 Pacific Highway, San Diego, CA 92110	3.00%	05/01/75	2,001
Connections HousingDowntownLP	1250 Sixth Ave. San Diego, CA 92101	3.00%	06/01/69	2,000
Island Inn, LP	202 Island Ave, San Diego, CA 92101	0.00%	12/31/27	1,833
YWCA of SD County-Becky's House	2540-2550 Garnet Ave. San Diego, CA 92109	0.00%	11/10/62	1,786
St. Stephens Hsg. LP /Jean C.McKinney	5641 Imperial Ave. San Diego, CA 92114	4.79%	05/01/36	1,770
Parkside SD Apts., LP (Formerly Bolt)	4010-4050 Parkhaven Ct. San Diego, CA 92113	3.00%	04/01/56	1,726
Townspeople, a CA nonprofit	4242-4260 51st St. San Diego, CA 92115	3.00%	05/01/61	1,570
Chicano Federation Wightman	5052 Wightman St. San Diego, CA 92105	3.00%	07/01/54	1,537
Vietnam Veterans ofSD/ Phase IV	4141 Pacific Highway, San Diego, CA 92110	3.00%	08/01/77	1,492
Chicano Federation Delta Place	4420 Delta St. San Diego, CA 92113	3.00%	11/01/54	1,486
Vietnam Veterans of San Diego/ Phase V	4141 Pacific Highway, San Diego, CA 92110	3.00%	07/01/70	1,437
Mercado Apartments /MAAC	2001-2097 Newton;2008-2094 Main St. SD CA 92101	6.00%	12/01/47	1,425
Logan Development L.P./Knox Glen	4720-476 Logan Ave. San Diego, CA 92113	6.00%	11/30/50	1,400
Grant Heights II, LP	3845 Winona Avenue, San Diego CA 92105	3.00%	03/31/76	1,320
Creekside-AffirmedFamily Hsg. Partners	2125-215 Coronado Ave. San Diego, CA 92154	4.79%	06/30/35	1,257
Chicano Federation Trojan Apts.	5222 Trojan Ave. San Diego, CA 92115	3.00%	07/01/53	1,145
Casa Colina LP	5207 52nd Place, San Diego, CA 92105	3.00%	02/01/59	1,060
NCRC Encanto, L.P. Encanto Village	1617-165 Imperial Ave. San Diego. CA 92114	4.00%	05/31/74	1,060
TACHS Cove Apts LLC	5288 El Cajon Blvd. San Diego, CA 92115	3.00%	05/01/62	982
Mayberry Townhomes/Mountain View Hsg.	4328-449 Mayberry St. San Diego, CA 92113	2.64%	12/31/71	975
SD LGBT Community Center	1640 Broadway, San Diego, CA 92101	0.00%	11/01/60	934
Catholic Charities/Leah Residence-9th F	798 Ninth Ave. San Diego, CA 92101	0.00%	10/31/58	928



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Borrower	Project Address	Interest	Maturity	Principal
Carmel Valley Hsg./Torrey Del Mar	13875 Carmel Valley Rd. San Diego, CA 92130	3.00%	06/30/56	892
Nook East Village, LP - The Nook	1492 K Street, San Diego, CA 92101	0.00%	08/01/48	784
NCRC SYSV, LP/San Ysidro Sr. Village	517 West San Ysidro, San Ysidro, CA 92713	3.00%	12/31/75	760
Urban Council Dev't Inc./Villa Rica-Alta	4227 52nd St; 5202 Orange Ave. San Diego, CA 92115	3.00%	12/17/54	742
Lillian Place LP	1401 & 1437 J St. San Diego, CA 92101	3.00%	12/16/60	731
Vietnam Veterans ofSD/ Phase II B	Veterans Village, 4141 Pacific Highway, S D 92110	3.00%	06/01/72	720
Bayview CDC-40th St.	1440-1516 S. 40th St. San Diego, CA 92113	3.00%	02/01/56	696
Vietnam Veterans of SD/ Phase I	Veterans Village, 4141 Pacific Highway, S D 92110	3.00%	05/15/70	675
Wakeland Trinity PI Trinity Place	6240 Mission Gorge Road, San Diego, CA 92120	4.00%	12/31/76	665
Hope CDC/Lincoln Park	4910-4920 Ocean View Blvd;440-444 49th St. SD 92113	3.00%	12/22/48	647
South Bay CommunityServices	135 Averil Rd. San Diego, CA 92173	3.00%	12/16/53	631
3137 El Cajon Blvd. LP-The Boulevard	3137 El Cajon Blvd. San Diego, CA 92104	3.00%	12/31/63	600
Chicano Federation Park Place	4033 33rd St. San Diego, CA 92104	3.00%	12/01/52	596
Housing Innovation P	1851-186 Titus St. San Diego, CA 92103	3.00%	10/20/58	573
Santaluz Family Apts. LP-Rancho del North	16775 Saintbury Glen, San Diego, CA 92130	3.00%	09/29/60	500
COMM 22 Family Hsg. LP	Commercial & 22nd St. San Diego, CA 92113	3.00%	05/01/69	500
Total Major Loans				385,362
Home ownership loans (Under \$500)				45,396
Single-Family rehabilitation loans (Under \$500)				5,397
Rental Housing Finance loans with rehab / acquisition (under \$500)				4,529
Total Non-Major Loans as of June 30, 2022				55,322
Total Major Loans and Total Non-Major Loans as of June 30, 2022 (Not Including Deferred Loans)				440,684
Allowance for Loan Losses				(4,535)
Allowance for Forgivable Loans				(8,003)
Total notes receivable at June 30, 2022				428,146
Deferred cumulative interest receivable at June 30, 2022				69,268
Total notes and interest receivable at June 30, 2022				<u>\$ 497,414</u>

Notes and mortgages receivable due one year or less amounted to \$58 as of June 30, 2022. The change in allowance on notes receivable consists of the following:

Balance, July 1, 2021	Losses/ write-offs	Additions/ adjustments	Balance, June 30, 2022
\$ 11,644	\$ (815)	\$ 1,709	\$ 12,538

SDHC makes affordable housing non-interest bearing loans, originated through noncash transactions, in which the borrower is not required to repay the loan during the loan compliance period provided compliance covenants are met. Compliance periods range between 10 to 65 years. SDHC monitors the loan compliance. SDHC does not record these loans in the Statement of Net Position as there is no cash disbursed. Any payment received during the compliance period is recorded as revenue in the fiscal year of receipt. Notes representing affordable housing loans outstanding as of June 30, 2022, total \$68,319.



## San Diego Housing Commission

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

**Note 7 - Capital Assets (Dollars in Thousands)**

A summary of changes in capital assets for the year ended June 30, 2022 is as follows:

	Balance, June 30, 2021	Additions	Transfers / Retirements	Balance, June 30, 2022
Capital assets, not being depreciated				
Land	\$ 108,617	\$ -	\$ -	\$ 108,617
Construction in progress	758	200	(408)	550
Total capital assets, not being depreciated	<u>109,375</u>	<u>200</u>	<u>(408)</u>	<u>109,167</u>
Capital assets, being depreciated				
Buildings	177,593	-	-	177,593
Building improvements	84,061	2,865	203	87,129
Office furniture and equipment	5,815	906	(36)	6,685
Total capital assets, being depreciated	<u>267,469</u>	<u>3,771</u>	<u>167</u>	<u>271,407</u>
Less accumulated depreciation for:				
Buildings	(31,277)	(4,482)	-	(35,759)
Building improvements	(34,024)	(5,648)	4	(39,668)
Office furniture and equipment	(4,009)	(553)	36	(4,526)
Total accumulated depreciation	<u>(69,310)</u>	<u>(10,683)</u>	<u>40</u>	<u>(79,953)</u>
Total capital assets, being depreciated, net	<u>198,159</u>	<u>(6,912)</u>	<u>207</u>	<u>191,454</u>
Total capital assets, net	<u>\$ 307,534</u>	<u>\$ (6,712)</u>	<u>\$ (201)</u>	<u>\$ 300,621</u>

In fiscal year 2022, capital assets totaled \$300,621. Additions of \$3,771 to capital assets, being depreciated include ADA accessibility upgrades and fire/life safety improvements at Hillcrest, Kearny Vista and Valley Vista Apartments

Depreciation expense for the year ended June 30, 2022 was \$10,683.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

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

**Prepaid Items and Other Current Assets**

As of June 30, 2022 prepaid and other current assets consisted of the following:

Prepaid grants	\$ 3,054
Prepaid software licenses	971
Escrow deposits - mortgage insurance premiums	200
Prepaid insurance	105
Prepaid mortgage insurance	75
Deposits other	10
Prepaid appliances	5
Total prepaids and other	<u>\$ 4,420</u>

**Other Noncurrent Assets**

As of June 30, 2022, other noncurrent assets was \$6. The balance consisted primarily of deposits on leasing contracts.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

**Note 9 - Notes Payable (Dollars in Thousands)**

**Notes Payable**

A summary of notes payable at June 30, 2022 is as follows:

Type of Obligation	Interest Rate	Year Maturity Date	Balance, 6/30/2021	(Payments)/ Amortization/ Adjustments	Balance, 06/30/2022	Due Within One Year FY22	GASB 88 Disclosure Footnotes
<b><u>Direct Borrowing Debts of the Commission</u></b>							
Key Bank Real Estate Capital - Smart Corner <small>* Note converted to variable interest November 2021</small>	5.53%*	2027	\$ 1,405	\$ (482)	\$ 923	\$ 47	A1, B1, C2, D2
City of San Diego - Parker Kier <small>**Loan Forgiven in FY22</small>	0.00%	2022	696	(696) **	-	-	A1, B2, C1
City of San Diego - Hotel Sandford <small>Forgivable loan with accrued interest totaling \$656.</small>	1.00%	2065	5,843	-	5,843	-	A1, B3, C5, D4
State of California - Housing Loan Conv Program 12-HLCP-0004	3.00%	2068	1,405	-	1,405	-	A1, B4, C6, D3
State of California - Housing Loan Conv Program 12-HLCP-0003	3.00%	2068	3,150	-	3,150	-	A1, B5, C6, D3
Red Capital Mortgage, LLC - Courtyard Apartments	4.92%	2030	3,981	(69)	3,912	73	A1, B6, C3, D1
JP Morgan Chase - Hotel Circle	3.29%	2030	32,523	(649)	31,874	671	A1, B13, C2, D1
JP Morgan Chase - Kearny Mesa	3.39%	2030	17,260	(338)	16,922	350	A1, B14, C2, D1
<b><u>Debts of the LLCs</u></b>							
Greystone Servicing Corp, Inc. - Belden SDHC FNMA, LLC	7.32%	2040	10,299	(271)	10,028	291	A1, B7, C3, D1
Greystone Servicing Corp, Inc. - Northern SDHC FNMA, LLC	7.32%	2040	9,037	(237)	8,800	255	A1, B8, C3, D1
Greystone Servicing Corp, Inc. - Central SDHC FNMA, LLC	7.32%	2040	11,712	(308)	11,404	331	A1, B9, C3, D1
PNC Bank, NA FHA - Southern SDHC FHA, LLC	3.76%	2046	20,446	(527)	19,919	547	A1, B10, C4, D1
PNC Bank, NA FHA - Northern SDHC FHA, LLC	3.76%	2046	14,302	(368)	13,934	382	A1, B11, C4, D1
PNC Bank, NA FHA - Central SDHC FHA, LLC	3.65%	2046	12,831	(334)	12,497	346	A1, B12, C4, D1
Subtotal			144,890	(4,279)	140,611	3,293	
Less amortized debt issuance costs			(1,298)	78	(1,220)	-	
Total			<u>\$ 143,592</u>	<u>\$ (4,201)</u>	<u>\$ 139,391</u>	<u>\$ 3,293</u>	

At June 30, 2022, the current portion of notes payable was \$3,293 and the noncurrent portion of notes payable, net was \$136,098.

Debt issuance costs associated with the LLC loans totaled \$2,120, less accumulated amortization of \$900 at June 30, 2022. For fiscal year 2022, amortization totaled \$78. Under guidance issued by the GASB, these fees would be expensed as incurred. However, as the LLCs are not governmental agencies, they follow the standards issued by the FASB. In accordance with ASU 2015 - 03, debt issuance costs are capitalized and presented as a direct deduction to notes payable. In addition, the debt issuance costs are amortized over the life of the loan using the effective interest method.

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

qualified direct subsidy BABs loans. SDHC received subsidy payments of \$678 in fiscal year 2022.

The \$696 Parker Kier Note was forgiven by the City of San Diego in fiscal year 2022. Accrued interest on the forgiven note was \$0 as of June 30, 2022.

The projected annual principal and interest payment requirements for all of SDHC's notes payable are noted in the table below. These amounts include a forgivable loan of \$5,843 which will be forgiven at maturity 2065. Accrued interest of such forgivable loan is \$656 as of June 30, 2022.

	Notes payable		
	Principal	Interest	Total
Year ending June 30, 2023	\$ 3,293	\$ 5,767	\$ 9,060
2024	3,449	5,611	9,060
2025	3,621	5,437	9,058
2026	3,798	5,260	9,058
2027	4,605	5,064	9,669
2028-2032	62,486	19,848	82,334
2033-2037	20,573	9,648	30,221
2038-2042	19,213	3,623	22,836
2043-2047	9,175	653	9,828
2048-2052	-	96	96
2053-2068	4,555	6,860	11,415
Subtotal	134,768	67,867	202,635
Forgivable loans	5,843	-	5,843
Total notes payable	\$ 140,611	\$ 67,867	208,478
Less: Unamortized debt issuance costs			(1,220)
Total notes payable, net			\$ 207,258





San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

**GASB 88 Disclosure Footnotes**

**A. Amount of Unused Lines of Credit**

A1 SDHC has no open lines of credit.

**B. Assets Pledged as Collateral**

- B1 1122 Broadway, 92101
- B2 2172 Front Street, 92101
- B3 1301-1333 Fifth Avenue, San Diego, 92101. Lots D,E, and F in Block 191 of Horton's Addition in the City of San Diego
- B4 3222-3224 Camulos St, San Diego, CA, 4095 Valeta Street, San Diego, CA, 3919 Mason Street, San Diego, CA, 2420 44th Street, San Diego, CA, 5385-5389 Trojan Avenue, San Diego, CA
- B5 605-695 Picador Blvd, 92154
- B6 4395 El Cajon Boulevard, 92105
- B7 7705-7795 Belden Street, 92111  
APN: 420-451-03 and 04
- B8 3501 1st Avenue, 92103, 4131 Maryland Street 92103, 7105-20 Eastman Street, 92111, 7526-80 Fulton Street, 92111, 2615-65 Genesee Avenue, 92123, 7085-95 Levant Street, 92111
- B9 2932 30th Street, 92104, 3012 30th Street, 92104, 3030 30th Street, 92104, 3217 30th Street, 92104, 3350-3356 1/2 Grim Avenue, 92104, 4729 32nd street, 92104, 4541 #1-8 33rd Street, 92116, 4751 33rd Street, 92116, 4254 36th Street, 92104, 4164 #1-8 37th Street, 92105, 4575-4579 38th Street, 92116, 4343 38th Street, 92105, 4054-4060 1/2 Cherokee Avenue, 92104, 3850 Cherokee Avenue, 92104, 4360 Cherokee Avenue, 4043 Wilson Avenue, 92104, 3755-3761 Alabama Street, 92104, 4081-4087 1/2 Florida Street, 92104, 4450-4456 1/2 Georgia Street, 92116, 4637-4643 1/2 Hamilton Street, 92116, 4381-4387 Louisiana Street, 92104, 2727-2729 Meade Avenue, 92116, 4352 #1-8 Oregon Street, 92104, 3125 Ivy Street, 92104, 7891-7899 Golfcrest Drive 92119, 3974-84 Bancroft, 92104
- B10 1351-15359 Hollister Street, 92154, 2381-2389 Grove Avenue, 92154, 121-125 Averil Road, 92173, 2005-2065 Alaquinas Drive, 92173, 178-190 Calle Primera, 92173, 281-289 Sycamore Road (North), 92173, 391-417 Sycamore Road (West), 92173, 402-412 Sycamore Road (East), 92173
- B11 12643-12687 El Camino Real, 92130, 8792 Mira Mesa Boulevard, 92126, 5071-5077 1/2 Muir Avenue, 92107, 8637-8643 Glenhaven Street, 92123, 8649-8655 Genhaven Street, 92123, 8661-8667 Glenhaven Street, 92123, 8701 Glenhaven Street, 92123, 8714-8720 Hurlbut Street, 92123, 8726-8732 Hurlbut Street, 92123
- B12 7281-7289 Saranac Street, 92115, 4560 Altadena Avenue, 92115, 4479-4481 Altadena Avenue, 92115, 4164 Altadena Avenue, 92105, 5316 Meade Avenue, 92115, 5330-5332 1/2 Rex Avenue, 92105, 5326-5328 Rex Avenue, 92105, 4261 45th Street, 92115, 4225 44th Street, 92115, 2628-2630 44th Street, 92105, 4416 #1-8 Highland Avenue, 92115, 4566 51st Street, 92115, 3051 54th Street, 92105, 4147-4157 Chamoune Avenue, 92105, 4205-4215 Juniper Street, 92105, 4273-4283 Juniper Street, 92105, 4390 Maple Street, 92105, 4180-4182 Poplar Street, 92105, 4451-4459 Market Street, 92102, 5359-5389 Santa Margarita, 92114, 2883 Boston Avenue, 92113, 2955 Boston Avenue, 92113
- B13 5400 Kearny Mesa Road, 92111
- B14 1865 Hotel Circle South, 92108



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

**C. Events of Default with finance-related consequences**

- C1 The outstanding note contains event(s) of default which change the timing of repayment of outstanding amounts which can become immediately due.
- C2 The outstanding note contains event(s) of default which change the timing of repayment of outstanding amounts which can become immediately due including a prepayment premium.
- C3 The outstanding note contains event(s) of default which change the timing of repayment of outstanding principal amounts to become immediately due, adjusts the interest rate equal to the lesser of 4 percentage points above the current interest rate or the maximum allowed under applicable law and includes a prepayment premium prior to December 31, 2024
- C4 The outstanding note contains event(s) of default which change the timing of repayment of outstanding amounts which can become immediately due including a variable rate prepayment premium prior to October 31, 2020.
- C5 The outstanding note contains event(s) of default which change the timing of repayment of outstanding amounts which can become immediately due if not cured within the respective time periods provided by the Agency.
- C6 The outstanding note contains event(s) of default, which if not remedied to the satisfaction of the Department within the time line set forth by the Department could result in loss of rents and income, possession of the Development and/or change the timing of the repayment of outstanding amounts to become immediately due.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

**D. Subjective Acceleration Clause**

D1 The outstanding note contains an acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due for an ongoing default or if the lender determines a material adverse change occurs.

D2 The outstanding note contains an acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due for an ongoing default or if the lender determines a material adverse change occurs. The acceleration clause increases the interest rate to 15% or the maximum rate permitted by law, whichever is less.

D3 The outstanding note contains an acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due for an ongoing default or if the lender determines a material adverse change occurs. The acceleration clause increases the interest rate to 10% per annum.

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

**E. Termination events with finance-related consequences**

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

**Accrued Compensated Absences**

The change in accrued compensated absences consists of the following:

Balance, July 1, 2021	Additions (accruals)	Deductions (usage)	Balance, June 30, 2022	Due Within One Year FY22
\$ 3,689	\$ 2,890	\$ (2,692)	\$ 3,887	\$ 3,887



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

**Note 10 – Leases Receivable (Dollars in Thousands)**

SDHC, as a lessor, has entered into lease agreements for the use of certain SDHC land and commercial spaces. Terms of the agreements are listed below. As an interest rate implicit in SDHC's leases is not readily determinable, SDHC uses the state of California's incremental borrowing rate. For fiscal year 2022, SDHC held the following leases:



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

	Lease Receivable Current Portion	Lease Receivable Noncurrent Portion	Deferred Inflows	Lease Revenue	Lease Interest Revenue
<b>Commercial leases</b>					
7-Eleven	\$ 145	\$ 1,611	\$ 1,715	\$ 169	\$ 25
Barber College	109	9	117	94	1
BB's Deli	-	-	-	23	-
Family Justice Center	595	1,398	1,991	548	4
Latinos y Latinas	-	-	-	12	-
MetroPCS	70	521	580	72	5
T-Mobile Tower	30	95	123	31	-
Total commercial leases	949	3,634	4,526	949	35
<b>Land leases</b>					
<u>Land leases (non-related)</u>					
Arbor Village	16	1,251	1,259	19	19
Dawson Courtyard	20	1,672	1,680	33	26
Golden Villas	5	179	183	6	3
Mariner's Cove	454	53,361	52,832	1,488	743
Mercado	-	-	-	-	-
Mission	20	2,058	2,061	38	31
Riverwalk	14	1,095	1,102	21	17
Talmadge	41	2,731	2,754	58	42
Terramar	6	530	532	11	8
Think Dignity	-	-	-	-	-
Villa Merced	69	633	695	76	10
Vista Grande	-	-	-	-	-
Total land leases (non-related)	645	63,510	63,098	1,750	899
<u>Related party land leases</u>					
Casa Colina	12	765	765	23	11
Hotel Churchill	18	1,724	1,731	33	26
Mariner's Village	97	10,027	10,061	158	153
Parker Kier	-	-	-	21	-
Quality Inn	19	1,806	1,814	36	28
San Diego Square	97	8,080	8,124	175	124
Village North Senior	29	2,728	2,739	56	42
West Park	10	913	917	20	14
Total related party land leases	282	26,043	26,151	522	398
<b>Total</b>	<b>\$ 1,876</b>	<b>\$ 93,187</b>	<b>\$ 93,775</b>	<b>\$ 3,221</b>	<b>\$ 1,332</b>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

**Commercial Leases**

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

Barber College – On August 15th 1998, the San Diego Housing Commission entered into a 10 year lease agreement with renewal options with the Associated Barber College of San Diego for the lease of real property located at 1315 Fifth Ave, San Diego, CA. The San Diego Housing Commission is receiving monthly payments through 2023 and there is an option for renewal upon expiration.

BB's Deli – On August 12th 2010, the San Diego Housing Commission entered into a 5 year lease agreement with renewal options with BB's Deli, LLC for the lease of real property located at 1321 Fifth Avenue, San Diego, CA. The San Diego Housing Commission is receiving monthly payments through 2025 and there is an option for renewal upon expiration.

Family Justice Center – On October 1st 2010, the San Diego Housing Commission entered into a 10 year lease agreement with options to renew with the City of San Diego Family Justice Center for the real property located at 1122 Broadway Suite 200, San Diego, CA. The San Diego Housing Commission is receiving monthly payments through 2025 and there is an option for renewal upon expiration.

Latinos y Latinas – On July 1st 2016, the San Diego Housing Commission entered into a 3 year lease agreement with renewal options with Latinos y Latinas en Accion for the lease of real property located at 4395 El Cajon Boulevard, San Diego, CA. The San Diego Housing Commission is receiving monthly payments through 2023 and there is an option for renewal upon expiration.

MetroPCS – On November 30th 2014, the San Diego Housing Commission entered into a 5 year lease agreement with renewal options with TAL Store 828, LLC for the real property located at 1075 11th Avenue, San Diego, CA. The San Diego Housing Commission is receiving monthly payments through 2024 and there is an option for renewal upon expiration.

T-Mobile Tower – On May 19th 1995, the San Diego Housing Commission entered into a 5 year lease agreement with options to renew with T-Mobile West, LLC for the real property located at 5330 Orange Avenue, San Diego, CA. The San Diego Housing Commission is receiving monthly payments through 2026 and there is an option to renew.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

**Land Leases (non-related)**

Arbor Village – On April 1<sup>st</sup> 2010, the San Diego Housing Commission entered into a 65 year lease agreement with LINC-Arbor Village Apartments Housing Investors, L.P. for the lease of real property located at 4914-4998 Logan Ave, San Diego, CA. The San Diego Housing Commission is receiving annual payments through 2077 and there are no renewal options included in this lease agreement. No variable payment was received in FY22.

Dawson Courtyard – On November 12<sup>th</sup> 2008, the San Diego Housing Commission entered into a 55 year lease agreement with Dawson Avenue Senior Apartments, L.P. for the lease of real property located at 4321 52<sup>nd</sup> Street, San Diego, CA. The San Diego Housing Commission is receiving annual payments through 2066 and there are no renewal options included in this lease agreement. No variable payment was received in FY22.

Golden Villas – On May 30<sup>th</sup> 1995, the San Diego Housing Commission entered into a 55 year lease agreement with John B. Walsh for the lease of real property located at 3355-3395 Elm Street, San Diego, CA. The San Diego Housing Commission is receiving monthly payments through 2055 and there are no renewal options included in this agreement. No variable payment was received in FY22.

Mariner's Cove – On December 30<sup>th</sup> 1982, the San Diego Housing Commission entered into a 55 year lease agreement with Lincoln Mariners Associates Limited, LLC for the lease of real property located at 4392 W Point Loma Blvd, San Diego, CA. The San Diego Housing Commission is receiving monthly payments through 2037 and there are no renewal options included in this agreement. No variable payment was received in FY22.

Mercado – On March 15<sup>th</sup> 2011, the San Diego Housing Commission entered into a 99 year lease agreement with Mercado CIC, L.P. for the lease of real property located at 2001 Newton Ave, San Diego, CA. The San Diego Housing Commission is receiving annual payments through 2112 and there are no renewal options included in this agreement. No payments were received in FY22.

Mission – On May 1<sup>st</sup> 2011, the San Diego Housing Commission entered into a 65 year lease agreement with AMCAL Mission Fund, L.P. for the lease of real property located at 1815 and 1847 Hancock Street, San Diego, CA. The San Diego Housing Commission is receiving annual rent payments through 2078 and there are no renewal options included in this agreement.

Riverwalk – On April 26<sup>th</sup> 2010, the San Diego Housing Commission entered into a 65 year lease agreement with Riverwalk Apartments, L.P. for the lease of real property located at 1194 Hollister Street, San Diego, CA. The San Diego Housing Commission is receiving annual payments through 2075 and there are no options for renewal.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Talmadge – On November 8<sup>th</sup> 2004, the San Diego Housing Commission entered into a 65 year lease agreement with Ken-Tal Senior Partners, L.P. for the lease of real property located at 5252 El Cajon Blvd, San Diego, CA. The San Diego Housing Commission is receiving quarterly payments through 2069 and there are no options for renewal. No variable payment was received in FY22.

Terramar – On July 25<sup>th</sup> 2011, the San Diego Housing Commission entered into a 65 year lease agreement with Terramar CIC, L.P. for the lease of real property located at 13481 and 13483 Silver Ivy Lane, San Diego, CA. The San Diego Housing Commission is receiving annual payments through 2078 and there are no options for renewal.

Think Dignity – On May 1<sup>st</sup> 2014, the San Diego Housing Commission entered into a 2 year lease agreement with Think Dignity for the lease of real property at 252 16<sup>th</sup> Street, San Diego, CA. The San Diego Housing Commission is receiving monthly payments through 2023 and there is an option to renew the lease for an additional year at the end of its term.

Villa Merced – On December 30<sup>th</sup> 1980, the San Diego Housing Commission entered into a 50 year lease agreement with Colonia Barrios Seniors, Inc. for the lease of real property located at 1148-1188 Beyer Way, San Diego, CA. The San Diego Housing Commission is receiving annual payments through 2031 and there are no options for renewal. Variable payment of \$2.7 was received in FY22.

Vista Grande – On October 20<sup>th</sup> 2010, the San Diego Housing Commission entered into a 65 year lease agreement with Wakeland Vista Grande Apartments, L.P. for the lease of real property located at 5391 and 5411-25 Santa Margarita Street, San Diego, CA. The San Diego Housing Commission is receiving annual payments through 2077 and there are no options for renewal.

**Related Party Land Leases**

Casa Colina – On February 18<sup>th</sup> 2004, the San Diego Housing Commission entered into a 65 year lease agreement with Casa Colina, L.P. for the lease of real property located at 5207 52<sup>nd</sup> Place, San Diego, CA. The San Diego Housing Commission is receiving monthly payments through 2069 and there are no renewal options included in this lease agreement. No variable payment was received in FY22.

Hotel Churchill – On April 24<sup>th</sup> 2015, the San Diego Housing Commission entered into a 65 year agreement with HDP Churchill L.P. for the lease of real property located at 827 C Street, San Diego, CA. The San Diego Housing Commission is receiving annual payments through 2082 and there are no renewal options included in this agreement.





San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Mariner's Village – On November 30<sup>th</sup> 2018, the San Diego Housing Commission entered into a 65 year lease agreement with HDP Mariner's Village, LP for the lease of real property located at 6847 Potomac Street, San Diego, CA. The San Diego Housing Commission is receiving annual payments through 2086 and there are no options for renewal.

Parker Kier – On September 1<sup>st</sup> 2013, the San Diego Housing Commission entered into a 10 year lease agreement with HDP Parker Kier, LLC for the lease of real property located at 2172 Front Street, San Diego, CA. The San Diego Housing Commission is receiving annual payments through 2024 and there are no options for renewal.

Quality Inn – On December 15<sup>th</sup> 2017, the San Diego Housing Commission entered into a 65 year lease agreement with HDP Quality Inn, LLC for the lease of real property located at 1840 4<sup>th</sup> Avenue, San Diego, CA. The San Diego Housing Commission is receiving annual payments through 2083 and there are no options for renewal.

San Diego Square – On February 28<sup>th</sup> 2019, the San Diego Housing Commission assumed the 65 year lease agreement with HDP Broadway, LP from the City of San Diego. The original lease agreement began on May 24<sup>th</sup> 2013 for the lease of real property located at 910 C Street, San Diego, CA. The San Diego Housing Commission is receiving monthly payments through 2078 and there are no options for renewal.

Village North Senior – On December 15<sup>th</sup> 2017, the San Diego Housing Commission entered into 65 lease agreement with HDP Village North, LLC for the lease of real property located at 7720-7780 Belden Street, San Diego, CA. The San Diego Housing Commission is receiving annual payments through 2083 and there are no options for renewal. Variable payment of \$2.6 was received in FY22.

West Park – On December 14<sup>th</sup> 2017, the San Diego Housing Commission entered into 65 year lease agreement with HDP West Park Inn, LLC for the lease of real property located at 1830 4<sup>th</sup> Avenue, San Diego, CA. The San Diego Housing Commission is receiving annual payments through 2083 and there are no options for renewal.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Minimum lease payments receivable are as follows:

	Lease Principal	Lease Interest
Year(s) ending June 30, 2023	\$ 1,876	\$ 1,387
2024	1,809	1,369
2025	1,849	1,351
2026	1,395	1,332
2027	1,224	1,315
2028-2032	6,277	6,296
2033-2037	5,163	5,872
2038-2042	5,528	5,474
2043-2047	5,957	5,046
2047-2112	<u>63,985</u>	<u>21,078</u>
	<u>\$ 95,063</u>	<u>\$ 50,520</u>

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

SDHC provides a pension plan which is a defined contribution plan and is intended to be a "governmental plan" as defined by Sections 411(s)(1)(A) and 414(d) of the IRC and Section 3(32) of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The pension plan covers all SDHC employees classified as permanent full time and permanent part time hired to work a minimum of 20 hours per week.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Eligible employees participate on their date of hire. SDHC contributes 14% of defined earnings each pay period for each eligible employee. Contributions (and interest allocated to the employee's account) vest ratably over four years of service, with a year of service defined as an employee completing at least 1,000 hours of service. Any forfeited SDHC contributions and related interest are used to fund a future SDHC pay period contribution. For the fiscal year ended June 30, 2022, covered payroll was \$31,129. Pension expense related to SDHC's required contribution was \$4,328 and plan members contributed \$276 for the fiscal year ended June 30, 2022.

At June 30, 2022, there were 436 participants in the plan, including: 2 inactives receiving benefits, 98 inactives not receiving benefits and 336 active participants, inclusive of 1 active receiving benefits.

The retirement pension benefit is available at normal retirement age (62nd birthday) or upon termination or disability. The retirement pension benefits are determined based upon the



## San Diego Housing Commission

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

vested value of the participant's accumulation accounts at the time of distribution. Distributions must commence no later than April 1st of the calendar year following the calendar year in which the participant attains age seventy and one-half (70½) years of age.

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

**Note 12 - Deferred Compensation Plan (Dollars in Thousands)**

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

SDHC is required to contribute 3.75% of defined earnings for each temporary non-benefited employee and 1% of defined earnings for each permanent employee. SDHC also contributes a 100% matching contribution of elective deferrals up to a maximum of 1.5% for each permanent employee. All contributions by SDHC and the qualified employees are fully vested at the time of contribution. For the fiscal year ended June 30, 2022, SDHC's covered payroll was \$38,362. Deferred compensation expense related to SDHC's required contribution was \$983 and plan members contributed \$2,589 for the fiscal year ended June 30, 2022.

At June 30, 2022, there were 911 participants in the plan, including: 12 inactives receiving benefits, 346 inactives not yet receiving benefits and 498 active participant and 55 participants with a zero ending balance.

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



## San Diego Housing Commission

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

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

Great-West Life & Annuity Insurance Company (Great-West) is the third party trustee of the deferred compensation plan and Retirement Benefits Group is the third party fiduciary. All assets and income of the deferred compensation plan are held in trust by a third party for the exclusive benefit of the participants and their beneficiaries, and per federal law, are not available to SDHC or its creditors. As a result, the plan's assets are not included in SDHC's basic financial statements. The plan assets, however, are included in the Fiduciary Fund basic financial statements. The assets held by the plan had a market value of \$26,130 at June 30, 2022. The plan is audited by an outside firm, and a copy of the audit can be obtained by contacting the San Diego Housing Commission at 1122 Broadway, Suite 300, San Diego, CA 92101.

**Note 13 - Risk Management (Dollars not in Thousands)****Workers' Compensation Insurance**

SDHC is a member of the California Housing Workers' Compensation Authority (CHWCA), which is a self-insurance pool that provides workers' compensation insurance, including employer's liability coverage, to its members with limits of \$750,000 per occurrence. CHWCA also procures excess workers' compensation insurance coverage for all of its members, which provides additional coverage above the self-insurance pool's \$750,000 limit up to the statutory requirements (\$5,000,000 per occurrence).

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

Annual premiums for CHWCA members are approved by the Board of Directors and are determined each year based on the following components:

- Rates per \$100 of payroll for CHWCA's four class codes, as determined annually by CHWCA's independent actuary, are multiplied by each member's estimated payroll by class code to calculate the pure loss premium;



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

- An experience modification factor (ex-mod) is applied to each member's pure loss premium, causing total pure loss premium to change according to the pool's average ex-mod;
- An off-balance factor is applied proportionately to each member's pure loss premium to return total premium to the actuarially-determined total; and
- Each member is allocated their proportionate share of administrative costs, claims servicing, and excess insurance coverage premium.

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

**Property, General Liability and Other Liability Insurance**

SDHC retained the services of various brokers and direct insurers to provide coverage for other identified risks. Deductibles under the policies vary. Claims and deductibles payable were \$0 at June 30, 2022. The amount of claims has not exceeded the insurance coverage purchased; accordingly, no liability is reported for these claims. Settlements have not exceeded coverage for each of the past five fiscal years.

**Note 14 - Net Position (Dollars in Thousands)**

SDHC's net position totaled \$823,413 for the period ending June 30, 2022 and is comprised of the following:

**Net Investment in Capital Assets**

SDHC's net investment in capital assets totaled \$159,314 for the period ending June 30, 2022. This relates to funds spent on capital assets being used for operations of SDHC.

**Restricted Net Position**

SDHC's restricted net position totaled \$233,033 for the period ending June 30, 2022. Of the total amount, \$197,439 is related to HOME - funded notes receivable, \$23,143 is related to CDBG Affordable Housing Revolving Loan Fund (CDBG AHRLF) – funded notes receivable, \$6,130 is related to Neighborhood Stabilization Program (NSP) - funded notes receivable, while \$94 is related to CDBG Loan Management and Homeownership – funded



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

notes receivable and accrued interest receivable net of the related allowance for loan losses.

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

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

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

In addition to HOME, CDBG and NSP grant funds, \$2,851 is restricted for the replacement and operating reserves required by the debt obligations of the LLC's, Otay Villas, Adaptable Housing, Courtyard Apartments and Hotel Sandford projects. The remaining restricted balance, amounting to \$3,376, is related to Veterans Affairs Supportive Housing (VASH), Family Reunification Program (FUP) and Mainstream Vouchers reserves. VASH, FUP, and Mainstream restricted balance is administered in accordance with Housing Choice Vouchers (HCV) requirements.



## San Diego Housing Commission

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

**Unrestricted Net Position**

SDHC's unrestricted net position totaled \$431,066 for the period ending June 30, 2022. Unrestricted net position follows GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", wherein these funds are not included in the determination of net investment in capital assets or the restricted component of net position. In addition, although these funds are defined as unrestricted, these funds are not necessarily indicative of funds available for discretionary use. Of the total unrestricted amount, \$270,609 relates to notes receivable (money due to SDHC, not on-hand and net of allowance for loan loss), \$22,980 relates to loans and grants SDHC has committed to fund (also see Note 16), and the remaining \$137,477 either have federal/state/local programmatic restrictions, are earmarked for property maintenance or are reserves required by the City of San Diego for contingencies.

**Note 15 - Economic Dependency (Dollars in Thousands)**

SDHC receives the majority of its funding from HUD. HUD is subject to the federal budget allocation process each year. For the fiscal year ended June 30, 2022, SDHC's original budget included \$401,231 of estimated HUD funding. A reduction in funding from HUD could significantly change the services provided by SDHC.

**Note 16 - Commitments and Contingencies (Dollars not in Thousands)****Grants**

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

**Loan Commitments**

SDHC has committed funds for loans and grants to various individuals and entities as of June 30, 2022. The amount of loans and grants SDHC has committed to fund, but has not funded as of June 30, 2022, is \$22,980,000.

**Lawsuits and Claims**

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

**Purchases**

On August 1, 2022, SDHC and Anjali Enterprise LLC entered into a Purchase and Sale Agreement for certain real property commonly known as “Ramada Inn” at 3737-3747 Midway Drive, San Diego, California 92110 for a total purchase price of \$11,623,000. The due diligence period expires December 1, 2022. An escrow deposit of \$50,000 was made on August 4, 2022.

**COVID-19 Pandemic**

In 2022, the financial impact of the novel COVID-19 coronavirus continues to be felt both worldwide and in the United States. Throughout the United States businesses in all financial sectors have felt the negative impacts of the COVID-19 pandemic as jobs have been lost due to sheltering in place in order to mitigate the spread of the virus.

While SDHC cannot readily estimate the financial impact that the pandemic will have on its business operations, SDHC does not believe that the Agency’s mission will be adversely impacted as it has received federal stimulus funding to continue providing essential housing assistance to the thousands of families, seniors, veterans and San Diegans at risk of or experiencing homelessness in the City of San Diego.

In fiscal year 2022 SDHC received or has committed to receive, the following funding for coronavirus-related relief programs:

<u>CARES Act funds received by SDHC Directly:</u>	<u>Awarded</u>	<u>Received</u>
CA063-00000820DC	N/A - FY21 Award	\$ 10,165
CA063-00000920DC	N/A - FY21 Award	11,698
CA063-00001020DC	N/A - FY21 Award	7,039
<b>SHDC received funds directly and expended as of 12/31/21</b>	<b>\$ -</b>	<b>\$ 28,902</b>
<u>CARES Act funds to SDHC:</u>	<u>Awarded</u>	<u>Received</u>
<i>Bridge Shelter and related program:</i>		
ESG-CV2 City of San Diego	\$ 3,552,777	\$ -
<b>Total Funds awarded to SDHC as subrecipient - Funds expired 9/30/22</b>	<b>\$ 3,552,777</b>	<b>\$ -</b>





San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

<u>ERA1 - Consolidated Appropriations Act</u>	<u>Awarded</u>	<u>Received</u>
<i>For HSAP from City of San Diego:</i>		
Program	\$ 7,477,753	\$ 7,477,753
Admin	830,862	830,862
	<u>8,308,615</u>	<u>8,308,615</u>
<i>For HSAP from City of San Diego:</i>		
Program	6,420,396	6,420,396
Admin	713,377	713,377
	<u>7,133,773</u>	<u>7,133,773</u>
<i>For HSAP from State:</i>		
Program	N/A - FY21 Award	46,131,710
Admin	N/A - FY21 Award	4,356,884
	<u>-</u>	<u>50,488,594</u>

**ERA1 Funds received by SDHC as subrecipient and Expire 12/29/2022 and will either be spent or returned to the primary recipient by this deadline**

<b><u>\$ 15,442,388</u></b>	<b><u>\$ 65,930,982</u></b>
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<u>ERA2 - American Rescue Plan Act</u>	<u>Awarded</u>	<u>Received</u>
<i>For ARPA from City of San Diego:</i>		
Program	\$ 46,358,204	\$ 46,358,204
Admin	8,180,859	8,180,859
	<u>54,539,063</u>	<u>54,539,063</u>
<i>For ARPA from State:</i>		
Program	34,269,911	34,269,911
Admin	5,442,868	5,442,868
	<u>39,712,779</u>	<u>39,712,779</u>
<i>For ARPA from State:</i>		
Program	23,355,000	23,355,000
Admin	3,645,000	3,645,000
	<u>27,000,000</u>	<u>27,000,000</u>

**ERA2 Funds received by SDHC as subrecipient and Expire 9/30/2025 and will either be spent or returned to the primary recipient by this deadline**

<b><u>\$ 121,251,842</u></b>	<b><u>\$ 121,251,842</u></b>
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## San Diego Housing Commission

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

**Note 17 - Affordable Housing (Dollars not in Thousands)**

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

- Meet a portion of the need for housing that is affordable to households with very-low, low-, and median-incomes;
- Leverage every \$1 of City funds with \$2 of non-City subsidy capital funds;
- Support the City's Balanced Communities Policy by fostering a mix of family incomes in AHF assisted projects and dispersing affordable housing projects throughout the City;
- Preserve and maintain affordable rental and ownership housing; and
- Encourage private sector activities that advance these goals.

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

**The Housing Trust Fund:**

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

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

**Inclusionary Housing Fund:**

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

The following table reflects the condensed statement of revenues, expenses and changes in net position for the fiscal year ended June 30, 2022 for IHF and HTF as required by the AHF Ordinance (San Diego Municipal Code Section 98.0515) and the dollars presented in the table below are in thousands.

	<u>Inclusionary Housing Fund</u>	<u>Housing Trust Fund</u>
<b>Operating Revenues</b>		
Fee revenue	\$ 172	\$ -
Other revenue	<u>150</u>	<u>8</u>
Total operating revenue	<u>322</u>	<u>8</u>
<b>Operating Expenses</b>		
Administrative expenses	1,541	271
Grant expense	2,631	711
Housing assistance	<u>294</u>	<u>-</u>
Total operating expenses	<u>4,466</u>	<u>982</u>
Operating loss	<u>(4,144)</u>	<u>(974)</u>
<b>Non- Operating Revenues</b>		
Grant revenue	12,031	1,564
Interest income on investments and notes receivable	<u>3,571</u>	<u>1,327</u>
Total non-operating revenues	<u>15,602</u>	<u>2,891</u>
Change in net position	<u>\$ 11,458</u>	<u>\$ 1,917</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

**NOTE 18 - Blended Component Units (Dollars not in Thousands)**

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

Building Opportunities

Building Opportunities is a 501(c) (3) California Nonprofit Public Benefit Corporation, which has been classified by the Internal Revenue Service as a public charity. For the fiscal year-ended June 30, 2022, Building Opportunities recorded approximately \$353,000 in other revenue in the statement of revenues, expenses and changes in net position. As of June 30, 2022, there was \$70,000 in unearned revenue.

LLCs

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

A portion of SDHC's larger properties (33 properties) were leveraged with three loans from Fannie Mae under the conventional multifamily loan program and generated \$37,140,000 in total loan proceeds. Another portion of SDHC's portfolio (44 properties) was leveraged under FHA's 223(f) program and generated \$58,243,400 in total loan proceeds. The Fannie Mae loans closed in December 2009; two of the FHA loans closed in August 2010 and one FHA loan closed in September 2010. The loans were obtained by grouping the properties into six Limited Liability Companies. The groupings were primarily based on property location. Each of these LLC loans is nonrecourse.

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

The following are the financial statements of the Blended Component Units of the San Diego Housing Commission for the year ended June 30, 2022:



## San Diego Housing Commission

 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2022

 San Diego Housing Commission - Blended Component Units  
 Balance Sheet  
 June 30, 2022  
 (Dollars in Thousands)

	Belden SDHC FNMA LLC	Northern SDHC FNMA LLC	Central SDHC FNMA LLC	Northern SDHC FHA LLC	Southern SDHC FHA LLC	Central SDHC FHA LLC	Mercado SDHC LLC	SDHC Building Opportunities	Blended Component Units Total
<b>Assets</b>									
Current assets									
Operating cash	\$ 358	\$ 290	\$ 324	\$ 718	\$ 1,145	\$ 839	\$ -	\$ 490	\$ 4,164
Security deposit account	111	94	142	118	214	165	-	-	844
Restricted cash	35	9	70	254	496	398	-	-	1,262
Accounts receivable	128	71	183	174	161	306	-	-	1,023
Allowance for doubtful accounts	(95)	(45)	(122)	(36)	(97)	(238)	-	-	(633)
Prepaid mortgage insurance	-	-	-	21	30	24	-	-	75
Escrow account - MIP	-	-	-	56	80	45	-	-	181
<b>Total current assets</b>	<b>537</b>	<b>419</b>	<b>597</b>	<b>1,305</b>	<b>2,029</b>	<b>1,539</b>	<b>-</b>	<b>490</b>	<b>6,916</b>
Capital assets									
Land	2,226	2,985	3,217	3,691	3,683	3,852	30	-	19,684
Building	1,815	3,252	3,929	5,098	3,901	3,857	-	-	21,852
Building improvements	317	2,434	5,440	5,962	6,628	5,227	-	-	26,008
Office furniture and equipment	59	104	79	55	153	103	-	-	553
Accumulated depreciation	(905)	(2,149)	(4,550)	(5,174)	(5,224)	(4,068)	-	-	(22,070)
<b>Total capital assets</b>	<b>3,512</b>	<b>6,626</b>	<b>8,115</b>	<b>9,632</b>	<b>9,141</b>	<b>8,971</b>	<b>30</b>	<b>-</b>	<b>46,027</b>
<b>Total assets</b>	<b>\$ 4,049</b>	<b>\$ 7,045</b>	<b>\$ 8,712</b>	<b>\$ 10,937</b>	<b>\$ 11,170</b>	<b>\$ 10,510</b>	<b>\$ 30</b>	<b>\$ 490</b>	<b>\$ 52,943</b>



## San Diego Housing Commission

 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2022

 San Diego Housing Commission - Blended Component Units  
 Balance Sheet  
 June 30, 2022  
 (Dollars in Thousands)

	<b>Belden SDHC FNMA LLC</b>	<b>Northern SDHC FNMA LLC</b>	<b>Central SDHC FNMA LLC</b>	<b>Northern SDHC FHA LLC</b>	<b>Southern SDHC FHA LLC</b>	<b>Central SDHC FHA LLC</b>	<b>Mercado SDHC LLC</b>	<b>SDHC Building Opportunities</b>	<b>Blended Component Units Total</b>
<b><u>Liabilities</u></b>									
Current liabilities									
Accounts payable	\$ 299	\$ 171	\$ 180	\$ 293	\$ 298	\$ 506	\$ -	\$ 4	\$ 1,751
Related party payable	55	85	189	94	212	195	-	412	1,242
Accrued interest payable	62	54	70	44	62	38	-	-	330
First mortgage - current portion	291	255	331	382	547	346	-	-	2,152
Prepaid revenue	33	23	26	37	56	35	-	70	280
Tenant security deposits	111	94	141	118	214	165	-	-	843
<b>Total current liabilities</b>	<b>851</b>	<b>682</b>	<b>937</b>	<b>968</b>	<b>1,389</b>	<b>1,285</b>	<b>-</b>	<b>486</b>	<b>6,598</b>
Long -term liabilities									
First mortgage payable, net	9,660	8,473	10,940	13,266	18,981	11,890	-	-	73,210
<b>Total liabilities</b>	<b>10,511</b>	<b>9,155</b>	<b>11,877</b>	<b>14,234</b>	<b>20,370</b>	<b>13,175</b>	<b>-</b>	<b>486</b>	<b>79,808</b>
<b><u>Net Position</u></b>									
Net investment in capital assets	(6,516)	(2,174)	(3,289)	(4,302)	(10,778)	(3,526)	30	-	(30,555)
Restricted net position	33	9	70	255	496	398	-	-	1,261
Unrestricted net position	21	55	54	750	1,082	463	-	4	2,429
<b>Total net position</b>	<b>(6,462)</b>	<b>(2,110)</b>	<b>(3,165)</b>	<b>(3,297)</b>	<b>(9,200)</b>	<b>(2,665)</b>	<b>30</b>	<b>4</b>	<b>(26,865)</b>
<b>Total liabilities and net position</b>	<b>\$ 4,049</b>	<b>\$ 7,045</b>	<b>\$ 8,712</b>	<b>\$ 10,937</b>	<b>\$ 11,170</b>	<b>\$ 10,510</b>	<b>\$ 30</b>	<b>\$ 490</b>	<b>\$ 52,943</b>



## San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2022San Diego Housing Commission - Blended Component Units  
Statement of Operations  
For the Year Ended June 30, 2022  
(Dollars in Thousands)

	Belden SDHC FNMA LLC	Northern SDHC FNMA LLC	Central SDHC FNMA LLC	Northern SDHC FHA LLC	Southern SDHC FHA LLC	Central SDHC FHA LLC	Mercado SDHC LLC	SDHC Building Opportunities	Blended Component Units Total
<b><u>Operating Income</u></b>									
Rental income	\$ 2,510	\$ 2,283	\$ 3,262	\$ 3,163	\$ 5,136	\$ 4,050	\$ -	\$ -	\$ 20,404
Other income	246	24	22	350	299	114	-	-	1,055
<b>Total operating income</b>	<b>2,756</b>	<b>2,307</b>	<b>3,284</b>	<b>3,513</b>	<b>5,435</b>	<b>4,164</b>	<b>-</b>	<b>-</b>	<b>21,459</b>
<b><u>Expenses</u></b>									
Operating expenses									
Salaries and benefits	297	270	489	341	523	537	-	-	2,457
Management fee	126	115	164	160	259	203	-	-	1,027
Other administration	99	44	57	83	102	128	2	-	515
Utilities	258	202	221	276	446	406	-	3	1,812
Repairs and maintenance	536	384	847	880	1,035	1,306	-	-	4,988
Protective services	37	33	-	-	69	213	-	-	352
Insurance	74	51	54	56	85	67	-	-	387
Depreciation	77	273	505	581	617	500	-	-	2,553
Bad debt expense	91	(12)	65	1	45	61	-	-	251
<b>Total operating expenses</b>	<b>1,595</b>	<b>1,360</b>	<b>2,402</b>	<b>2,378</b>	<b>3,181</b>	<b>3,421</b>	<b>2</b>	<b>3</b>	<b>14,342</b>
<b>Operating income (loss)</b>	<b>1,161</b>	<b>947</b>	<b>882</b>	<b>1,135</b>	<b>2,254</b>	<b>743</b>	<b>(2)</b>	<b>(3)</b>	<b>7,117</b>
Non-Operating revenues (expenses)									
Grant revenue	-	-	-	-	-	-	-	353	353
Grant expense	-	-	-	-	-	-	-	(409)	(409)
Interest expense	(743)	(652)	(845)	(530)	(758)	(462)	-	-	(3,990)
Mortgage insurance	-	-	-	(64)	(91)	(57)	-	-	(212)
Amortized loan fees	(5)	(5)	(9)	(18)	(24)	(16)	-	-	(77)
Entity taxes and fees	(7)	(7)	(7)	(7)	(13)	(7)	(1)	-	(49)
<b>Total Non-Operating revenues (expenses)</b>	<b>(755)</b>	<b>(664)</b>	<b>(861)</b>	<b>(619)</b>	<b>(886)</b>	<b>(542)</b>	<b>(1)</b>	<b>(56)</b>	<b>(4,384)</b>
<b>Net income (loss)</b>	<b>406</b>	<b>283</b>	<b>21</b>	<b>516</b>	<b>1,368</b>	<b>201</b>	<b>(3)</b>	<b>(59)</b>	<b>2,733</b>
<b>Net operating transfers in (out)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>3</b>
<b>Net income (loss) net of financing sources</b>	<b>\$ 406</b>	<b>\$ 283</b>	<b>\$ 21</b>	<b>\$ 516</b>	<b>\$ 1,368</b>	<b>\$ 201</b>	<b>\$ -</b>	<b>\$ (59)</b>	<b>\$ 2,736</b>



## San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2022San Diego Housing Commission - Blended Component Units  
Statement of Cash Flows  
For the Year Ended June 30, 2022  
(Dollars in Thousands)

	Belden SDHC FNMA LLC	Northern SDHC FNMA LLC	Central SDHC FNMA LLC	Northern SDHC FHA LLC	Southern SDHC FHA LLC	Central SDHC FHA LLC	Mercado SDHC LLC	SDHC Building Opportunities	Blended Component Units Total
Cash flow information									
Operating receipts	\$ 2,741	\$ 2,282	\$ 3,247	\$ 3,367	\$ 5,415	\$ 4,192	\$ -	\$ 353	\$ 21,597
Operating expenses paid	(2,199)	(1,680)	(2,619)	(2,278)	(3,305)	(3,308)	-	(2)	(15,391)
Cash flows from operating activities	542	602	628	1,089	2,110	884	-	351	6,206
Net withdrawals	99	-	(32)	30	158	96	-	-	351
Net purchases	(2)	7	(23)	1	(10)	10	-	-	(17)
Cash flows from investing activities	97	7	(55)	31	148	106	-	-	334
Debt principal payments	(271)	(237)	(308)	(368)	(527)	(334)	-	-	(2,045)
Distribution	(531)	(451)	(629)	(1,000)	(2,104)	(968)	-	-	(5,683)
Contribution	69	44	135	81	81	91	-	-	501
Cash flows from capital and related financing activities	(733)	(644)	(802)	(1,287)	(2,550)	(1,211)	-	-	(7,227)
Net increase (decrease) in cash and restricted cash	(94)	(35)	(229)	(167)	(292)	(221)	-	351	(687)
Cash and restricted cash - beginning	563	419	695	1,003	1,651	1,225	-	139	5,695
Cash and restricted cash - end	\$ 469	\$ 384	\$ 466	\$ 836	\$ 1,359	\$ 1,004	\$ -	\$ 490	\$ 5,008





## San Diego Housing Commission

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

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

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

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



## San Diego Housing Commission

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

**Reconciliation of HDP Discrete Component Unit Presentation  
Statement of Net Position  
As of December 31, 2021**

	<u>Component Unit</u>	<u>HDP Audit Presentation</u>	<u>Variance</u>
<u>Assets</u>			
Current assets			
Cash and cash equivalents	\$ 18,004	\$ 18,004	\$ -
Restricted cash and cash equivalents	995	995	-
Accounts receivable - tenants, net	117	117	-
Accounts receivable - funding sources	53	53	-
Accounts receivable - other	851	851	-
Prepaid items and other assets	524	524	-
Total current assets	<u>20,544</u>	<u>20,544</u>	<u>-</u>
Noncurrent assets			
Restricted cash and cash equivalents	9,438	9,438	-
Investment in partnerships	67	67	-
Other assets	3,084	3,084	-
Capital assets not being depreciated	4,702	4,702	-
Capital assets, net of accumulated depreciation	134,348	134,348	-
Total noncurrent assets	<u>151,639</u>	<u>151,639</u>	<u>-</u>
Total assets	<u>\$ 172,183</u>	<u>\$ 172,183</u>	<u>\$ -</u>
<u>Liabilities</u>			
Current liabilities			
Accounts payable	3,349	3,349	-
Accounts payable - funding sources	8	8	-
Accrued payroll and benefits	36	36	-
Accrued interest payable	254	254	-
Notes payable, current portion	20,275	20,275	-
Deposits payable	654	654	-
Unearned revenue	232	232	-
Total current liabilities	<u>24,808</u>	<u>24,808</u>	<u>-</u>
Noncurrent liabilities			
Accrued interest payable - noncurrent	9,581	5,133	(4,448)
Notes payable noncurrent, net	153,850	108,540	(45,310)
Other liabilities	11,862	11,862	-
Total noncurrent liabilities	<u>175,293</u>	<u>125,535</u>	<u>(49,758)</u>
Total liabilities	<u>\$ 200,101</u>	<u>\$ 150,343</u>	<u>\$ (49,758)</u>
<u>Net Position</u>			
Restricted			
Non-controlling interest - tax credit partnerships	27,320	27,320	-
Unrestricted			
	<u>(55,238)</u>	<u>(5,480)</u>	<u>49,758</u>
Total net position	<u>\$ (27,918)</u>	<u>\$ 21,840</u>	<u>\$ 49,758</u>
Total liabilities and net position	<u>\$ 172,183</u>	<u>\$ 172,183</u>	<u>\$ -</u>



## San Diego Housing Commission

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

**Reconciliation of HDP Discrete Component Unit Presentation  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended December 31, 2021**

	Component Unit	HDP Audit Presentation	Variance
Operating revenues			
Dwelling rental income	\$ 16,455	\$ 16,455	\$ -
Land lease and other rental income	142	142	-
Fee revenue	1,637	1,637	-
Other revenue	260	260	-
Grant revenue	-	383	383
Interest income	-	5	5
Total operating revenues	<u>18,494</u>	<u>18,882</u>	<u>388</u>
Operating expenses			
Administrative expenses	4,820	-	(4,820)
Tenant services	252	-	(252)
Asset management	4,866	-	(4,866)
General expenses	1,274	-	(1,274)
Depreciation	4,765	4,765	-
Program services	-	8,273	8,273
Management and general	-	2,718	2,718
Interest expense	-	4,804	4,804
Total operating expenses	<u>15,977</u>	<u>20,560</u>	<u>4,583</u>
Operating income (loss)	<u>2,517</u>	<u>(1,678)</u>	<u>(4,195)</u>
Nonoperating revenues (expenses)			
Grant revenue	383	-	(383)
Interest income on investments and notes receivable	5	-	(5)
Interest expense	(6,630)	-	6,630
Total nonoperating revenues (expenses)	<u>(6,242)</u>	<u>-</u>	<u>6,242</u>
Change in net position before capital transactions	(3,725)	(1,678)	2,047
Contributions, net of distributions	3,505	3,359	(146)
Transfer of properties to component unit	-	-	-
Change in net position	(220)	1,681	1,901
Net position			
Beginning of year	<u>(27,698)</u>	<u>20,159</u>	<u>47,857</u>
End of year	<u>\$ (27,918)</u>	<u>\$ 21,840</u>	<u>\$ 49,758</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

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

<u>Type of Obligation</u>		<u>HDP Balance, 12/31/2021</u>	<u>Additions</u>	<u>Payments</u>	<u>SDHC Balance, 6/30/2022</u>
<b>SALARIES PAYABLE AND OTHER PAYABLES</b>					
<u>Debts of Housing Development Partners of San Diego</u>					
San Diego Housing Commission		\$ 400	\$ 819	\$ (1,066)	\$ 153
<b>ACCRUED INTEREST PAYABLE AND NOTES PAYABLE</b>					
<u>Debts of HDP Mason Housing Corporation</u>					
San Diego Housing Commission	Principal	2,457	-	(23)	2,434
San Diego Housing Commission	Interest	720	37	-	757
<u>Debts of Casa Colina, LP</u>					
San Diego Housing Commission	Principal	1,122	-	(62)	1,060
San Diego Housing Commission	Interest	17	17	(33)	1
<u>Debts of Logan Development II, LP</u>					
San Diego Housing Commission	Principal	1,400	-	-	1,400
San Diego Housing Commission	Interest	1,469	42	(49)	1,462
<u>Debts of HDP Churchill, LP</u>					
San Diego Housing Commission	Principal	5,992	-	(36)	5,956
San Diego Housing Commission	Interest	665	90	(64)	691
<u>Debts of HDP New Palace, LP</u>					
San Diego Housing Commission	Principal	3,100	-	-	3,100
San Diego Housing Commission	Interest	340	62	(56)	346
<u>Debts of HDP Town &amp; Country, LP</u>					
San Diego Housing Commission	Principal	13,250	-	-	13,250
San Diego Housing Commission	Interest	2,542	533	-	3,075
<u>Debts of HDP Quality Inn, LLC</u>					
San Diego Housing Commission	Principal	4,632	608	-	5,240
San Diego Housing Commission	Interest	345	97	(50)	392
<u>Debts of HDP West Park, LP</u>					
San Diego Housing Commission	Principal	3,593	-	-	3,593
San Diego Housing Commission	Interest	150	72	-	222
<u>Debts of HDP Mariner's Village, LP</u>					
San Diego Housing Commission	Principal	29,800	-	-	29,800
San Diego Housing Commission	Interest	1,834	497	-	2,331
<u>Debts of HDP ADU, LLC</u>					
San Diego Housing Commission	Principal	2,260	-	-	2,260
San Diego Housing Commission	Interest	72	34	(29)	77
		<u>\$ 76,160</u>	<u>\$ 2,908</u>	<u>\$ (1,468)</u>	<u>\$ 77,600</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

**Note 20 - Subsequent Events (Dollars in Thousands)**

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management evaluated the activity of SDHC through November 3, 2022, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



SAN DIEGO  
HOUSING  
COMMISSION

# Supplementary Information



## We're About People

The San Diego Housing Commission (SDHC) administered and operated the City of San Diego COVID-19 Housing Stability Assistance Program to help pay rent and utilities for households with low income that experience financial hardship due to or during the COVID-19 pandemic. The program launched March 15, 2021, and as of August 31, 2022, SDHC disbursed payments totaling more than \$218 million to help more than 18,300 eligible households.





San Diego Housing Commission  
 COMBINING SCHEDULE OF NET POSITION - ENTERPRISE FUNDS  
 June 30, 2022  
 (Dollars in Thousands)

	<u>Business activities</u>	<u>Federal funds</u>	<u>State funds</u>	<u>Eliminations</u>	<u>Primary Government</u>
<u>Assets and Deferred Outflows</u>					
Current assets					
Cash and cash equivalents	\$ 37,913	\$ 384	\$ (1,627)	\$ -	\$ 36,670
Restricted cash and cash equivalents	2,882	560	-	-	3,442
Short-term investments	13,354	22,611	16,074	-	52,039
Accounts receivable - tenants, net	407	638	-	-	1,045
Accounts receivable - funding sources	11,259	11,272	6,436	(1,240)	27,727
Accounts receivable - other	2,756	926	-	-	3,682
Lease receivable - current	1,835	41	-	-	1,876
Notes and mortgages receivable, current portion	58	-	-	-	58
Accrued interest receivable - investments	89	89	-	-	178
Prepaid items and other assets	4,420	-	-	-	4,420
Total current assets	74,973	36,521	20,883	(1,240)	131,137
Noncurrent assets					
Restricted cash and cash equivalents - noncurrent	81	-	-	-	81
Lease receivable - noncurrent	90,455	2,732	-	-	93,187
Long-term investments	64,994	18,833	2,302	-	86,129
Accrued interest receivable - notes and mortgages receivable	32,245	35,234	1,789	-	69,268
Notes and mortgages receivable, net of allowance for loan losses	204,122	214,300	9,666	-	428,088
Other assets	6	-	-	-	6
Capital assets not being depreciated	105,449	3,718	-	-	109,167
Capital assets, net of accumulated depreciation	175,321	16,133	-	-	191,454
Total noncurrent assets	672,673	290,950	13,757	-	977,380
Total assets	\$ 747,646	\$ 327,471	\$ 34,640	\$ (1,240)	\$ 1,108,517
Deferred outflows of resources	\$ -	\$ -	\$ -	\$ -	\$ -
Total assets and deferred outflows	\$ 747,646	\$ 327,471	\$ 34,640	\$ (1,240)	\$ 1,108,517



San Diego Housing Commission  
 COMBINING SCHEDULE OF NET POSITION - ENTERPRISE FUNDS - CONTINUED  
 June 30, 2022  
 (Dollars in Thousands)

<u>Liabilities and Deferred Inflows</u>	<u>Business activities</u>	<u>Federal funds</u>	<u>State funds</u>	<u>Eliminations</u>	<u>Primary Government</u>
Current liabilities					
Accounts payable	\$ 8,775	\$ 3,473	\$ 3,943	\$ (1,240)	\$ 14,951
Accounts payable - funding sources	(3,565)	3,653	-	-	88
Accrued payroll and benefits	1,637	848	-	-	2,485
Accrued compensated absences	3,887	-	-	-	3,887
Accrued interest payable	484	19	-	-	503
Notes payable, current portion	3,293	-	-	-	3,293
Deposits payable	2,242	104	-	-	2,346
Unearned revenue	3,091	5,479	16,817	-	25,387
Other current liabilities	92	-	-	-	92
Total current liabilities	19,936	13,576	20,760	(1,240)	53,032
Noncurrent liabilities					
Accrued interest payable - noncurrent	656	983	-	-	1,639
Notes payable noncurrent, net	131,543	4,555	-	-	136,098
Other liabilities	-	560	-	-	560
Total noncurrent liabilities	132,199	6,098	-	-	138,297
Total liabilities	\$ 152,135	\$ 19,674	\$ 20,760	\$ (1,240)	\$ 191,329
Deferred inflows of resources	\$ 91,021	\$ 2,754	\$ -	\$ -	\$ 93,775
Total liabilities and deferred inflows	\$ 243,156	\$ 22,428	\$ 20,760	\$ (1,240)	\$ 285,104





San Diego Housing Commission  
 COMBINING SCHEDULE OF NET POSITION - ENTERPRISE FUNDS - CONTINUED  
 June 30, 2022  
 (Dollars in Thousands)

	<u>Business activities</u>	<u>Federal funds</u>	<u>State funds</u>	<u>Eliminations</u>	<u>Primary Government</u>
<u>Net Position</u>					
Net investment in capital assets	144,018	15,296	-	-	159,314
Restricted					
HOME notes receivable reserve	-	197,439	-	-	197,439
NSP notes receivable reserve	-	6,130	-	-	6,130
CDBG notes receivable reserve	-	23,237	-	-	23,237
Replacement reserves	1,530	1,321	-	-	2,851
VASH, FUP and Mainstream housing assistance reserves	-	3,376	-	-	3,376
Total restricted	1,530	231,503	-	-	233,033
Unrestricted	358,942	58,244	13,880	-	431,066
Total net position	<u>\$ 504,490</u>	<u>\$ 305,043</u>	<u>\$ 13,880</u>	<u>\$ -</u>	<u>\$ 823,413</u>
Total liabilities, deferred inflows and net position	<u>\$ 747,646</u>	<u>\$ 327,471</u>	<u>\$ 34,640</u>	<u>\$ (1,240)</u>	<u>\$ 1,108,517</u>



San Diego Housing Commission  
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUNDS  
 Year Ended June 30, 2022  
 (Dollars in Thousands)

	<b>Business activities</b>	<b>Federal funds</b>	<b>State funds</b>	<b>Eliminations</b>	<b>Primary Government</b>
Operating revenues					
Dwelling rental income	\$ 35,466	\$ 1,175	\$ -	\$ -	\$ 36,641
Land lease and other rental income	4,453	100	-	-	4,553
Fee revenue	5,677	20	3	(1,043)	4,657
Other revenue	5,057	5,774	-	(2)	10,829
Total operating revenues	<u>50,653</u>	<u>7,069</u>	<u>3</u>	<u>(1,045)</u>	<u>56,680</u>
Operating expenses					
Administrative expenses	23,523	40,267	1,330	(1,044)	64,076
Tenant services	762	1,419	-	-	2,181
Asset management	17,347	9,074	827	-	27,248
General expenses	2,818	861	22	-	3,701
Grant expense	11,579	17,229	9,446	(1)	38,253
Housing assistance	294	389,250	12,424	-	401,968
Depreciation	9,059	1,624	-	-	10,683
Total operating expenses	<u>65,382</u>	<u>459,724</u>	<u>24,049</u>	<u>(1,045)</u>	<u>548,110</u>
Operating loss	<u>(14,729)</u>	<u>(452,655)</u>	<u>(24,046)</u>	<u>-</u>	<u>(491,430)</u>



San Diego Housing Commission  
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUNDS - CONTINUED  
 Year Ended June 30, 2022  
 (Dollars in Thousands)

	<b>Business activities</b>	<b>Federal funds</b>	<b>State funds</b>	<b>Eliminations</b>	<b>Primary Government</b>
Nonoperating revenues (expenses)					
Grant revenue	20,930	460,558	25,565	-	507,053
Interest income on investments and notes receivable	5,910	4,791	392	-	11,093
Interest expense and other expenses	(6,177)	(907)	-	-	(7,084)
Loss on sale of capital assets	(28)	-	-	-	(28)
	<u>20,635</u>	<u>464,442</u>	<u>25,957</u>	<u>-</u>	<u>511,034</u>
Total nonoperating revenues (expenses)					
Income (loss) before capital transactions	5,906	11,787	1,911	-	19,604
Gain on transfer of properties to component unit	-	-	-	-	-
	<u>5,906</u>	<u>11,787</u>	<u>1,911</u>	<u>-</u>	<u>19,604</u>
Income before operating transfers					
Operating transfers in	13,264	229,199	(91)	-	242,372
Operating transfers out	(10,090)	(232,373)	91	-	(242,372)
	<u>9,080</u>	<u>8,613</u>	<u>1,911</u>	<u>-</u>	<u>19,604</u>
Change in net position					
Net position - beginning of year	495,410	296,430	11,969	-	803,809
Net position - end of year	<u>\$ 504,490</u>	<u>\$ 305,043</u>	<u>\$ 13,880</u>	<u>\$ -</u>	<u>\$ 823,413</u>



San Diego Housing Commission  
 COMBINING SCHEDULE OF CASH FLOWS - ENTERPRISE FUNDS  
 Year Ended June 30, 2022  
 (Dollars in Thousands)

	<u>Business activities</u>	<u>Federal funds</u>	<u>State funds</u>	<u>Primary Government</u>
<b>Cash flows from operating activities</b>				
Cash received from tenants and other revenue	\$ 48,996	\$ 7,050	\$ 16	\$ 56,062
Cash payments to suppliers for goods and services	(33,551)	(442,427)	(3,316)	(479,294)
Cash payments to employees for services	(24,899)	(41,007)	(1,352)	(67,258)
Net cash provided by (used for) operating activities	<u>(9,454)</u>	<u>(476,384)</u>	<u>(4,652)</u>	<u>(490,490)</u>
<b>Cash flows from capital and related financing activities</b>				
Principal paid on notes payable	(3,583)	-	-	(3,583)
Acquisition and construction of capital assets	(3,849)	(122)	-	(3,971)
Interest payments	(6,134)	(815)	-	(6,949)
Net cash provided by (used for) capital and related financing activities	<u>(13,566)</u>	<u>(937)</u>	<u>-</u>	<u>(14,503)</u>
<b>Cash flows from noncapital financing activities</b>				
Cash received from grants	17,508	453,035	22,877	493,420
Net cash provided by noncapital financing activities	<u>17,508</u>	<u>453,035</u>	<u>22,877</u>	<u>493,420</u>
<b>Cash flows from investing activities</b>				
Interest on investments and notes receivable	2,263	1,152	275	3,690
Collection of notes receivable	993	4,287	715	5,995
Cash loaned on notes receivable	(7,400)	(10,539)	(2,609)	(20,548)
Purchases of investments	(21,647)	(16,333)	(5,826)	(43,806)
Proceeds from sale of investments	14,967	45,938	(12,407)	48,498
Net cash provided by (used for) investing activities	<u>(10,824)</u>	<u>24,505</u>	<u>(19,852)</u>	<u>(6,171)</u>
Net increase (decrease) in cash and cash equivalents	(16,336)	219	(1,627)	(17,744)
<b>Cash and cash equivalents</b>				
Beginning of year	57,212	725	-	57,937
End of year	<u>\$ 40,876</u>	<u>\$ 944</u>	<u>\$ (1,627)</u>	<u>\$ 40,193</u>
<b>Financial statement presentation</b>				
Cash and cash equivalents				\$ 36,670
Restricted cash and cash equivalents				3,523
Total cash and cash equivalents				<u>\$ 40,193</u>



San Diego Housing Commission  
 COMBINING SCHEDULE OF CASH FLOWS - ENTERPRISE FUNDS - CONTINUED  
 Year Ended June 30, 2022  
 (Dollars in Thousands)

	<u>Business activities</u>	<u>Federal funds</u>	<u>State funds</u>	<u>Primary Government</u>
Reconciliation of operating loss to net cash used for operating activities				
Operating loss	\$ (14,729)	\$ (452,655)	\$ (24,046)	\$ (491,430)
Adjustments to reconcile operating loss to net cash used for operating activities:				
Depreciation	9,059	1,624	-	10,683
Amortization	78	-	-	78
Allowance for accounts receivable	(612)	(47)	-	(659)
Provision for loan losses	193	151	20	364
Forgiveness of notes payable	(696)	-	-	(696)
Allowance for forgivable loans	337	182	11	530
Changes in operating assets and liabilities:				
Decrease (increase) in tenant receivables	(774)	180	-	(594)
Decrease (increase) in other receivables	(2,274)	(1,339)	14	(3,599)
Decrease (increase) in prepaid items and other assets	(390)	-	-	(390)
Increase (decrease) in accounts payable	(2,157)	446	2,533	822
Increase (decrease) in accrued payroll and benefits	344	122	-	466
Increase (decrease) in deposits payable	73	5	(1)	77
Increase (decrease) in unearned revenue	2,096	(25,034)	16,817	(6,121)
Increase (decrease) in other liabilities	(2)	(19)	-	(21)
Net cash used for operating activities	<u>\$ (9,454)</u>	<u>\$ (476,384)</u>	<u>\$ (4,652)</u>	<u>\$ (490,490)</u>
Supplemental disclosure of cash flow information:				
Noncash capital and related financing activities :				
Decrease in note payable forgiven	<u>\$ (696)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (696)</u>
Total noncash capital and related financing activities	<u>\$ (696)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (696)</u>



San Diego Housing Commission  
 Combining Schedule of Fiduciary Net Position  
 June 30, 2022  
 (Dollars in Thousands)

	<u>Pension Trust</u>	<u>Deferred Compensation Plan</u>	<u>Total</u>
<b>Assets</b>			
Cash and investments:			
Mutal funds	\$ 45,408	\$ -	\$ 45,408
Common collective trust funds	6,744	-	6,744
Participant directed brokerage accounts	2,137	1,596	3,733
Pooled separate accounts, at fair value	-	19,487	19,487
Guaranteed interest accounts, at contract value	-	4,588	4,588
Guaranteed interest accounts, at fair value	-	459	459
Cash	14	-	14
Total Cash and investments	<u>54,303</u>	<u>26,130</u>	<u>80,433</u>
Receivables:			
Notes receivable from participants	-	831	831
Total receivables	<u>-</u>	<u>831</u>	<u>831</u>
Total assets	<u>\$ 54,303</u>	<u>\$ 26,961</u>	<u>\$ 81,264</u>
<b>Liabilities</b>			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fiduciary net position	<u>\$ 54,303</u>	<u>\$ 26,961</u>	<u>\$ 81,264</u>
<b>Restricted for</b>			
Pension	\$ 54,303	\$ -	\$ 54,303
Other employee benefit other than pension	-	26,961	26,961
	<u>\$ 54,303</u>	<u>\$ 26,961</u>	<u>\$ 81,264</u>



San Diego Housing Commission  
Combining Schedule of Changes in Fiduciary Net Position  
Year Ended June 30, 2022  
(Dollars in Thousands)

	<u>Pension Trust</u>	<u>Deferred Compensation Plan</u>	<u>Total</u>
Additions to net position			
Investment income:			
Interest and dividends	\$ 1,163	\$ 1,221	\$ 2,384
Net depreciation in fair value of investments	<u>(9,569)</u>	<u>(4,848)</u>	<u>(14,417)</u>
Total investment loss	(8,406)	(3,627)	(12,033)
Interest on notes receivable from participants	-	38	38
Contributions:			
Employer contributions	4,328	983	5,311
Participant contributions	276	2,342	2,618
Rollover contributions	<u>1</u>	<u>247</u>	<u>248</u>
Total contributions	4,605	3,572	8,177
Total additions	(3,801)	(17)	(3,818)
Deductions from net position			
Benefits paid directly to participants or beneficiaries, including direct rollovers	2,155	1,769	3,924
Administrative fees and expenses	<u>53</u>	<u>82</u>	<u>135</u>
	2,208	1,851	4,059
Change in net position	(6,009)	(1,868)	(7,877)
Fiduciary net position			
Beginning of year	60,312	28,829	89,141
End of year	<u>\$ 54,303</u>	<u>\$ 26,961</u>	<u>\$ 81,264</u>

**FINANCIAL DATA SCHEDULE**



San Diego Housing Commission (CA063)  
SAN DIEGO, CA  
Entity Wide Balance Sheet Summary  
Fiscal Year End: 06/30/2022

	Project Total	14.PHC Public Housing CARES Act Funding	14.CFP MTW Demonstration Program for Capital Fund	14.218 Community Development Block Grants/Entitlement Grants	14.MSC Mainstream CARES Act Funding	6.1 Component Unit Discretely Presented	6.2 Component Unit Blended	21.019 Coronavirus Relief Fund	1 Business Activities	2 State/Local
111 Cash - Unrestricted						\$18,004,480	\$4,163,718		\$29,965,962	
112 Cash - Restricted - Modernization and Development										
113 Cash - Other Restricted						\$9,759,241	\$1,262,338		\$2,504,402	
114 Cash - Tenant Security Deposits						\$673,592	\$843,248		\$509,093	
115 Cash - Restricted for Payment of Current Liabilities										
100 Total Cash	\$0	\$0	\$0	\$0	\$0	\$28,437,313	\$6,269,304	\$0	\$32,979,457	\$0
121 Accounts Receivable - PHA Projects										
122 Accounts Receivable - HUD Other Projects						\$52,787				
124 Accounts Receivable - Other Government	\$69,716			\$1,740,971					\$10,016,650	\$6,436,022
125 Accounts Receivable - Miscellaneous						\$851,154	\$182,182		\$5,649,624	
126 Accounts Receivable - Tenants	\$15,883					\$404,644	\$218,706		\$463,452	
126.1 Allowance for Doubtful Accounts - Tenants	-\$778					-\$287,492	-\$10,104		-\$264,623	
126.2 Allowance for Doubtful Accounts - Other	\$0			\$0		\$0	\$0		\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current									\$58,217	
128 Fraud Recovery										
128.1 Allowance for Doubtful Accounts - Fraud										
129 Accrued Interest Receivable				\$3,157,949					\$32,408,858	\$1,714,326
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$84,821	\$0	\$0	\$4,898,920	\$0	\$1,021,093	\$390,784	\$0	\$48,334,178	\$8,150,348
131 Investments - Unrestricted	\$10,333,996			\$1,271,475		\$66,514			\$78,348,459	\$18,376,213
132 Investments - Restricted										
135 Investments - Restricted for Payment of Current Liability										
142 Prepaid Expenses and Other Assets						\$524,005	\$255,324		\$4,164,452	
143 Inventories										
143.1 Allowance for Obsolete Inventories										
144 Inter Program Due From										
145 Assets Held for Sale										
150 Total Current Assets	\$10,418,817	\$0	\$0	\$6,170,395	\$0	\$30,048,925	\$6,915,412	\$0	\$163,826,546	\$26,526,561
161 Land	\$3,279,738					\$4,476,568	\$19,684,285		\$85,652,550	
162 Buildings	\$22,417,635					\$149,753,089	\$47,859,996		\$189,194,204	
163 Furniture, Equipment & Machinery - Dwellings	\$13,500					\$8,517,177	\$553,189		\$2,192,714	
164 Furniture, Equipment & Machinery - Administration									\$3,924,540	
165 Leasehold Improvements						\$10,863				
166 Accumulated Depreciation	-\$10,118,972					-\$23,933,000	-\$22,070,295		-\$46,333,788	
167 Construction in Progress	\$16,375					\$225,081			\$111,837	
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	\$15,608,276	\$0	\$0	\$0	\$0	\$139,049,778	\$46,027,175	\$0	\$234,742,057	\$0
171 Notes, Loans and Mortgages Receivable - Non-Current				\$26,999,979					\$205,744,833	\$8,042,905
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due										
173 Grants Receivable - Non Current										
174 Other Assets						\$3,084,434			\$90,461,558	
176 Investments in Joint Ventures									\$0	
180 Total Non-Current Assets	\$15,608,276	\$0	\$0	\$26,999,979	\$0	\$142,134,212	\$46,027,175	\$0	\$530,948,448	\$8,042,905
200 Deferred Outflow of Resources										
290 Total Assets and Deferred Outflow of Resources	\$26,027,093	\$0	\$0	\$33,170,374	\$0	\$172,183,137	\$52,942,587	\$0	\$694,774,994	\$34,569,466

San Diego Housing Commission (CA063)  
SAN DIEGO, CA  
Entity Wide Balance Sheet Summary  
Fiscal Year End: 06/30/2022

	91 Other Federal Program 3	14.267 Continuum of Care Program	9 Other Federal Program 2	93.602 New Assets for Independence Demonstration Program	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.OPS MTW Demonstration Program for Low Rent	14.870 Resident Opportunity and Supportive Services	14.231 Emergency Shelter Grants Program	14.CMT CARES Act Funding Transferred to MTW
111 Cash - Unrestricted										
112 Cash - Restricted - Modernization and Development										
113 Cash - Other Restricted					\$100					
114 Cash - Tenant Security Deposits										
115 Cash - Restricted for Payment of Current Liabilities										
100 Total Cash	\$0	\$0	\$0	\$0	\$100	\$0	\$0	\$0	\$0	\$0
121 Accounts Receivable - PHA Projects										
122 Accounts Receivable - HUD Other Projects	\$0				\$179,384					
124 Accounts Receivable - Other Government		\$1,270,449						\$7,635	\$3,504,101	
125 Accounts Receivable - Miscellaneous					\$3,401	\$40,658				
126 Accounts Receivable - Tenants					\$24,672					
126.1 Allowance for Doubtful Accounts - Tenants					\$0					
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0			\$0	\$0		\$0	\$0	
127 Notes, Loans, & Mortgages Receivable - Current										
128 Fraud Recovery										
128.1 Allowance for Doubtful Accounts - Fraud										
129 Accrued Interest Receivable						\$32,076,192				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$1,270,449	\$0	\$0	\$207,457	\$32,116,850	\$0	\$7,635	\$3,504,101	\$0
131 Investments - Unrestricted			\$21,625		\$150,118	\$12,359,669				
132 Investments - Restricted										
135 Investments - Restricted for Payment of Current Liability										
142 Prepaid Expenses and Other Assets										
143 Inventories										
143.1 Allowance for Obsolete Inventories										
144 Inter Program Due From										
145 Assets Held for Sale										
150 Total Current Assets	\$0	\$1,270,449	\$21,625	\$0	\$357,675	\$44,476,519	\$0	\$7,635	\$3,504,101	\$0
161 Land										
162 Buildings										
163 Furniture, Equipment & Machinery - Dwellings										
164 Furniture, Equipment & Machinery - Administration										
165 Leasehold Improvements										
166 Accumulated Depreciation										
167 Construction in Progress										
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
171 Notes, Loans and Mortgages Receivable - Non-Current						\$187,300,154				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due										
173 Grants Receivable - Non Current										
174 Other Assets						\$2,732,185				
176 Investments in Joint Ventures										
180 Total Non-Current Assets	\$0	\$0	\$0	\$0	\$0	\$190,032,339	\$0	\$0	\$0	\$0
200 Deferred Outflow of Resources										
290 Total Assets and Deferred Outflow of Resources	\$0	\$1,270,449	\$21,625	\$0	\$357,675	\$234,508,858	\$0	\$7,635	\$3,504,101	\$0

San Diego Housing Commission (CA063)  
SAN DIEGO, CA  
Entity Wide Balance Sheet Summary  
Fiscal Year End: 06/30/2022

	14.HCC HCV CARES Act Funding	14.HCV MTW Demonstration Program for HCV program	14.EHV Emergency Housing Voucher	14.MRC Moderate Rehabilitation CARES Act Funding	14.881 Moving to Work Demonstration Program	14.880 Family Unification Program (FUP)	21.023 Emergency Rental Assistance Program	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
111 Cash - Unrestricted					\$384,380			\$0	\$52,518,540		\$52,518,540
112 Cash - Restricted - Modernization and Development								\$0			
113 Cash - Other Restricted					\$544,437	\$15,620		\$0	\$14,086,138		\$14,086,138
114 Cash - Tenant Security Deposits								\$0	\$2,025,933		\$2,025,933
115 Cash - Restricted for Payment of Current Liabilities								\$0			
100 Total Cash	\$0	\$0	\$0	\$0	\$928,817	\$15,620	\$0	\$0	\$68,630,611	\$0	\$68,630,611
121 Accounts Receivable - PHA Projects					\$553,220			\$0	\$553,220		\$553,220
122 Accounts Receivable - HUD Other Projects			\$837,370		\$3,616,531			\$0	\$4,686,072		\$4,686,072
124 Accounts Receivable - Other Government					\$45,405			\$0	\$23,092,949		\$23,092,949
125 Accounts Receivable - Miscellaneous			\$7,756		\$631,003	\$7,131	\$522,186	\$1,069	\$7,896,164	-\$1,240,143	\$6,656,021
126 Accounts Receivable - Tenants					\$573,844	\$24,442		\$0	\$1,725,643		\$1,725,643
126.1 Allowance for Doubtful Accounts - Tenants					\$0	\$0		\$0	-\$562,997		-\$562,997
126.2 Allowance for Doubtful Accounts - Other			\$0		\$0	\$0	-\$799,745	\$0	-\$799,745		-\$799,745
127 Notes, Loans, & Mortgages Receivable - Current								\$0	\$58,217		\$58,217
128 Fraud Recovery					\$185,880			\$0	\$185,880		\$185,880
128.1 Allowance for Doubtful Accounts - Fraud					-\$185,880			\$0	-\$185,880		-\$185,880
129 Accrued Interest Receivable					\$88,928			\$0	\$69,446,253		\$69,446,253
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$0	\$845,126	\$0	\$5,508,931	\$31,573	-\$277,559	\$1,069	\$106,095,776	-\$1,240,143	\$104,855,633
131 Investments - Unrestricted					\$10,633,908	\$484,433	\$5,922,387	\$266,573	\$138,235,370		\$138,235,370
132 Investments - Restricted								\$0			
135 Investments - Restricted for Payment of Current Liability								\$0			
142 Prepaid Expenses and Other Assets								\$0	\$4,943,781		\$4,943,781
143 Inventories								\$0			
143.1 Allowance for Obsolete Inventories								\$0			
144 Inter Program Due From								\$0			
145 Assets Held for Sale								\$0			
150 Total Current Assets	\$0	\$0	\$845,126	\$0	\$17,071,656	\$531,626	\$5,644,828	\$267,642	\$317,905,538	-\$1,240,143	\$316,665,395
161 Land								\$0	\$113,093,141		\$113,093,141
162 Buildings					\$5,250,178			\$0	\$414,475,102		\$414,475,102
163 Furniture, Equipment & Machinery - Dwellings								\$0	\$11,276,580		\$11,276,580
164 Furniture, Equipment & Machinery - Administration								\$0	\$3,924,540		\$3,924,540
165 Leasehold Improvements								\$0	\$10,863		\$10,863
166 Accumulated Depreciation					-\$1,429,215			\$0	-\$103,885,270		-\$103,885,270
167 Construction in Progress					\$422,041			\$0	\$775,334		\$775,334
168 Infrastructure								\$0			
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$0	\$0	\$4,243,004	\$0	\$0	\$0	\$439,670,290	\$0	\$439,670,290
171 Notes, Loans and Mortgages Receivable - Non-Current								\$0	\$428,087,871		\$428,087,871
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due								\$0			
173 Grants Receivable - Non Current								\$0			
174 Other Assets								\$0	\$96,278,177		\$96,278,177
176 Investments in Joint Ventures								\$0	\$0		\$0
180 Total Non-Current Assets	\$0	\$0	\$0	\$0	\$4,243,004	\$0	\$0	\$0	\$664,036,338	\$0	\$664,036,338
200 Deferred Outflow of Resources								\$0			
290 Total Assets and Deferred Outflow of Resources	\$0	\$0	\$845,126	\$0	\$21,314,660	\$531,626	\$5,644,828	\$267,642	\$1,281,941,876	-\$1,240,143	\$1,280,701,733

San Diego Housing Commission (CA063)  
SAN DIEGO, CA  
Entity Wide Balance Sheet Summary  
Fiscal Year End: 06/30/2022

	Project Total	14.PHC Public Housing CARES Act Funding	14.CFP MTW Demonstration Program for Capital Fund	14.218 Community Development Block Grants/Entitlement Grants	14.MSC Mainstream CARES Act Funding	6.1 Component Unit Discretely Presented	6.2 Component Unit Blended	21.019 Coronavirus Relief Fund	1 Business Activities	2 State/Local
311 Bank Overdraft										
312 Accounts Payable <= 90 Days	\$190,191			\$835,389		\$3,349,484	\$2,857,836		\$2,332,286	\$3,945,507
313 Accounts Payable >90 Days Past Due										
321 Accrued Wage/Payroll Taxes Payable	\$21,578			\$2,214		\$35,874	\$116,715		\$1,520,612	
322 Accrued Compensated Absences - Current Portion									\$3,887,401	
324 Accrued Contingency Liability										
325 Accrued Interest Payable	\$1,002,133					\$9,834,604	\$328,504		\$811,564	
331 Accounts Payable - HUD PHA Programs										
332 Account Payable - PHA Projects										
333 Accounts Payable - Other Government	\$6,843					\$8,332	\$18,486			
341 Tenant Security Deposits	\$97,750					\$654,432	\$843,245		\$838,949	
342 Unearned Revenue	\$26,071			\$0		\$231,806	\$279,941		\$2,809,696	\$16,817,230
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue						\$20,275,224	\$2,152,816		\$1,139,951	
344 Current Portion of Long-term Debt - Operating Borrowings										
345 Other Current Liabilities									\$652,633	
346 Accrued Liabilities - Other										
347 Inter Program - Due To										
348 Loan Liability - Current										
310 Total Current Liabilities	\$1,344,366	\$0	\$0	\$837,603	\$0	\$34,389,756	\$6,597,543	\$0	\$13,993,092	\$20,762,737
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$4,554,849					\$153,849,627	\$73,210,141		\$58,332,875	
352 Long-term Debt, Net of Current - Operating Borrowings										
353 Non-current Liabilities - Other						\$11,861,530			\$3,486,743	
354 Accrued Compensated Absences - Non Current										
355 Loan Liability - Non Current										
356 FASB 5 Liabilities										
357 Accrued Pension and OPEB Liabilities										
350 Total Non-Current Liabilities	\$4,554,849	\$0	\$0	\$0	\$0	\$165,711,157	\$73,210,141	\$0	\$61,819,618	\$0
300 Total Liabilities	\$5,899,215	\$0	\$0	\$837,603	\$0	\$200,100,913	\$79,807,684	\$0	\$75,812,710	\$20,762,737
400 Deferred Inflow of Resources									\$91,020,737	
508.3 Nonspendable Fund Balance										
508.4 Net Investment in Capital Assets	\$11,053,427			\$0			-\$30,555,764		\$174,573,602	
509.3 Restricted Fund Balance										
510.3 Committed Fund Balance										
511.3 Assigned Fund Balance										
511.4 Restricted Net Position	\$1,321,110			\$29,367,061		\$27,320,457	\$1,262,338		\$267,304	
512.3 Unassigned Fund Balance										
512.4 Unrestricted Net Position	\$7,753,341	\$0	\$0	\$2,965,710	\$0	-\$55,238,233	\$2,428,329	\$0	\$353,100,641	\$13,806,729
513 Total Equity - Net Assets / Position	\$20,127,878	\$0	\$0	\$32,332,771	\$0	-\$27,917,776	-\$26,865,097	\$0	\$527,941,547	\$13,806,729
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$26,027,093	\$0	\$0	\$33,170,374	\$0	\$172,183,137	\$52,942,587	\$0	\$694,774,994	\$34,569,466

San Diego Housing Commission (CA063)  
SAN DIEGO, CA  
Entity Wide Balance Sheet Summary  
Fiscal Year End: 06/30/2022

	91 Other Federal Program 3	14.267 Continuum of Care Program	9 Other Federal Program 2	93.602 New Assets for Independence Demonstration Program	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.OPS MTW Demonstration Program for Low Rent	14.870 Resident Opportunity and Supportive Services	14.231 Emergency Shelter Grants Program	14.CMT CARES Act Funding Transferred to MTW
311 Bank Overdraft										
312 Accounts Payable <= 90 Days		\$711,565			\$8,692	\$153		\$275	\$1,321,090	
313 Accounts Payable >90 Days Past Due										
321 Accrued Wage/Payroll Taxes Payable					\$1,469	\$31,754				
322 Accrued Compensated Absences - Current Portion										
324 Accrued Contingency Liability										
325 Accrued Interest Payable										
331 Accounts Payable - HUD PHA Programs										
332 Account Payable - PHA Projects										
333 Accounts Payable - Other Government		\$556,884						\$7,360	\$2,183,011	
341 Tenant Security Deposits										
342 Unearned Revenue					\$60	\$0			\$0	
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue										
344 Current Portion of Long-term Debt - Operating Borrowings										
345 Other Current Liabilities										
346 Accrued Liabilities - Other										
347 Inter Program - Due To										
348 Loan Liability - Current										
310 Total Current Liabilities	\$0	\$1,270,449	\$0	\$0	\$10,221	\$31,907	\$0	\$7,635	\$3,504,101	\$0
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue										
352 Long-term Debt, Net of Current - Operating Borrowings										
353 Non-current Liabilities - Other					\$100					
354 Accrued Compensated Absences - Non Current										
355 Loan Liability - Non Current										
356 FASB 5 Liabilities										
357 Accrued Pension and OPEB Liabilities										
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0	\$100	\$0	\$0	\$0	\$0	\$0
300 Total Liabilities	\$0	\$1,270,449	\$0	\$0	\$10,321	\$31,907	\$0	\$7,635	\$3,504,101	\$0
400 Deferred Inflow of Resources						\$2,754,334				
508.3 Nonspendable Fund Balance										
508.4 Net Investment in Capital Assets										
509.3 Restricted Fund Balance										
510.3 Committed Fund Balance										
511.3 Assigned Fund Balance										
511.4 Restricted Net Position					\$67,104	\$197,438,711				
512.3 Unassigned Fund Balance										
512.4 Unrestricted Net Position	\$0	\$0	\$21,625	\$0	\$280,250	\$34,283,906	\$0	\$0	\$0	\$0
513 Total Equity - Net Assets / Position	\$0	\$0	\$21,625	\$0	\$347,354	\$231,722,617	\$0	\$0	\$0	\$0
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$0	\$1,270,449	\$21,625	\$0	\$357,675	\$234,508,858	\$0	\$7,635	\$3,504,101	\$0

San Diego Housing Commission (CA063)  
SAN DIEGO, CA  
Entity Wide Balance Sheet Summary  
Fiscal Year End: 06/30/2022

	14.HCC HCV CARES Act Funding	14.HCV MTW Demonstration Program for HCV program	14.EHV Emergency Housing Voucher	14.MRC Moderate Rehabilitation CARES Act Funding	14.881 Moving to Work Demonstration Program	14.880 Family Unification Program (FUP)	21.023 Emergency Rental Assistance Program	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
311 Bank Overdraft								\$0			
312 Accounts Payable <= 90 Days			\$8,495		\$397,269			\$14	\$15,958,246	-\$1,240,143	\$14,718,103
313 Accounts Payable >90 Days Past Due								\$0			
321 Accrued Wage/Payroll Taxes Payable			\$10,725		\$578,635	\$4,701	\$196,774	\$393	\$2,521,444		\$2,521,444
322 Accrued Compensated Absences - Current Portion								\$0	\$3,887,401		\$3,887,401
324 Accrued Contingency Liability								\$0			
325 Accrued Interest Payable								\$0	\$11,976,805		\$11,976,805
331 Accounts Payable - HUD PHA Programs					\$39,888	\$3,708		\$27,730	\$71,326		\$71,326
332 Account Payable - PHA Projects								\$0			
333 Accounts Payable - Other Government			\$825,906					\$0	\$3,608,622		\$3,608,622
341 Tenant Security Deposits					\$6,425			\$0	\$2,440,801		\$2,440,801
342 Unearned Revenue			\$0		\$4,671		\$5,448,054	\$0	\$25,617,529		\$25,617,529
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue								\$0	\$23,567,991		\$23,567,991
344 Current Portion of Long-term Debt - Operating Borrowings								\$0			
345 Other Current Liabilities								\$0	\$652,633		\$652,633
346 Accrued Liabilities - Other								\$0			
347 Inter Program - Due To								\$0			
348 Loan Liability - Current								\$0			
310 Total Current Liabilities	\$0	\$0	\$845,126	\$0	\$1,026,888	\$8,409	\$5,644,828	\$28,137	\$90,302,798	-\$1,240,143	\$89,062,655
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue								\$0	\$289,947,492		\$289,947,492
352 Long-term Debt, Net of Current - Operating Borrowings								\$0			
353 Non-current Liabilities - Other					\$544,437	\$15,620		\$0	\$15,908,430	-\$3,486,743	\$12,421,687
354 Accrued Compensated Absences - Non Current								\$0			
355 Loan Liability - Non Current								\$0			
356 FASB 5 Liabilities								\$0			
357 Accrued Pension and OPEB Liabilities								\$0			
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0	\$544,437	\$15,620	\$0	\$0	\$305,855,922	-\$3,486,743	\$302,369,179
300 Total Liabilities	\$0	\$0	\$845,126	\$0	\$1,571,325	\$24,029	\$5,644,828	\$28,137	\$396,158,720	-\$4,726,886	\$391,431,834
400 Deferred Inflow of Resources								\$0	\$93,775,071		\$93,775,071
508.3 Nonspendable Fund Balance								\$0			
508.4 Net Investment in Capital Assets					\$4,243,004			\$0	\$159,314,269		\$159,314,269
509.3 Restricted Fund Balance								\$0			
510.3 Committed Fund Balance								\$0			
511.3 Assigned Fund Balance								\$0			
511.4 Restricted Net Position					\$3,146,886	\$161,961		\$0	\$260,352,932		\$260,352,932
512.3 Unassigned Fund Balance								\$0			
512.4 Unrestricted Net Position	\$0	\$0	\$0	\$0	\$12,353,445	\$345,636	\$0	\$239,505	\$372,340,884	\$3,486,743	\$375,827,627
513 Total Equity - Net Assets / Position	\$0	\$0	\$0	\$0	\$19,743,335	\$507,597	\$0	\$239,505	\$792,008,085	\$3,486,743	\$795,494,828
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$0	\$0	\$845,126	\$0	\$21,314,660	\$531,626	\$5,644,828	\$267,642	\$1,281,941,876	-\$1,240,143	\$1,280,701,733

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	Project Total	14.PHC Public Housing CARES Act Funding	14.CFP MTW Demonstration Program for Capital Fund	14.218 Community Development Block Grants/Entitlement Grants	14.MSC Mainstream CARES Act Funding	6.1 Component Unit Discretely Presented	6.2 Component Unit Blended	21.019 Coronavirus Relief Fund	1 Business Activities	2 State/Local
70300 Net Tenant Rental Revenue	\$1,161,989					\$16,348,814	\$20,301,658		\$15,001,035	
70400 Tenant Revenue - Other	\$12,471					\$106,354	\$102,171		\$276,579	
70500 Total Tenant Revenue	\$1,174,460	\$0	\$0	\$0	\$0	\$16,455,168	\$20,403,829	\$0	\$15,277,614	\$0
70600 HUD PHA Operating Grants		\$25,601	\$83,463	\$3,989,882		\$382,909				
70610 Capital Grants										
70710 Management Fee										
70720 Asset Management Fee										
70730 Book Keeping Fee										
70740 Front Line Service Fee										
70750 Other Fees									\$5,677,205	
70700 Total Fee Revenue										
70800 Other Government Grants									\$20,929,869	\$25,564,543
71100 Investment Income - Unrestricted	\$104,234			\$38,586		\$996	\$1,770		-\$1,389,062	\$31,088
71200 Mortgage Interest Income				\$1,037,313					\$7,371,431	\$265,998
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets										
71400 Fraud Recovery										
71500 Other Revenue	\$24,054			\$565		\$2,038,582	\$1,406,228		\$7,887,849	\$2,675
71600 Gain or Loss on Sale of Capital Assets									-\$27,582	
72000 Investment Income - Restricted	\$2,636					\$3,621	\$433		\$607	
70000 Total Revenue	\$1,305,384	\$25,601	\$83,463	\$5,066,346	\$0	\$18,881,276	\$21,812,260	\$0	\$55,727,931	\$25,884,304
91100 Administrative Salaries	\$135,096	\$12,951		\$91,544		\$739,346	\$713,181		\$18,354,787	\$747,574
91200 Auditing Fees	\$14,700					\$187,060	\$63,900		\$120,650	
91300 Management Fee										
91310 Book-keeping Fee						\$0				
91400 Advertising and Marketing						\$7,610			\$15,888	
91500 Employee Benefit contributions - Administrative	\$52,932			\$30,236		\$220,418	\$256,019		\$5,864,244	\$211,962
91600 Office Expenses	\$34,991					\$320,599	\$144,289		\$4,863,400	\$33,672
91700 Legal Expense	\$10,556					\$92,006	\$71,215		\$1,374,723	
91800 Travel									\$4,484	
91810 Allocated Overhead	\$263,900			\$97,090					-\$14,318,564	\$338,842
91900 Other	\$38,893			\$1,160,273		\$3,190,370	\$1,188,171		\$3,717,572	\$9,815
91000 Total Operating - Administrative	\$551,068	\$12,951	\$0	\$1,379,143	\$0	\$4,757,409	\$2,436,775	\$0	\$19,997,184	\$1,341,865
92000 Asset Management Fee										
92100 Tenant Services - Salaries						\$68,303			\$74,710	
92200 Relocation Costs	\$885					\$7,490	\$46,171		\$413,413	
92300 Employee Benefit Contributions - Tenant Services									\$21,585	
92400 Tenant Services - Other						\$176,176	\$59,264		\$120,211	
92500 Total Tenant Services	\$885	\$0	\$0	\$0	\$0	\$251,969	\$105,435	\$0	\$629,919	\$0
93100 Water	\$125,434					\$363,479	\$901,389		\$473,258	\$159,545
93200 Electricity	\$38,444					\$499,539	\$155,499		\$1,368,970	\$664,206
93300 Gas	\$43,739					\$177,334	\$213,032		\$160,480	
93400 Fuel										
93500 Labor										
93600 Sewer	\$60,230					\$247,381	\$539,079		\$309,143	\$2,148
93700 Employee Benefit Contributions - Utilities										
93800 Other Utilities Expense						\$4,294			\$39,873	
93000 Total Utilities	\$267,847	\$0	\$0	\$0	\$0	\$1,292,027	\$1,808,999	\$0	\$2,351,724	\$825,899

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	91 Other Federal Program 3	14.267 Continuum of Care Program	9 Other Federal Program 2	93.602 New Assets for Independence Demonstration Program	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.OPS MTW Demonstration Program for Low Rent	14.870 Resident Opportunity and Supportive Services	14.231 Emergency Shelter Grants Program	14.CMT CARES Act Funding Transferred to MTW
70300 Net Tenant Rental Revenue										
70400 Tenant Revenue - Other					\$108					
70500 Total Tenant Revenue	\$0	\$0	\$0	\$0	\$108	\$0	\$0	\$0	\$0	\$0
70600 HUD PHA Operating Grants		\$5,209,278			\$2,852,977	\$4,882,883	\$539,351	\$61,994	\$14,044,805	
70610 Capital Grants										
70710 Management Fee										
70720 Asset Management Fee										
70730 Book Keeping Fee										
70740 Front Line Service Fee										
70750 Other Fees										
70700 Total Fee Revenue										
70800 Other Government Grants										
71100 Investment Income - Unrestricted			\$0		\$0	\$78				
71200 Mortgage Interest Income						\$5,961,185				
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets										
71400 Fraud Recovery										
71500 Other Revenue						\$445,997				
71600 Gain or Loss on Sale of Capital Assets										
72000 Investment Income - Restricted										
70000 Total Revenue	\$0	\$5,209,278	\$0	\$0	\$2,853,085	\$11,290,143	\$539,351	\$61,994	\$14,044,805	\$0
91100 Administrative Salaries		\$363,345			\$15,216	\$674,554			\$167,834	
91200 Auditing Fees										
91300 Management Fee										
91310 Book-keeping Fee										
91400 Advertising and Marketing										
91500 Employee Benefit contributions - Administrative		\$54,135			\$5,746	\$216,728			\$60,269	
91600 Office Expenses						\$2,013			\$436	
91700 Legal Expense						\$4,713				
91800 Travel										
91810 Allocated Overhead					\$10,407	\$409,240			\$387,187	
91900 Other		\$2,273			\$246	\$11,693			\$3,016	
91000 Total Operating - Administrative	\$0	\$419,753	\$0	\$0	\$31,615	\$1,318,941	\$0	\$0	\$618,742	\$0
92000 Asset Management Fee										
92100 Tenant Services - Salaries								\$35,893		
92200 Relocation Costs										
92300 Employee Benefit Contributions - Tenant Services								\$13,119		
92400 Tenant Services - Other						\$133				
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0	\$133	\$0	\$49,012	\$0	\$0
93100 Water										
93200 Electricity										
93300 Gas										
93400 Fuel										
93500 Labor										
93600 Sewer										
93700 Employee Benefit Contributions - Utilities										
93800 Other Utilities Expense										
93000 Total Utilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0



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	14.HCC HCV CARES Act Funding	14.HCV MTW Demonstration Program for HCV program	14.EHV Emergency Housing Voucher	14.MRC Moderate Rehabilitation CARES Act Funding	14.881 Moving to Work Demonstration Program	14.880 Family Unification Program (FUP)	21.023 Emergency Rental Assistance Program	14.856 Lower Income Housing Assistance Program, Section 8 Moderate	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue								\$0	\$52,813,496		\$52,813,496
70400 Tenant Revenue - Other					\$349			\$0	\$498,032		\$498,032
70500 Total Tenant Revenue	\$0	\$0	\$0	\$0	\$349	\$0	\$0	\$0	\$53,311,528	\$0	\$53,311,528
70600 HUD PHA Operating Grants		\$227,201,788	\$4,497,693			\$2,735,986	\$194,125,617	\$306,585	\$460,940,812		\$460,940,812
70610 Capital Grants								\$0			
70710 Management Fee								\$0			
70720 Asset Management Fee								\$0			
70730 Book Keeping Fee								\$0			
70740 Front Line Service Fee								\$0			
70750 Other Fees								\$0	\$5,677,205	-\$1,042,788	\$4,634,417
70700 Total Fee Revenue								\$0	\$0	-\$1,042,788	-\$1,042,788
70800 Other Government Grants								\$0	\$46,494,412		\$46,494,412
71100 Investment Income - Unrestricted					-\$2,363,080	\$7,714	\$0	\$2,779	-\$3,564,897		-\$3,564,897
71200 Mortgage Interest Income								\$0	\$14,655,927		\$14,655,927
71300 Proceeds from Disposition of Assets Held for Sale								\$0			
71310 Cost of Sale of Assets								\$0			
71400 Fraud Recovery					\$3,794			\$0	\$3,794		\$3,794
71500 Other Revenue					\$5,418,670	\$830		\$0	\$17,225,450	-\$1,575	\$17,223,875
71600 Gain or Loss on Sale of Capital Assets								\$0	-\$27,582		-\$27,582
72000 Investment Income - Restricted								\$0	\$7,297		\$7,297
70000 Total Revenue	\$0	\$227,201,788	\$4,497,693	\$0	\$3,059,733	\$2,744,530	\$194,125,617	\$309,364	\$594,723,946	-\$1,044,363	\$593,679,583
91100 Administrative Salaries			\$255,136		\$7,420,088	\$72,545	\$5,997,131	\$10,344	\$35,770,672		\$35,770,672
91200 Auditing Fees								\$0	\$386,310		\$386,310
91300 Management Fee								\$0			
91310 Book-keeping Fee								\$0	\$0		\$0
91400 Advertising and Marketing					\$1,243		\$50,000	\$0	\$74,741		\$74,741
91500 Employee Benefit contributions - Administrative			\$84,097		\$2,671,952	\$25,641	\$485,582	\$3,472	\$10,243,433		\$10,243,433
91600 Office Expenses			\$540		\$308,870		\$1,562,155	\$0	\$7,270,965		\$7,270,965
91700 Legal Expense					\$204,223		\$6,965	\$0	\$1,764,401		\$1,764,401
91800 Travel								\$0	\$4,484		\$4,484
91810 Allocated Overhead			\$558,449		\$6,281,369	\$49,700	\$5,915,549	\$6,831	\$0		\$0
91900 Other					\$524,010	\$1,128	\$2,329,098	\$245	\$12,176,803	-\$1,043,586	\$11,133,217
91000 Total Operating - Administrative	\$0	\$0	\$898,222	\$0	\$17,411,755	\$149,014	\$16,346,480	\$20,892	\$67,691,809	-\$1,043,586	\$66,648,223
92000 Asset Management Fee								\$0			
92100 Tenant Services - Salaries			\$422,420		\$936,105		\$42,971	\$0	\$1,580,402		\$1,580,402
92200 Relocation Costs								\$0	\$467,959		\$467,959
92300 Employee Benefit Contributions - Tenant Services			\$124,129		\$309,461		\$13,479	\$0	\$481,773		\$481,773
92400 Tenant Services - Other			\$473,655		\$26,183			\$0	\$855,622		\$855,622
92500 Total Tenant Services	\$0	\$0	\$1,020,204	\$0	\$1,271,749	\$0	\$56,450	\$0	\$3,385,756	\$0	\$3,385,756
93100 Water							\$1,363,119	\$0	\$3,386,224		\$3,386,224
93200 Electricity							\$6,447,836	\$0	\$9,174,494		\$9,174,494
93300 Gas							\$1,326	\$0	\$595,911		\$595,911
93400 Fuel								\$0			
93500 Labor								\$0			
93600 Sewer							\$26,383	\$0	\$1,184,364		\$1,184,364
93700 Employee Benefit Contributions - Utilities								\$0			
93800 Other Utilities Expense								\$0	\$44,167		\$44,167
93000 Total Utilities	\$0	\$0	\$0	\$0	\$0	\$0	\$7,838,664	\$0	\$14,385,160	\$0	\$14,385,160

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	Project Total	14.PHC Public Housing CARES Act Funding	14.CFP MTW Demonstration Program for Capital Fund	14.218 Community Development Block Grants/Entitlement Grants	14.MSC Mainstream CARES Act Funding	6.1 Component Unit Discretely Presented	6.2 Component Unit Blended	21.019 Coronavirus Relief Fund	1 Business Activities	2 State/Local
94100 Ordinary Maintenance and Operations - Labor	\$144,854	\$1,891				\$766,942	\$895,955		\$351,165	
94200 Ordinary Maintenance and Operations - Materials and Other	\$57,549					\$76,690	\$274,504		\$164,802	
94300 Ordinary Maintenance and Operations Contracts	\$538,570	\$10,759				\$1,224,123	\$4,190,599		\$3,446,306	\$921
94500 Employee Benefit Contributions - Ordinary Maintenance	\$64,638						\$411,953		\$165,259	
94000 Total Maintenance	\$805,611	\$12,650	\$0	\$0	\$0	\$2,067,755	\$5,773,011	\$0	\$4,127,532	\$921
95100 Protective Services - Labor										
95200 Protective Services - Other Contract Costs	\$68,527					\$513,512	\$352,672		\$1,453,368	
95300 Protective Services - Other						\$83,807			\$4,355	
95500 Employee Benefit Contributions - Protective Services										
95000 Total Protective Services	\$68,527	\$0	\$0	\$0	\$0	\$597,319	\$352,672	\$0	\$1,457,723	\$0
96110 Property Insurance	\$25,441			\$1,900			\$218,954		\$349,999	
96120 Liability Insurance	\$10,098					\$428,566	\$68,170		\$252,014	
96130 Workmen's Compensation	\$21,843			\$1,871		\$91,404	\$130,068		\$346,989	\$13,032
96140 All Other Insurance	\$21,663			\$7		\$13,993	\$91,970		\$315,648	
96100 Total Insurance Premiums	\$79,045	\$0	\$0	\$3,778	\$0	\$533,963	\$509,162	\$0	\$1,264,650	\$13,032
96200 Other General Expenses	\$18,615			\$2,456,257		\$1,375,669	\$487,178		\$11,899,513	\$9,453,462
96210 Compensated Absences	\$5,740			\$1,065			\$23,772		\$817,460	\$15,509
96300 Payments in Lieu of Taxes	\$150					\$25,043	\$55,087		\$28,966	
96400 Bad debt - Tenant Rents	\$32,129					\$126,627	\$200,103		\$334,556	
96500 Bad debt - Mortgages				\$20,541					\$201,236	\$18,655
96600 Bad debt - Other	\$3,990					\$29,601	\$51,215		\$10,587	
96800 Severance Expense										
96000 Total Other General Expenses	\$60,624	\$0	\$0	\$2,477,863	\$0	\$1,556,940	\$817,355	\$0	\$13,292,318	\$9,487,626
96710 Interest of Mortgage (or Bonds) Payable	\$136,645			\$726,995		\$6,629,670	\$4,202,487		\$1,974,877	
96720 Interest on Notes Payable (Short and Long Term)										
96730 Amortization of Bond Issue Costs										
96700 Total Interest Expense and Amortization Cost	\$136,645	\$0	\$0	\$726,995	\$0	\$6,629,670	\$4,202,487	\$0	\$1,974,877	\$0
96900 Total Operating Expenses	\$1,970,252	\$25,601	\$0	\$4,587,779	\$0	\$17,687,052	\$16,005,896	\$0	\$45,095,927	\$11,669,343
97000 Excess of Operating Revenue over Operating Expenses	-\$664,868	\$0	\$83,463	\$478,567	\$0	\$1,194,224	\$5,806,364	\$0	\$10,632,004	\$14,214,961
97100 Extraordinary Maintenance	\$48,186					\$155,015	\$522,402		\$536,966	
97200 Casualty Losses - Non-capitalized										
97300 Housing Assistance Payments									\$292,587	\$12,425,417
97350 HAP Portability-In										
97400 Depreciation Expense	\$1,274,142					\$4,764,964	\$2,552,150		\$6,507,212	
97500 Fraud Losses										
97600 Capital Outlays - Governmental Funds										
97700 Debt Principal Payment - Governmental Funds										
97800 Dwelling Units Rent Expense										
90000 Total Expenses	\$3,292,580	\$25,601	\$0	\$4,587,779	\$0	\$22,607,031	\$19,080,448	\$0	\$52,432,692	\$24,094,760

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	91 Other Federal Program 3	14.267 Continuum of Care Program	9 Other Federal Program 2	93.602 New Assets for Independence Demonstration Program	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.OPS MTW Demonstration Program for Low Rent	14.870 Resident Opportunity and Supportive Services	14.231 Emergency Shelter Grants Program	14.CMT CARES Act Funding Transferred to MTW
94100 Ordinary Maintenance and Operations - Labor										
94200 Ordinary Maintenance and Operations - Materials and Other										
94300 Ordinary Maintenance and Operations Contracts										
94500 Employee Benefit Contributions - Ordinary Maintenance										
94000 Total Maintenance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
95100 Protective Services - Labor										
95200 Protective Services - Other Contract Costs										
95300 Protective Services - Other										
95500 Employee Benefit Contributions - Protective Services										
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance										
96120 Liability Insurance					\$39	\$366				
96130 Workmen's Compensation		\$2,750			\$296	\$10,705		\$386	\$3,275	
96140 All Other Insurance						\$3				
96100 Total Insurance Premiums	\$0	\$2,750	\$0	\$0	\$335	\$11,074	\$0	\$386	\$3,275	\$0
96200 Other General Expenses		\$414,418			\$928	\$236,616		\$12,596	\$13,360,338	
96210 Compensated Absences					\$1,112	\$14,567			\$6,455	
96300 Payments in Lieu of Taxes										
96400 Bad debt - Tenant Rents										
96500 Bad debt - Mortgages						\$133,818				
96600 Bad debt - Other										
96800 Severance Expense										
96000 Total Other General Expenses	\$0	\$414,418	\$0	\$0	\$2,040	\$385,001	\$0	\$12,596	\$13,366,793	\$0
96710 Interest of Mortgage (or Bonds) Payable										
96720 Interest on Notes Payable (Short and Long Term)										
96730 Amortization of Bond Issue Costs										
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$0	\$836,921	\$0	\$0	\$33,990	\$1,715,149	\$0	\$61,994	\$13,988,810	\$0
97000 Excess of Operating Revenue over Operating Expenses	\$0	\$4,372,357	\$0	\$0	\$2,819,095	\$9,574,994	\$539,351	\$0	\$55,995	\$0
97100 Extraordinary Maintenance										
97200 Casualty Losses - Non-capitalized										
97300 Housing Assistance Payments		\$4,372,357			\$2,595,035				\$55,995	
97350 HAP Portability-In										
97400 Depreciation Expense										
97500 Fraud Losses										
97600 Capital Outlays - Governmental Funds										
97700 Debt Principal Payment - Governmental Funds										
97800 Dwelling Units Rent Expense										
90000 Total Expenses	\$0	\$5,209,278	\$0	\$0	\$2,629,025	\$1,715,149	\$0	\$61,994	\$14,044,805	\$0

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	14.HCC HCV CARES Act Funding	14.HCV MTW Demonstration Program for HCV program	14.EHV Emergency Housing Voucher	14.MRC Moderate Rehabilitation CARES Act Funding	14.881 Moving to Work Demonstration Program	14.880 Family Unification Program (FUP)	21.023 Emergency Rental Assistance Program	14.856 Lower Income Housing Assistance Program, Section 8 Moderate	Subtotal	ELIM	Total
94100 Ordinary Maintenance and Operations - Labor								\$0	\$2,160,807		\$2,160,807
94200 Ordinary Maintenance and Operations - Materials and Other								\$0	\$573,545		\$573,545
94300 Ordinary Maintenance and Operations Contracts							\$183	\$0	\$9,411,461		\$9,411,461
94500 Employee Benefit Contributions - Ordinary Maintenance								\$0	\$641,850		\$641,850
94000 Total Maintenance	\$0	\$0	\$0	\$0	\$0	\$0	\$183	\$0	\$12,787,663	\$0	\$12,787,663
95100 Protective Services - Labor								\$0			
95200 Protective Services - Other Contract Costs								\$0	\$2,388,079		\$2,388,079
95300 Protective Services - Other								\$0	\$68,162		\$68,162
95500 Employee Benefit Contributions - Protective Services								\$0			
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,476,241	\$0	\$2,476,241
96110 Property Insurance								\$0	\$596,294		\$596,294
96120 Liability Insurance			\$2,293		\$47,698	\$249	\$48,987	\$15	\$858,495		\$858,495
96130 Workmen's Compensation			\$6,201		\$149,886	\$1,282	\$114,092	\$177	\$894,257		\$894,257
96140 All Other Insurance			\$20		\$341	\$1	\$374		\$444,020		\$444,020
96100 Total Insurance Premiums	\$0	\$0	\$8,514	\$0	\$197,925	\$1,532	\$163,453	\$192	\$2,793,066	\$0	\$2,793,066
96200 Other General Expenses					\$773,611			\$0	\$40,489,201	-\$777	\$40,488,424
96210 Compensated Absences			\$19,934		\$264,880	\$4,015	\$8,979	-\$128	\$1,183,360		\$1,183,360
96300 Payments in Lieu of Taxes								\$0	\$109,246		\$109,246
96400 Bad debt - Tenant Rents								\$0	\$693,415		\$693,415
96500 Bad debt - Mortgages								\$0	\$374,250		\$374,250
96600 Bad debt - Other					-\$11,248			\$0	\$84,145		\$84,145
96800 Severance Expense								\$0			
96000 Total Other General Expenses	\$0	\$0	\$19,934	\$0	\$1,027,243	\$4,015	\$8,979	-\$128	\$42,933,617	-\$777	\$42,932,840
96710 Interest of Mortgage (or Bonds) Payable					\$39,888	\$3,708		\$0	\$13,714,270		\$13,714,270
96720 Interest on Notes Payable (Short and Long Term)								\$0			
96730 Amortization of Bond Issue Costs								\$0			
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$39,888	\$3,708	\$0	\$0	\$13,714,270	\$0	\$13,714,270
96900 Total Operating Expenses	\$0	\$0	\$1,946,874	\$0	\$19,948,560	\$158,269	\$24,414,209	\$20,956	\$160,167,582	-\$1,044,363	\$159,123,219
97000 Excess of Operating Revenue over Operating Expenses	\$0	\$227,201,788	\$2,550,819	\$0	-\$16,888,827	\$2,586,261	\$169,711,408	\$288,408	\$434,556,364	\$0	\$434,556,364
97100 Extraordinary Maintenance								\$0	\$1,262,569		\$1,262,569
97200 Casualty Losses - Non-capitalized								\$0			
97300 Housing Assistance Payments			\$2,966,996		\$201,688,622	\$2,635,911	\$169,711,408	\$279,038	\$397,023,366		\$397,023,366
97350 HAP Portability-In					\$4,944,702			\$0	\$4,944,702		\$4,944,702
97400 Depreciation Expense					\$350,012			\$0	\$15,448,480		\$15,448,480
97500 Fraud Losses								\$0			
97600 Capital Outlays - Governmental Funds								\$0			
97700 Debt Principal Payment - Governmental Funds								\$0			
97800 Dwelling Units Rent Expense								\$0			
90000 Total Expenses	\$0	\$0	\$4,913,870	\$0	\$226,931,896	\$2,794,180	\$194,125,617	\$299,994	\$578,846,699	-\$1,044,363	\$577,802,336

San Diego Housing Commission (CA063)  
San Diego, California  
Entity Wide Revenue and Expense Summary  
Fiscal Year End: 06/30/2022

	Project Total	14.PHC Public Housing CARES Act Funding	14.CFP MTW Demonstration Program for Capital Fund	14.218 Community Development Block Grants/Entitlement Grants	14.MSC Mainstream CARES Act Funding	6.1 Component Unit Discretely Presented	6.2 Component Unit Blended	21.019 Coronavirus Relief Fund	1 Business Activities	2 State/Local
10010 Operating Transfer In	\$43,007	\$3,508					\$3,249		\$13,122,054	\$48,159
10020 Operating transfer Out	-\$43,007	-\$3,508	-\$83,463	-\$735,976					-\$9,676,710	
10030 Operating Transfers from/to Primary Government										
10040 Operating Transfers from/to Component Unit										
10050 Proceeds from Notes, Loans and Bonds										
10060 Proceeds from Property Sales										
10070 Extraordinary Items, Net Gain/Loss										
10080 Special Items (Net Gain/Loss)						\$3,505,453	-\$5,184,453			
10091 Inter Project Excess Cash Transfer In	\$157,713									
10092 Inter Project Excess Cash Transfer Out	-\$157,713									
10093 Transfers between Program and Project - In	\$945,567									
10094 Transfers between Project and Program - Out									-\$322,753	
10100 Total Other financing Sources (Uses)	\$945,567	\$0	-\$83,463	-\$735,976	\$0	\$3,505,453	-\$5,181,204	\$0	\$3,122,591	\$48,159
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$1,041,629	\$0	\$0	-\$257,409	\$0	-\$220,302	-\$2,449,392	\$0	\$6,417,630	\$1,637,703
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$895,358	\$2,044,433	\$0	\$1,539,154	\$0
11030 Beginning Equity	\$21,169,507	\$0	\$0	\$32,590,180	\$0	-\$27,697,474	-\$24,415,705	\$0	\$521,523,717	\$11,969,026
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors									\$0	
11050 Changes in Compensated Absence Balance										
11060 Changes in Contingent Liability Balance										
11070 Changes in Unrecognized Pension Transition Liability										
11080 Changes in Special Term/Severance Benefits Liability										
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents										
11100 Changes in Allowance for Doubtful Accounts - Other										
11170 Administrative Fee Equity										
11180 Housing Assistance Payments Equity										
11190 Unit Months Available	2260					12695	14982		9240	
11210 Number of Unit Months Leased	2175					12241	14786		8708	
11270 Excess Cash	\$8,912,752									
11610 Land Purchases	\$0									
11620 Building Purchases	\$0									
11630 Furniture & Equipment - Dwelling Purchases	\$0									
11640 Furniture & Equipment - Administrative Purchases	\$0									
11650 Leasehold Improvements Purchases	\$0									
11660 Infrastructure Purchases	\$0									
13510 CFFP Debt Service Payments	\$0									
13901 Replacement Housing Factor Funds	\$0									

San Diego Housing Commission (CA063)  
San Diego, California  
Entity Wide Revenue and Expense Summary  
Fiscal Year End: 06/30/2022

	91 Other Federal Program 3	14.267 Continuum of Care Program	9 Other Federal Program 2	93.602 New Assets for Independence Demonstration Program	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	14.OPS MTW Demonstration Program for Low Rent	14.870 Resident Opportunity and Supportive Services	14.231 Emergency Shelter Grants Program	14.CMT CARES Act Funding Transferred to MTW
10010 Operating Transfer In										
10020 Operating transfer Out							\$-539,351			
10030 Operating Transfers from/to Primary Government										
10040 Operating Transfers from/to Component Unit										
10050 Proceeds from Notes, Loans and Bonds										
10060 Proceeds from Property Sales										
10070 Extraordinary Items, Net Gain/Loss										
10080 Special Items (Net Gain/Loss)										
10091 Inter Project Excess Cash Transfer In										
10092 Inter Project Excess Cash Transfer Out										
10093 Transfers between Program and Project - In										
10094 Transfers between Project and Program - Out										
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$-539,351	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$0	\$0	\$0	\$0	\$224,060	\$9,574,994	\$0	\$0	\$0	\$0
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$0	\$0	\$21,625	\$0	\$123,294	\$222,147,623	\$0	\$0	\$0	\$0
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors										
11050 Changes in Compensated Absence Balance										
11060 Changes in Contingent Liability Balance										
11070 Changes in Unrecognized Pension Transition Liability										
11080 Changes in Special Term/Severance Benefits Liability										
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents										
11100 Changes in Allowance for Doubtful Accounts - Other										
11170 Administrative Fee Equity										
11180 Housing Assistance Payments Equity										
11190 Unit Months Available					2496					
11210 Number of Unit Months Leased					2138					
11270 Excess Cash										
11610 Land Purchases										
11620 Building Purchases										
11630 Furniture & Equipment - Dwelling Purchases										
11640 Furniture & Equipment - Administrative Purchases										
11650 Leasehold Improvements Purchases										
11660 Infrastructure Purchases										
13510 CFFP Debt Service Payments										
13901 Replacement Housing Factor Funds										

San Diego Housing Commission (CA063)  
San Diego, California  
Entity Wide Revenue and Expense Summary  
Fiscal Year End: 06/30/2022

	14.HCC HCV CARES Act Funding	14.HCV MTW Demonstration Program for HCV program	14.EHV Emergency Housing Voucher	14.MRC Moderate Rehabilitation CARES Act Funding	14.881 Moving to Work Demonstration Program	14.880 Family Unification Program (FUP)	21.023 Emergency Rental Assistance Program	14.856 Lower Income Housing Assistance Program, Section 8 Moderate	Subtotal	ELIM	Total
10010 Operating Transfer In			\$416,177		\$227,408,426	\$295,255		\$0	\$241,339,835	-\$241,339,835	\$0
10020 Operating transfer Out		-\$227,201,788			-\$3,056,032			\$0	-\$241,339,835	\$241,339,835	\$0
10030 Operating Transfers fromto Primary Government								\$0			
10040 Operating Transfers fromto Component Unit								\$0			
10050 Proceeds from Notes, Loans and Bonds								\$0			
10060 Proceeds from Property Sales								\$0			
10070 Extraordinary Items, Net Gain/Loss								\$0			
10080 Special Items (Net Gain/Loss)								\$0	-\$1,679,000	\$5,184,453	\$3,505,453
10091 Inter Project Excess Cash Transfer In								\$0	\$157,713	-\$157,713	\$0
10092 Inter Project Excess Cash Transfer Out								\$0	-\$157,713	\$157,713	\$0
10093 Transfers between Program and Project - In								\$0	\$945,567	-\$945,567	\$0
10094 Transfers between Project and Program - Out					-\$622,814			\$0	-\$945,567	\$945,567	\$0
10100 Total Other financing Sources (Uses)	\$0	-\$227,201,788	\$416,177	\$0	\$223,729,580	\$295,255	\$0	\$0	-\$1,679,000	\$5,184,453	\$3,505,453
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$0	\$0	\$0	\$0	-\$142,563	\$245,605	\$0	\$9,370	\$14,198,247	\$5,184,453	\$19,382,700
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,478,945		\$4,478,945
11030 Beginning Equity	\$0	\$0	\$0	\$0	\$19,885,918	\$261,992	\$0	\$230,135	\$777,809,838		\$777,809,838
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors								\$0	\$0		\$0
11050 Changes in Compensated Absence Balance								\$0			
11060 Changes in Contingent Liability Balance								\$0			
11070 Changes in Unrecognized Pension Transition Liability								\$0			
11080 Changes in Special Term/Severance Benefits Liability								\$0			
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents								\$0			
11100 Changes in Allowance for Doubtful Accounts - Other								\$0			
11170 Administrative Fee Equity								\$0			
11180 Housing Assistance Payments Equity								\$0			
11190 Unit Months Available			5760		185242	2100		224	234999		234999
11210 Number of Unit Months Leased			1895		186557	2070		223	230793		230793
11270 Excess Cash								\$0	\$8,912,752		\$8,912,752
11610 Land Purchases								\$0	\$0		\$0
11620 Building Purchases								\$0	\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases								\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases								\$0	\$0		\$0
11650 Leasehold Improvements Purchases								\$0	\$0		\$0
11660 Infrastructure Purchases								\$0	\$0		\$0
13510 CFFP Debt Service Payments								\$0	\$0		\$0
13901 Replacement Housing Factor Funds								\$0	\$0		\$0



SAN DIEGO  
HOUSING  
COMMISSION

# Statistical Section (Unaudited)



## We're About People

The San Diego Housing Commission's (SDHC) Achievement Academy is a learning and resource center. Its programs—including Family Self-Sufficiency—emphasize career planning, job skills, job placement and personal financial education to help individuals and families become more financially self-reliant. SDHC Achievement Academy programs are available at no cost to program participants.







San Diego Housing Commission

Statistical Section (Unaudited)

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

**Financial Trends**

These schedules contain trend information to help the reader understand how SDHC's financial performance and well-being have changed over time. These schedules can be viewed on pages 134 to 136.

**Revenue Capacity**

This schedule contains information to help the reader assess SDHC's most significant revenue source. This schedule can be viewed on page 138.

**Debt Capacity**

This schedule presents information to help the reader assess the affordability of SDHC's current level of outstanding debt. This schedule can be viewed on page 140.

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which SDHC's financial activities take place. These schedules can be viewed on pages 142 to **Error! Bookmark not defined..**

**Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in SDHC's financial report relates to the services SDHC provides and the activities it performs. These schedules can be viewed on pages 148 to 153

## **FINANCIAL TRENDS**



San Diego Housing Commission  
 Net Position by Component (Unaudited)  
 Ten Years Ending June 30, 2022

Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
2013	\$ 55,992,979	\$ 151,444,156	\$ 237,319,083	\$ 444,756,218
2014	54,862,209	160,498,486	241,567,614	456,928,309
2015	68,871,666	170,194,739	244,645,686	483,712,091
2016	73,122,616	176,980,821	268,461,293	518,564,730
2017	95,953,834	182,546,323	288,586,654	567,086,811
2018	107,299,446	199,381,101	324,301,550	630,982,097
2019	114,531,527	200,545,488	336,400,398	651,477,413
2020	98,905,348	218,948,768	352,492,391	670,346,507
2021	167,437,312	224,767,810	411,604,481	803,809,603
2022	159,314,269	233,032,474	431,065,861	823,412,604

Source: Annual Financial Statements



San Diego Housing Commission

Revenue, Expenses and Changes in Net Position (Unaudited)

Last Ten Years Ending June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Operating revenues</b>										
Dwelling rental income	\$ 36,641,008	\$ 32,471,638	\$ 30,693,343	\$ 31,520,369	\$ 31,061,313	\$ 30,079,966	\$ 28,090,296	\$ 26,450,075	\$ 25,750,939	\$ 25,669,589
Land lease and other rental income	4,552,985	3,884,295	3,350,791	2,969,373	2,601,204	2,492,779	2,668,438	2,245,059	2,119,188	2,023,344
Fee revenue	4,656,927	6,754,836	4,478,995	3,163,802	4,213,854	4,511,918	3,866,857	2,947,588	2,145,715	2,030,042
Other revenue	10,828,945	8,398,457	6,960,058	6,571,628	6,276,590	4,407,790	3,777,214	2,767,714	3,222,683	1,927,430
Total operating revenues	56,679,865	51,509,226	45,483,188	44,225,172	44,152,961	41,492,453	38,402,805	34,410,436	33,238,525	31,650,405
<b>Operating expenses</b>										
Administrative expenses	64,077,158	54,572,266	44,004,239	39,905,313	37,026,223	34,542,960	31,826,310	29,500,978	28,839,617	28,713,564
Tenant services	2,180,694	2,468,496	1,867,580	2,613,917	2,544,030	1,988,632	1,626,314	1,541,169	1,370,247	1,919,200
Asset management	27,247,261	18,550,007	15,466,148	16,929,473	20,288,174	14,170,505	8,895,547	9,505,111	8,885,279	7,790,710
General expenses	3,701,340	2,404,243	2,050,469	1,263,618	3,059,488	1,435,332	2,072,713	985,363	2,266,935	1,201,718
Grant expense	38,252,671	34,792,742	40,438,608	25,020,659	20,432,499	11,752,995	15,753,280	11,103,144	17,115,718	6,650,674
Housing assistance	401,968,068	237,809,503	175,968,790	155,150,246	149,691,267	144,557,990	146,570,467	145,836,071	147,311,387	150,905,154
Depreciation	10,683,516	9,470,169	8,131,859	8,118,368	7,214,950	5,764,403	5,130,888	4,916,809	4,800,693	4,113,552
Total operating expenses	548,110,708	360,067,425	287,927,693	249,001,594	240,256,631	214,212,817	211,875,519	203,388,645	210,589,876	201,294,572
Operating loss	(491,430,843)	(308,558,199)	(242,444,505)	(204,776,422)	(196,103,670)	(172,720,364)	(173,472,714)	(168,978,209)	(177,351,351)	(169,644,167)
<b>Nonoperating revenues (expenses):</b>										
Grant revenue	507,052,316	401,428,897	250,210,888	214,794,552	240,541,580	217,487,187	200,005,483	191,703,603	186,987,313	188,240,947
Investment income	11,093,711	14,270,429	16,129,043	15,683,989	10,968,696	9,099,264	9,988,417	9,742,843	9,118,073	8,637,551
Gain/loss on sale of capital assets	(27,582)	(11,094)	-	(21,936)	2,376	-	3,844,578	-	-	38,220
Gain on fair market value of interest swap	-	-	-	-	-	-	-	-	-	-
Interest expense	(7,084,600)	(6,830,909)	(5,026,332)	(5,184,867)	(5,195,160)	(5,344,008)	(5,513,125)	(5,684,425)	(5,879,510)	(5,913,243)
Net nonoperating revenues	511,033,845	408,857,324	261,313,599	225,271,738	246,317,492	221,242,443	208,325,353	195,762,021	190,225,876	191,003,475
Income before capital transactions	19,603,002	100,299,125	18,869,094	20,495,316	50,213,822	48,522,079	34,852,639	26,783,812	12,874,525	21,359,308
Transfer of properties to component unit	-	33,163,970	-	-	13,681,464	-	-	-	-	-
Total revenues and expenses	19,603,002	133,463,094	18,869,094	20,495,316	63,895,286	48,522,079	34,852,639	26,783,812	12,874,525	21,359,308
Change in net position	\$ 19,603,002	\$ 133,463,094	\$ 18,869,094	\$ 20,495,316	\$ 63,895,286	\$ 48,522,079	\$ 34,852,639	\$ 26,783,812	\$ 12,874,525	\$ 21,359,308



San Diego Housing Commission  
 Capital Assets by Category (Unaudited)  
 Last Ten Years Ending June 30, 2022

CATEGORY	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Land	\$ 108,616,573	\$ 108,616,573	\$ 76,877,260	\$ 76,875,550	\$ 70,080,168	\$ 69,340,679	\$ 68,081,575	\$ 68,369,250	\$ 63,186,873	\$ 63,036,133
Construction in progress	550,253	757,855	3,093,157	532,390	879,290	2,772,651	8,296,759	2,267,262	751,305	1,854,210
Buildings	177,592,756	177,592,756	94,180,464	111,991,212	111,991,212	107,701,541	98,468,109	98,468,109	88,811,413	88,811,413
Building improvements	87,129,257	84,061,398	78,517,279	78,849,095	73,450,053	57,589,992	36,008,102	33,581,403	33,581,403	30,811,213
Furniture and equipment	6,683,942	5,814,806	4,501,221	4,242,430	4,749,007	4,821,310	4,495,410	4,347,152	4,105,103	3,781,552
<b>Total capital assets</b>	<b>380,572,781</b>	<b>376,843,388</b>	<b>257,169,381</b>	<b>272,490,677</b>	<b>261,149,730</b>	<b>242,226,173</b>	<b>215,349,955</b>	<b>207,033,176</b>	<b>190,436,097</b>	<b>188,294,521</b>
Less accumulated depreciation										
Buildings	35,757,173	31,275,563	27,496,880	28,970,736	26,128,333	23,542,214	20,922,471	18,418,147	16,115,003	13,852,095
Building improvements	39,668,518	34,024,286	28,919,104	24,313,071	19,304,745	15,194,653	12,332,422	10,056,086	7,816,863	5,678,975
Furniture and equipment	4,526,579	4,009,437	3,704,971	3,572,613	3,910,710	4,119,438	3,960,054	3,741,342	3,366,900	2,967,003
<b>Total accumulated depreciation</b>	<b>79,952,270</b>	<b>69,309,286</b>	<b>60,120,955</b>	<b>56,856,420</b>	<b>49,343,788</b>	<b>42,856,305</b>	<b>37,214,947</b>	<b>32,215,575</b>	<b>27,298,766</b>	<b>22,498,073</b>
<b>Net capital assets</b>	<b>300,620,511</b>	<b>307,534,102</b>	<b>197,048,426</b>	<b>215,634,257</b>	<b>211,805,942</b>	<b>199,369,868</b>	<b>178,135,008</b>	<b>174,817,601</b>	<b>163,137,331</b>	<b>165,796,448</b>
Related debt	141,306,242	140,096,789	98,143,077	101,102,730	104,506,496	103,416,034	105,012,392	105,945,935	108,275,122	110,505,903
<b>Net investment in capital assets</b>	<b>\$ 159,314,269</b>	<b>\$ 167,437,313</b>	<b>\$ 98,905,349</b>	<b>\$ 114,531,527</b>	<b>\$ 107,299,446</b>	<b>\$ 95,953,834</b>	<b>\$ 73,122,616</b>	<b>\$ 68,871,666</b>	<b>\$ 54,862,209</b>	<b>\$ 55,290,545</b>

Source: Annual Financial Statements

## **REVENUE CAPACITY**



San Diego Housing Commission  
 Revenue on a Gross Basis (Unaudited)  
 Last Ten Years Ending June 30, 2022

DESCRIPTION	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenues (gross):										
Operating revenues	\$ 56,679,865	\$ 51,509,226	\$ 45,483,188	\$ 44,225,172	\$ 44,152,961	\$ 41,492,453	\$ 38,402,805	\$ 34,410,406	\$ 33,238,525	\$ 31,650,405
Subsidies and grants	507,052,316	401,428,897	250,210,888	214,794,552	240,541,580	217,487,187	200,005,483	191,703,603	186,987,313	188,240,947
Investment income	11,093,711	14,270,429	16,129,043	15,683,988	10,968,696	9,099,264	9,988,417	9,742,843	9,118,073	8,637,551
Gain/(loss) on sale of capital assets	(27,582)	(11,094)	-	(21,936)	2,376	-	3,844,578	-	-	38,220
<b>Total revenues</b>	<b>\$574,798,310</b>	<b>\$467,197,458</b>	<b>\$311,823,119</b>	<b>\$274,681,776</b>	<b>\$295,665,613</b>	<b>\$268,078,904</b>	<b>\$252,241,283</b>	<b>\$235,856,852</b>	<b>\$229,343,911</b>	<b>\$228,567,123</b>

Source: Annual Financial Statements

## **DEBT CAPACITY**





San Diego Housing Commission

Ratios of Outstanding Debt (Unaudited)

Last Ten Years Ending June 30, 2022

<u>Fiscal year</u>	<u>Outstanding Debt<sup>1</sup></u>	<u>Capital Assets Less Accumulated Depreciation<sup>1</sup></u>	<u>Ratio of outstanding debt to capital assets</u>	<u>Ratio of outstanding debt to total personal income<sup>2</sup></u>
2013	\$ 115,500,409	(1) \$ 165,796,448	69.66%	0.0008%
2014	112,993,522	(2) 163,137,331	69.26%	0.0008%
2015	109,913,912	(3) 174,814,601	62.87%	0.0007%
2016	106,884,501	(4) 178,135,008	60.00%	0.0007%
2017	103,813,347	(5) 199,369,868	52.07%	0.0006%
2018	103,369,851	(6) 211,805,942	48.80%	0.0006%
2019	100,054,425	(7) 215,634,258	46.40%	0.0005%
2020	96,949,826	(8) 197,048,425	49.20%	0.0005%
2021	143,591,386	(9) 307,534,101	46.69%	0.0007%
2022	139,390,632	(10) 300,620,511	46.37%	0.0007%

<sup>1</sup>Source: Annual Financial Statements

<sup>2</sup>Source: The Bureau of Economic Analysis - U.S. Department of Commerce

- (1) The outstanding debt of \$115 million includes \$5 million of unspent loan proceeds.
- (2) The outstanding debt of \$113 million includes \$5 million of unspent loan proceeds.
- (3) The outstanding debt of \$110 million includes \$4 million of unspent loan proceeds.
- (4) The outstanding debt of \$107 million includes \$2 million of unspent loan proceeds.
- (5) The outstanding debt of \$103 million includes \$398,000 of unspent loan proceeds, and \$1.6 million of unamortized debt issuance costs.
- (6) The outstanding debt of \$103 million includes \$400,000 of unspent loan proceeds, and \$1.6 million of unamortized debt issuance costs.
- (7) The outstanding debt of \$100 million includes \$407,000 of unspent loan proceeds, and \$1.5 million of unamortized debt issuance costs.
- (8) The outstanding debt of \$97 million includes \$183,000 of unspent loan proceeds, and \$1.4 million of unamortized debt issuance costs.
- (9) The outstanding debt of \$144 million includes \$5 million of unspent loan proceeds, and \$1.3 million of unamortized debt issuance costs.
- (10) The outstanding debt of \$139 million includes \$1.2 million of unamortized debt issuance costs.

## **DEMOGRAPHIC AND ECONOMIC INFORMATION**



**San Diego Housing Commission  
Demographic Statistics - Ten Year Trend**

**Population**

Year	United States	Change from Prior Period	City of San Diego	Change from Prior Period
2012-13	316,122,143	1.07%	1,326,238	0.37%
2013-14	318,853,648	0.86%	1,345,895	1.48%
2014-15	321,188,034	0.73%	1,368,061	1.65%
2015-16	323,882,704	0.84%	1,391,676	1.73%
2016-17	325,337,675	0.45%	1,406,318	1.05%
2017-18	328,026,343	0.83%	1,419,845	0.96%
2018-19	329,152,485	0.34%	1,420,572	0.05%
2019-20	329,872,465	0.22%	1,430,489	0.70%
2020-21	332,472,594	0.79%	1,411,034	-1.36%
2021-22	332,834,417	0.11%	1,374,790	-2.57%

Source: U.S. Department of Commerce, Bureau of Economic Analysis  
MuniServices, LLC / Avenu Insight & Analytics



**San Diego Housing Commission  
Demographic and Economic Statistics for the City of San Diego  
Ten Years Ended June 30, 2022**

**Population and Personal Income - City of San Diego**

<b>Year</b>	<b>Population<sup>1</sup></b>	<b>Personal Income<sup>2</sup> (1,000s)</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate<sup>3</sup>(%)</b>
2012-13	1,326,238	\$ 43,540,765	\$ 32,830	8.9
2013-14	1,345,895	45,869,487	34,081	7.5
2014-15	1,368,061	46,297,920	33,842	4.6
2015-16	1,391,676	47,718,552	34,289	4.9
2016-17	1,406,318	50,542,056	35,939	4.4
2017-18	1,419,845	54,274,285	38,226	3.1
2018-19	1,420,572	57,277,776	40,320	3.2
2019-20	1,430,489	59,988,300	41,936	14.7
2020-21	1,411,034	63,871,018	45,265	9.0
2021-22	1,374,790	71,479,195	51,993	2.6

Footnotes:

<sup>1</sup>Population projections are provided by the California Department of Financial Projections

<sup>2</sup>Income data is provided by the U.S. Census Bureau, American Community Survey

<sup>3</sup>Unemployment data is provided by the EDD's Bureau of Labor Statistics Department

Sources: MuniServices, LLC / *an Avenu Insights & Analytics Company*

The California Department of Finance demographics estimates now incorporate 2010 Census counts as the benchmark



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

<u>Employer</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>
<b>For the Fiscal Year Ended June 30, 2022</b>		
Naval Base San Diego(1)	41,321	5.78%
University of California, San Diego (2)	37,064	5.18%
Sharp Health Care (3)	18,839	2.63%
County of San Diego	16,744	2.34%
Scripps Health (4)	13,787	1.93%
San Diego Unified School District*	13,559	1.90%
Qualcomm Inc (5)	11,546	1.61%
City of San Diego	11,406	1.59%
Kaiser Permanente (6)	9,632	1.35%
Northrop Grumman Corporation	6,075	0.85%
<b>Total Top Employers</b>	<b>179,973</b>	<b>25.15%</b>
Total City Employment (7)	715,500	
<b>For the Fiscal Year Ended June 30, 2013</b>		
Naval Base San Diego(1)	30,664	4.30%
University of California, San Diego (2)	28,071	3.93%
Sharp Health Care (3)	15,906	2.23%
County of San Diego	15,727	2.20%
San Diego Unified School District*	13,552	1.90%
Qualcomm Inc (5)	13,524	1.89%
City of San Diego	10,026	1.40%
Kaiser Permanente (6)	8,800	1.23%
UC San Diego Medical Center	6,235	0.87%
San Diego Gas & Electric Company	4,753	0.67%
<b>Total Top Employers</b>	<b>147,258</b>	<b>20.63%</b>
Total City Employment (7)	713,900	

Source: MuniServices, LLC / Avenu Insights & Analytics

Source: 2013 data from previously published ACFR

Results based on direct correspondence with city's local businesses.

(1) Includes Active Duty Navy and Marine, and Civil Services employees.

(2) Includes full and part time, academic and support, and UCSD Medical Center, School of Medic

(3) Employee count is countywide

(4) Scripps Health employees within city limits, not including Mercy hospital in Chula Vista

(5) Excludes temps and interns

(6) Count includes physicians

(7) Total City Labor Force provided by EDD Labor Force Data

\* Employee count from previous year. As of 10/20/2022, Business has not responded.



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

<u>Resident Members Per Household</u>			<u>Number Bedrooms Per Household</u>		
<u>Categories</u>	<u>Households</u>	<u>Percent</u>	<u>Categories</u>	<u>Households</u>	<u>Percent</u>
1 Member	9,153	50.4%	Studio	3,013	16.6%
2 Members	3,892	21.5%	1 Bedroom	5,108	28.2%
3 Members	1,942	10.7%	2 Bedrooms	5,686	31.4%
4 Members	1,436	7.9%	3 Bedrooms	3,174	17.5%
5 Members	843	4.7%	4 Bedrooms	946	5.2%
6 Members	430	2.4%	5 Bedrooms	174	1.0%
7 Members	209	1.2%	6 Bedrooms	18	0.1%
8 Members	100	0.6%	7 Bedrooms	-	0.0%
9 Members	55	0.3%	8 Bedrooms	-	0.0%
10 + Members	59	0.3%	9 Bedrooms	-	0.0%
Total	<u>18,119</u>	<u>100.0%</u>	Total	<u>18,119</u>	<u>100.0%</u>

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

Income Ranges (All Sources)

<u>Annual Income Ranges</u>	<u>No. of Households</u>	<u>Percentage</u>
\$ 0-99	1,246	6.9%
\$ 100-9,999	1,625	9.0%
\$ 10,000-19,999	8,895	49.1%
\$ 20,000-29,999	2,779	15.3%
\$ 30,000-39,999	1,633	9.0%
\$ 40,000-49,999	980	5.4%
\$ 50,000 +	961	5.3%
Total	<u>18,119</u>	<u>100.0%</u>

Source: San Diego Housing Commission Statistics



San Diego Housing Commission  
 Years in Housing Choice Voucher Program

Length of Residency - Unaudited  
 Housing Choice Voucher Program

Years in Housing	Households	Quantity
<1	636	3.5%
1	1,308	7.2%
2	1,529	8.4%
3	1,721	9.5%
4	870	4.8%
5	933	5.2%
6	622	3.4%
7	936	5.2%
8	740	4.1%
9	179	1.0%
10	601	3.3%
11	556	3.1%
12	261	1.4%
13	368	2.0%
14	299	1.7%
15	1,436	7.9%
16	305	1.7%
17	714	3.9%
18	359	2.0%
19	220	1.2%
20+	3,526	19.5%
Total	<u>18,119</u>	<u>100.0%</u>

Source: San Diego Housing Commission Statistics

## **OPERATING INFORMATION**



# Statistical Section (Unaudited)



**San Diego Housing Commission  
Operating Information  
Property Characteristic and Dwelling Units**

**San Diego Housing Commission Owned**

Address	No. Units	Year Built
4720 - 4722	34th Street	3 1982
4756 - 4758	35th Street	4 1982
3010 #A - B	39th Street	2 1975
3617 - 3619	42nd Street	4 1984
2716 - 2718	44th Street	4 1983
2734 - 2736	44th Street	4 1983
4078 #A - D	47th Street	4 1964
4286 - 4292	48th Street	4 1960
3280	A Street	2 1982
4207 - 4209	Altadena Avenue	2 1984
4123	Arey Drive	1 1970
4080	Arizona Street	4 1987
2766	Cardinal Road	2 1982
7410-7412	Cuvier Street	8 1977
4314	Darwin way	1 1970
2326 - 2332	East Jewett Street	4 1944
4334	Ebersole Drive	1 1970
4181	Enero Street	1 1970
2477 - 2477 1/2	2479 - 2481 Fairmount Avenue	4 1967
3081 - 3083	Hawthorn Street	4 1983
1170	Ilexey Avenue	1 1970
1366	Ilexey Avenue	1 1970
4230	Kimsue Way	1 1970
1255	Kostner Drive	1 1970
4259	Layla Court	1 1970
4276	Layla Court	1 1970
4256	Layla Way	1 1970
4269	Layla Way	1 1970
4274	Layla Way	1 1970
4339	Marcia Court	1 1970
4074	Marcwade Drive	1 1970
4150	Marcwade Drive	1 1970
4186	Marcwade Drive	1 1970
4293	Marcwade Drive	1 1970
4239	Marge Way	1 1971
4331	Marge Way	1 1970
4334	Marge Way	1 1970
4890	Naples Street	4 1982
1152	Nevin Street	1 1970
8505	Noeline Avenue	1 1975
4050 - 4056	Oakcrest Drive	4 1960
5974	Old Memory Lane	1 1941
4034	Peterlynn Court	1 1970
1327	Peterlynn Drive	1 1970
1405	Peterlynn Drive	1 1970
1530	Peterlynn Drive	1 1970
4024	Peterlynn Way	1 1970
2325	Rachel Avenue	3 1982
1128	Ransom Street	1 1970
1145	Ransom Street	1 1970
1169	Ransom Street	1 1970
5955 #1 - 4	Streamview Drive	4 1963
3755 - 3757	Swift Avenue	4 1997
6511 - 6517	Tait Street	4 1952
1041	Twining Avenue	1 1970

# Statistical Section (Unaudited)



## San Diego Housing Commission Owned - Continued

Address			
1317	Twining Avenue	1	1970
3630 - 3632	Van Dyke Avenue	4	1982
10101 - 10191	Maya Linda Road	132	1978
2052 - 2098	Via Las Cumbres	84	1984
4262-4268	44th Street	4	2009
4395	El Cajon Boulevard	33	2009
1301	Fifth Avenue	130	1914
5330	Orange Avenue	71	1985
3754	Fifth Avenue - Hillcrest	47	1988
1865	Hotel Circle South - Valley Vista	192	1990
5400	Kearny Mesa Rd - Kearny Vista	144	1990
	<b>Total SDHC Owned</b>	<b>957</b>	

## Belden SDHC FNMA, LLC

Address		No. Units	Year Built
7705 - 7795	Belden Street	243	1983
	<b>Total Belden SDHC FNMA, LLC</b>	<b>243</b>	

## Northern SDHC FNMA, LLC

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

## Central SDHC FNMA, LLC

Address		No. Units	Year Built
2932	30th street	5	1986
3012	30th street	5	1986
3030	30th street	5	1988
3217	30th street	5	1986
4729	32nd street	5	1985
4541 #1 - 8	33rd street	8	1965
4632	33rd street	5	1986
4751	33rd street	8	1968
4254	36th street	5	1988
4164 #1 - 8	37th street	8	1962
4343	38th street	5	1989
4575 - 4579	38th street	8	1985
3755 - 3761	Alabama Street	8	1985
3974 - 3984	Bancroft Street	14	1988
3850	Cherokee Avenue	5	1986
4054 - 4060 1/2	Cherokee Avenue	8	1961
4360	Cherokee Avenue	5	1986
4081 - 4087 1/2	Florida Street	8	1960
4450 - 4456 1/2	Georgia Street	8	1966
7891 - 7899	Golfcrest Drive	9	1997
3350 - 3356 1/2	Grim Avenue	8	1959
4637 - 4643 1/2	Hamilton Street	8	1956
3125	Ivy Street	5	1988
4381 - 4387	Louisiana Street	8	1968
2727 - 2729, 2739 - 2745	Meade Avenue	6	1964
4352 #1 - 8	Oregon Street	8	1960
4043	Wilson Avenue	5	1986
	<b>Total Central SDHC FNMA, LLC</b>	<b>185</b>	

# Statistical Section (Unaudited)



## Northern SDHC FHA, LLC

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

## Southern SDHC FHA, LLC

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

## Central SDHC FHA, LLC

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

# Statistical Section (Unaudited)



## Public Housing Units

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

## Housing Development Partners (HDP)

Address		No. Units	Year Built
5207	52nd Place*	75	1978
1345	5th Ave	17	1913
4754	Logan Avenue	54	1996
2170-2172	Front Street*	34	1913
827	C Street*	73	1910
1055	9th Ave*	156	1980
4066	Messina Drive	145	1981/85
1814	5th Avenue	80	1912
7720-7780	Belden Street*	120	1986
1830	Fourth Avenue*	92	1990
1840	Fourth Avenue*	47	1989
6847	Potomac Street*	172	1989
1232	Peterlynn Drive	1	1970
1506	Peterlynn Drive	1	1970
4233	Stu Court	1	1970
1144	Twining Avenue	1	1970
1250	Twining Avenue	1	1970
1234	Peterlynn Drive	1	2021
4095	Marzo St	1	2021
1070	Kostner Dr	1	2021
4127	Kimsue Way	1	2021
4124	Enero St	1	2021
<b>Total Housing Development Partners</b>		<b>1,075</b>	

**Total SDHC, LLC, Public Housing Units and HDP** **3,476**

## Other Program Housing Units - Partnerships

Address		No. Units	Development/Partner
1245	Market Street	281	Island Village/HDP
1475	Imperial Ave	275	Studio 15/HDP/Affirmed
4321	52nd Street	88	Dawson/HDP/Chelsea
4914-98	Logan Avenue*	112	Arbor Village/LINC Housing
1194	Hollister St *	50	Riverwalk Apts/Affirmed Housing Group
5391 & 5411-25	Santa Margarita St*	49	Vista Grande/Wakeland
1985	National Ave*	92	Estrella del Mercado/Chelsea
1815-1874	Hancock Street *	85	Mission Apts/AMCAL Multi Housing Inc.
13481-13483	Silver Ivy Lane*	21	Park Terramar/Chelsea
<b>Total Partnership Units</b>		<b>1,053</b>	

**Combined Total Units** **4,529**

\* SDHC retains ownership in the land



**San Diego Housing Commission  
Employee Demographics  
As of June 30, 2022**

Seniority of Employees			Racial Composition		
<u>Categories</u>	<u>Number</u>	<u>Percent</u>	<u>Categories</u>	<u>Number</u>	<u>Percent</u>
Less than 3 years	74	22.36%	American Indian or Alaska Native, White	3	0.91%
3 to 5 years	86	25.98%	Asian	21	6.34%
6 to 9 years	69	20.85%	Black or African American	33	9.97%
10 to 19 years	59	17.82%	Hispanic or Latino	132	39.88%
20 to 29 years	26	7.85%	Native Hawaiian or Other Pacific Islander	14	4.23%
30 years and over	<u>17</u>	5.14%	Two or More Races	9	2.72%
Grand Total	<u><u>331</u></u>		White	105	31.72%
			Other	<u>14</u>	4.23%
			Grand Total	<u><u>331</u></u>	

Source: Information provided by San Diego Housing Commission HR Department



**San Diego Housing Commission  
Number of Employees by Department**

<b>Department:</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Board & Executive Functions	4	6	6	9	8	9	7	6	8	5
Business Services	47	46	39	38	37	40	44	41	37	35
Community Relations & Communications	6	6	7	7	7	7	8	6	7	5
External Affairs	0	0	0	0	0	0	0	0	12	12
Financial Services	24	28	25	25	26	26	22	24	25	24
Housing Finance	16	15	15	16	16	16	12	0	0	0
Housing Innovations	35	33	31	32	25	20	12	6	0	0
Housing Development Partners	9	9	8	8	5	5	4	3	3	3
Policy & Public Affairs	4	4	5	0	0	0	0	0	0	0
Real Estate Development	71	72	67	74	77	77	70	75	75	80
Rental Assistance Program	115	100	112	114	114	106	115	105	107	109
	<b>331</b>	<b>319</b>	<b>315</b>	<b>323</b>	<b>315</b>	<b>306</b>	<b>294</b>	<b>266</b>	<b>274</b>	<b>273</b>

**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, 2022**

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# San Diego Housing Commission

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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, 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, 2022, and the related notes to the financial statements, which collectively comprise SDHC's basic financial statements, and have issued our report thereon dated November 3, 2022. Our report includes a reference to the other auditor who audited the financial statements of SDHC's fiduciary fund, as described in our report on SDHC's financial statements. The financial statements of the aggregate discretely presented component units and the fiduciary fund were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the aggregate discretely presented component units and the fiduciary fund of SDHC.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SDHC's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SDHC's internal control. Accordingly, we do not express an opinion on the effectiveness of SDHC's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SDHC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Sacramento, California  
November 3, 2022

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, 2022. SDHC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2022.

*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 relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of SDHC's compliance with the compliance requirements referred to above.

*Responsibilities of Management for Compliance*

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

### *Auditor's Responsibilities for the Audit of Compliance*

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding SDHC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of SDHC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of SDHC's internal control over compliance. Accordingly, no such opinion is expressed.

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

### Report on Internal Control over Compliance

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units and the fiduciary fund of SDHC, a component unit of the City of San Diego, California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise SDHC's basic financial statements. We issued our report thereon, dated November 3, 2022, 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.

*CohnReznick LLP*

Sacramento, California  
November 3, 2022

## San Diego Housing Commission

### Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

Federal Grantor / Pass - Through Grantor / Program and / or Cluster Title	Federal Assistance Listing Number	Direct Programs	Passed Through Programs	Federal Expenditures Amount	Passed Through to Subrecipients
<b>U.S. Department of Housing and Urban Development</b>					
<b><u>CDBG - Entitlement Grants Cluster</u></b>					
CDBG (City) - Passed through the City of San Diego					
B-21-MC-06-0542	14.218	\$ -	\$ 2,150,257	\$ 2,150,257	\$ 1,765,552
B-20-MC-06-0542	14.218	-	1,159,709	1,159,709	1,159,709
B-18-MC-06-0542	14.218	-	608,421	608,421	-
CDBG (County) - Passed-through the County of San Diego Contract: 565986					
	14.218	-	71,495	71,495	-
<b>Subtotal - CDBG - Entitlement Grants Cluster</b>	<b>14.218</b>	<b>-</b>	<b>3,989,882</b>	<b>3,989,882</b>	<b>2,925,261</b>
<b><u>Emergency Solutions Grant Program</u></b>					
Passed through the City of San Diego					
E-21-MC-06-0542	14.231	-	746,587	746,587	578,891
E-20-MC-06-0542	14.231	-	13,298,217	13,298,217	12,608,921
<b>Subtotal - ESG</b>	<b>14.231</b>	<b>-</b>	<b>14,044,804</b>	<b>14,044,804</b>	<b>13,187,812</b>
<b>Subtotal - CDBG, ESG</b>		<b>-</b>	<b>18,034,686</b>	<b>18,034,686</b>	<b>16,113,073</b>
<b><u>Continuum of Care Program</u></b>					
Special Needs Assistance					
CA0534L9D012013	14.267	4,032,024	-	4,032,024	3,797,969
CA1208L9D012007	14.267	145,122	-	145,122	138,230
CA1602L9D012004	14.267	692,164	-	692,164	663,808
CA1349L9D012006	14.267	339,969	-	339,969	-
<b>Subtotal - Continuum of Care Program</b>	<b>14.267<sup>1</sup></b>	<b>5,209,279</b>	<b>-</b>	<b>5,209,279</b>	<b>4,600,007</b>
<b><u>HOME Investment Partnerships Program</u></b>					
Passed through the City of San Diego					
M-21-MC-06-0533	14.239	-	346,940	346,940	-
M-19-MC-06-0533	14.239	-	35,000	35,000	-
M-18-MC-06-0533	14.239	-	4,500,943	4,500,943	-
<b>Subtotal - HOME Investment Partnerships Program</b>	<b>14.239<sup>1</sup></b>	<b>-</b>	<b>4,882,883</b>	<b>4,882,883</b>	<b>-</b>
<b><u>Section 8 Project-Based Cluster</u></b>					
Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation					
Project MR2 CA063MR0002	14.856	24,734	-	24,734	-
Project MR7 CA063MR0007	14.856	281,851	-	281,851	-
<b>Subtotal - Section 8 Project-Based Cluster</b>	<b>14.856</b>	<b>306,585</b>	<b>-</b>	<b>306,585</b>	<b>-</b>
<b><u>Resident Opportunity and Supportive Services - Service Coordinators (ROSS)</u></b>					
ROSS191266	14.870	54,359	-	54,359	-
ROSS221679	14.870	7,635	-	7,635	-
<b>Subtotal - ROSS Program</b>	<b>14.870</b>	<b>61,994</b>	<b>-</b>	<b>61,994</b>	<b>-</b>

See notes to Schedule of Expenditures of Federal Awards

## San Diego Housing Commission

### Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

Federal Grantor / Pass - Through Grantor / Program and / or Cluster Title	Federal Assistance Listing Number	Direct Programs	Passed Through Programs	Federal Expenditures Amount	Passed Through to Subrecipients
<b><u>Moving to Work (MTW)</u></b>					
Housing Assistance Payments Program:					
Section 8 Housing Choice Vouchers					
For Low Income Families - CA063VOW100- CA063VOW111	14.HCV	196,577,448	-	196,577,448	-
For Low Income Families - CA063AF0257-- /CA063AF0265	14.HCV	16,728,554	-	16,728,554	-
VASH Program - CA063VO410--/CA063VO421	14.HCV	13,396,069	-	13,396,069	-
HCV FSS Coord: FSS21CA3735	14.HCV	228,335	-	228,335	-
HCV FSS Coord: FSS21CA4244	14.HCV	271,383	-	271,383	-
Emergency Housing Vouchers CA063EH0001-- /CA063EC0004	14.EHV	4,497,693	-	4,497,693	-
Family Unification Program - Contract: CA063VO0402-CA063VO0427	14.880	2,735,986	-	2,735,986	-
Subtotal - Housing Assistance Payments Program		<u>234,435,468</u>	<u>-</u>	<u>234,435,468</u>	<u>-</u>
Public Housing Capital Fund					
CA16P06350119	14.CFP	83,463	-	83,463	-
Subtotal - Public Housing Capital Fund		<u>83,463</u>	<u>-</u>	<u>83,463</u>	<u>-</u>
Public and Indian Housing					
CA06300000720D	14.OPS	80	-	80	-
CA06300000721D	14.OPS	41,636	-	41,636	-
CA06300000722D	14.OPS	28,174	-	28,174	-
CA06300000820D	14.OPS	95	-	95	-
CA06300000821D	14.OPS	67,699	-	67,699	-
CA06300000822D	14.OPS	54,754	-	54,754	-
CA06300000921D	14.OPS	121,458	-	121,458	-
CA06300000920D	14.OPS	185	-	185	-
CA06300000922D	14.OPS	122,656	-	122,656	-
CA06300000820DC	14.PHC	9,285	-	9,285	-
CA06300000920DC	14.PHC	9,764	-	9,764	-
CA063000001020DC	14.PHC	6,553	-	6,553	-
CA063000001020D	14.OPS	74	-	74	-
CA063000001021D	14.OPS	57,313	-	57,313	-
CA063000001022D	14.OPS	45,227	-	45,227	-
Subtotal - Public and Indian Housing		<u>564,953</u>	<u>-</u>	<u>564,953</u>	<u>-</u>
<b>Subtotal - Moving to Work</b>	<b>14.881<sup>1</sup></b>	<b><u>235,083,884</u></b>	<b><u>-</u></b>	<b><u>235,083,884</u></b>	<b><u>-</u></b>
<b><u>Housing Voucher Cluster</u></b>					
Mainstream Voucher Program					
CA063DV0015-CA063DV0024	14.879	2,619,901	-	2,619,901	-
CA0638F0016-CA0638F0023	14.879	233,076	-	233,076	-
Subtotal - Housing Voucher Cluster		<u>2,852,977</u>	<u>-</u>	<u>2,852,977</u>	<u>-</u>
<b>Total - U.S. Department of Housing and Urban Development</b>		<b><u>243,514,719</u></b>	<b><u>22,917,569</u></b>	<b><u>266,432,288</u></b>	<b><u>20,713,080</u></b>

See notes to Schedule of Expenditures of Federal Awards

**San Diego Housing Commission**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022**

<u>Federal Grantor / Pass - Through Grantor / Program and / or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Direct Programs</u>	<u>Passed Through Programs</u>	<u>Federal Expenditures Amount</u>	<u>Passed Through to Subrecipients</u>
<b>U.S. Department of the Treasury</b>					
<b><u>Emergency Rental Assistance Program</u></b>					
City HSAP ERA0302	21.023	-	29,387,211	29,387,211	-
City ERA ERAE0043	21.023	-	54,539,063	54,539,063	-
State HSAP ERA0003	21.023	-	48,913,991	48,913,991	-
State ERA ERAE0321	<u>21.023</u>	<u>-</u>	<u>61,285,352</u>	<u>61,285,352</u>	<u>-</u>
<b>Subtotal - Emergency Rental Assistance Program</b>	<b>21.023<sup>1</sup></b>	<b><u>-</u></b>	<b><u>194,125,617</u></b>	<b><u>194,125,617</u></b>	<b><u>-</u></b>
<b>Total - U.S. Department of the Treasury</b>		<b><u>-</u></b>	<b><u>194,125,617</u></b>	<b><u>194,125,617</u></b>	<b><u>-</u></b>
<b>TOTAL</b>		<b><u>\$ 243,514,719</u></b>	<b><u>\$ 217,043,186</u></b>	<b><u>\$ 460,557,905</u></b>	<b><u>\$ 20,713,080</u></b>

1 – audited as a major program

See notes to Schedule of Expenditures of Federal Awards



## San Diego Housing Commission

### Notes to Schedule of Expenditures of Federal Awards June 30, 2022

#### 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

For its Emergency Rental Assistance Program (Federal Assistance Listing Number 21.023), SDHC elected to use the 10-percent 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"). For all other federal programs, SDHC has elected not to use the 10-percent de minimis indirect cost rate allowed under the 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, 2022. 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 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.

**San Diego Housing Commission**

**Notes to Schedule of Expenditures of Federal Awards  
June 30, 2022**

**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, 2022 are as follows:

<u>Federal Grantor / Passthrough Grantor / Program Title:</u>	<u>Federal Assistance Listing Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures Amount</u>
<i><u>Direct Programs</u></i>			
<b>U.S. Department of Housing and Urban Development</b>			
<b><u>Federal Housing Administration - Insured loans under Section 223(f)</u></b>			
FHA Insured Loan - Southern SDHC FHA LLC	14.134	FHA # 12911055	\$19,919,269
FHA Insured Loan - Northern SDHC FHA LLC	14.134	FHA # 12911053	13,934,118
FHA Insured Loan - Central SDHC FHA LLC	14.134	FHA # 12911054	<u>12,497,185</u>
<b>TOTAL</b>			<u><u>\$46,350,572</u></u>

**San Diego Housing Commission**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2022**

**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 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 the 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 programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
14.267	Continuum of Care Program
14.239	Home Investment Partnerships Program
14.881	Moving to Work
21.023	Emergency Rental Assistance 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

**San Diego Housing Commission**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2022**

**B. Findings - Financial Statement Audit**

None reported.

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

None reported.



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**San Diego Housing Commission**

**Report to the Audit Committee  
of the Board of Commissioners**

**June 30, 2022**

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November 3, 2022

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

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary fund of 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, 2022, and have issued our report thereon dated November 3, 2022. The financial statements of the fiduciary fund have been audited by other auditors and we have made a reference to the reports of those auditors in our report on SDHC's financial statements. Professional standards also require that we communicate to you the following information related to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated June 15, 2022, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of SDHC solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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

### **Planned Scope and Timing of the Audit**

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

### **Compliance with All Ethics Requirements Regarding Independence**

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

## Qualitative Aspects of the Entity's Significant Accounting Practices

### Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by SDHC is included in Note 2 to the financial statements. As described in Note 2 to the financial statements, during the year, the entity changed its method of accounting for leases by adopting Governmental Accounting Standards Board (GASB) Statement No. 87 "Leases". Accordingly, there are no cumulative effect of the accounting change as of the beginning of the year. The adoption of GASB 87 resulted in significant changes to the financial statements of SDHC as June 30, 2022 including the recording of leases receivable and deferred inflows of resources. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- The collectability of notes, mortgages and accounts receivable and the allowances for losses and forgiveness on notes, mortgages and accounts receivable
- Depreciation estimates for capital assets including depreciation methods and useful lives assigned to the depreciable assets
- Accrued compensated absences

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

- Estimated allowances for losses on notes, mortgages and accounts receivable were based upon historical collection experience for loans and accounts receivable and management's assessment of the likelihood of collectability on the notes and mortgages receivable
- Useful lives and method of depreciation for capital assets were determined by management based upon the nature of the capital assets and their expected economic lives
- Accrual and disclosures of compensated absences were based on accrued eligible hours of annual leave at current pay rates for eligible employees

For all significant estimates made by management, we evaluated the key factors and assumptions used to determine that the estimates are reasonable in relation to the financial statements as a whole.

### Financial Statement Disclosures

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

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



### **Significant Difficulties Encountered during the Audit**

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

### **Uncorrected and Corrected Misstatements**

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

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the management representation letter dated November 3, 2022.

### **Management's Consultations with Other Accountants**

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

### **Other Significant Matters, Findings, or Issues**

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

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

### **Other Services**

We assisted in preparing the financial statements, schedule of expenditures of federal awards and related notes, and the data collection form of SDHC in conformity with U.S. generally accepted accounting principles and the Uniform Guidance based on information provided by management. These nonattest services were performed under the supervision and approval of management and do not constitute audit services under governmental auditing standards.

**Other Matters**

We applied certain limited procedures to the Management Discussion & Analysis which is required supplementary information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining Schedules of net position, revenues, expenses and changes in net position and cash flows, and the Financial Data Schedule, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Restriction on Use**

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

Very truly yours,



Sacramento, California



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

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

**June 30, 2022 and 2021**

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

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

**June 30, 2022**

Certificate of Owner

I, as an officer of the San Diego Housing Commission, owner of Otay Villas Housing Development, hereby certify that I have examined the accompanying financial statements and supplementary information of Otay Villas Housing Development as of and for the year ended June 30, 2022 and, to the best of my knowledge and belief, these financial statements and supplementary information are complete and accurate.

San Diego Housing Commission

*Suket Dayal*

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

Employer Identification Number: 95-3390896

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

**June 30, 2022**

Managing Agent's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary information of Otay Villas Housing Development as of and for the year ended June 30, 2022, and to the best of my knowledge and belief, the same is complete and accurate.

*Suket Dayal*

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San Diego Housing Commission  
Suket Dayal, Executive Vice President of Business  
Administration & Chief Financial Officer

## Independent Auditor's Report

To the Board of Commissioners  
San Diego Housing Commission

Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of Otay Villas Housing Development Project No. 12-HLCP-0003 (the "Project") owned by San Diego Housing Commission ("SDHC"), which comprise the statements of net position as of June 30, 2022 and 2021, and the related statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003 as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

### *Emphasis of Matter*

As discussed in Note 2, the financial statements referred to above are intended to present the financial position, the changes in financial position, and cash flows of only the Project. They do not purport to, and do not, present fairly the financial position of SDHC as of June 30, 2022 and 2021, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

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



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003's ability to continue as a going concern for 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 San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003's ability to continue as a going concern for a reasonable period of time.

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

#### *Required Supplementary Information*

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

*Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The financial data templates as required by the California Department of Housing and Community Development ("RHCP"), are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data templates as required by the RHCP are fairly stated in all material respects in relation to the financial statements as whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022, on our consideration of San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CohnReznick LLP".

Sacramento, California  
September 28, 2022

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

**Statements of Net Position  
June 30, 2022 and 2021**

	<u>Assets</u>	
	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 341,459	\$ 26,424
Tenants' accounts receivable, net	4,554	2,964
Accounts receivable - other	23,216	36,783
	<u>369,229</u>	<u>66,171</u>
Total current assets		
Other assets		
Investments - operations	431,418	636,210
Restricted deposits and funded reserves	1,012,852	948,346
	<u>1,444,270</u>	<u>1,584,556</u>
Total other assets		
Capital assets		
Buildings and improvements	6,285,947	6,255,040
Accumulated depreciation	(4,149,811)	(3,816,077)
	<u>2,136,136</u>	<u>2,438,963</u>
Total capital assets		
Land	<u>1,087,727</u>	<u>1,087,727</u>
Total capital assets	<u>3,223,863</u>	<u>3,526,690</u>
Total assets	<u>\$ 5,037,362</u>	<u>\$ 5,177,417</u>

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

**Statements of Net Position  
June 30, 2022 and 2021**

Liabilities and Net Position

	2022	2021
Current liabilities		
Accounts payable - operations	\$ 64,257	\$ 30,041
Accrued expenses	7,404	4,689
Accrued interest payable - first mortgage, current	13,230	13,230
Prepaid rent	11,120	7,558
Total current liabilities	96,011	55,518
Deposits and prepaid liability		
Tenants' security deposits liability	40,113	38,987
Total deposits and prepaid liability	40,113	38,987
Long-term liabilities		
Mortgage payable - first mortgage	3,150,000	3,150,000
Accrued interest payable - first mortgage, net of current portion	704,637	646,863
Total long-term liabilities	3,854,637	3,796,863
Total liabilities	3,990,761	3,891,368
Contingency	-	-
Net Position		
Net investment in capital assets	73,863	376,690
Restricted for operating and replacement reserves	972,739	909,359
Unrestricted	(1)	-
Total net position	1,046,601	1,286,049
Total liabilities and net position	\$ 5,037,362	\$ 5,177,417

See Notes to Financial Statements.

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

**Statements of Revenue, Expenses and Changes in Net Position  
Years Ended June 30, 2022 and 2021**

	2022	2021
Operating revenue		
Rental income	\$ 468,074	\$ 432,597
Subsidy income	254,063	219,118
Other operating income	8,570	6,952
Total operating revenue	730,707	658,667
Operating expenses		
Administrative	192,715	189,192
Utilities	163,046	180,329
Operating and maintenance	356,514	152,979
Taxes and insurance	67,948	60,488
Depreciation	333,734	333,219
Total operating expenses	1,113,957	916,207
Net operating loss	(383,250)	(257,540)
Nonoperating revenue (expense)		
Financial revenue - investments	17,690	24,753
Interest expense - first mortgage	(94,500)	(94,500)
Total nonoperating revenue (expense)	(76,810)	(69,747)
Change in net position before capital transactions	(460,060)	(327,287)
Contributions	220,612	43,136
Change in net position	(239,448)	(284,151)
Net position		
Beginning of year	1,286,049	1,570,200
End of year	\$ 1,046,601	\$ 1,286,049

See Notes to Financial Statements.

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

**Statements of Cash Flows  
Years Ended June 30, 2022 and 2021**

	2022	2021
Cash flows from operating activities		
Cash received from tenants and operations	\$ 710,466	\$ 616,931
Less cash payments for operations and administration		
Administrative expenses paid	(32,416)	(42,126)
Management fee and sponsor overhead paid	(73,010)	(73,010)
Utilities paid	(129,562)	(177,803)
Salaries and wages paid	(130,524)	(125,407)
Operating and maintenance paid	(275,975)	(83,714)
Property insurance paid	(19,503)	(15,554)
Other operating expenses paid	(47,319)	(44,934)
	(708,309)	(562,548)
Cash payments for operations and administration		
Net cash provided by operating activities	2,157	54,383
Cash flows from capital and related financing activities		
Contributions from owner	220,612	43,136
Interest paid	(36,726)	(13,230)
	183,886	29,906
Net cash provided by capital and related financing activities		
Cash flows from investing activities		
Net deposits to replacement reserve	(62,938)	(48,517)
Net deposits to operating reserve	(442)	(551)
Interest on investments	19,613	25,674
Net sales (purchases) of investments	203,666	(414,483)
Net purchase of fixed assets	(30,907)	-
	128,992	(437,877)
Net cash provided by (used in) investing activities		
Net increase (decrease) in cash and cash equivalents	315,035	(353,588)
Cash and cash equivalents, beginning	26,424	380,012
Cash and cash equivalents, end	\$ 341,459	\$ 26,424

**Otay Villas Housing Development  
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A Project of San Diego Housing Commission**

**Statements of Cash Flows  
Years Ended June 30, 2022 and 2021**

	2022	2021
Reconciliation of net operating loss to net cash provided by (used in) operating activities		
Net operating loss	\$ (383,250)	\$ (257,540)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities		
Depreciation	333,734	333,219
Bad debt	18,629	12,067
Changes in		
Tenants' accounts receivable	(20,219)	(8,868)
Accounts receivable - other	12,770	(16,955)
Prepaid revenue	3,562	(127)
Accounts payable - operations	34,216	(6,981)
Accrued expenses	2,715	(432)
	<u>\$ 2,157</u>	<u>\$ 54,383</u>
Net cash provided by (used in) operating activities	<u>\$ 2,157</u>	<u>\$ 54,383</u>

See Notes to Financial Statements.

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

**Notes to Financial Statements  
June 30, 2022 and 2021**

**Note 1 - The financial reporting entity**

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

**Note 2 - Significant accounting policies**

**Basic financial statements**

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

**Measurement focus, basis of accounting and financial statement presentation**

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

The Project distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with the Project's ongoing operations. The principal operating revenue of the Project is rental income from the tenants of its housing units and the operating subsidy income. Operating expenses for the Project include the cost of services and general and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses. When both restricted and unrestricted resources are available for use, it is the Project's policy to use restricted resources first, then unrestricted resources as needed.

**Cash and cash equivalents**

The Project cash and cash equivalents are maintained within the general operating bank account of SDHC. The ending balance of the operating account is allocated between several projects of SDHC based upon each project's relative cash activities. The reconciled balance of SDHC general cash account is \$29,418,653 and \$46,536,479 of which \$341,459 and \$26,424 belongs to the Project as of June 30, 2022 and 2021, respectively.



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

**Notes to Financial Statements  
June 30, 2022 and 2021**

**Restricted deposits and funded reserves**

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

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

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

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

**Fair value**

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

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

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

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

**Tenant accounts receivable**

Resident accounts receivable are due from tenants and reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of the receivables. It is reasonably possible that management's estimate of the allowance will change. The allowance for doubtful accounts was \$224 and \$114 as of June 30, 2022 and 2021, respectively.

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

**Notes to Financial Statements  
June 30, 2022 and 2021**

**Capital assets**

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

Building and improvements	15 - 40 years
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**Impairment of capital assets**

SDHC reviews the capital assets of the Project for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. There has been no impairment of the capital assets as of June 30, 2022 and 2021.

**Rental income**

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

**HUD public housing operating subsidy**

Effective with the fiscal year ended June 30, 2015, the Project converted to public housing and receives an operating subsidy from HUD. The Project received \$254,063 and \$219,118 of operating subsidy income which is included in the statements of revenue, expenses and changes in net position for the years ended June 30, 2022 and 2021, respectively. Due to the receipt of the HUD operating subsidy, the Project no longer receives annuity income from RHCP.

**Net position**

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

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

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

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

**Use of estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. Actual results could differ from those estimates.

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

**Notes to Financial Statements  
June 30, 2022 and 2021**

**Note 3 - Restricted deposits and funded reserves**

As of June 30, 2022 and 2021, the restricted deposits and reserves consist of the following:

**Tenant security deposits**

The Project collects security deposits from tenants at the inception of the tenant lease. These deposits, which are reported in the basic financial statements as restricted cash, are refundable to the tenants to the extent there are no unpaid rents or damages to the housing unit. Tenant security deposits held amounted to \$40,113 and \$38,987 as of June 30, 2022 and 2021, respectively.

**Replacement reserve**

The Project established and will continue to fund a replacement reserve account for the term of the regulatory agreement. The replacement reserve was funded in the initial amount of \$78,000 to provide for future major additions, repairs or replacements. The Project shall make annual deposits of \$46,800 per year. The replacement reserve balance is \$751,390 and \$688,452 as of June 30, 2022 and 2021, respectively. During the years ended June 30, 2022 and 2021, the replacement reserve activity was as follows:

	2022	2021
Beginning balance	\$ 688,452	\$ 639,935
Deposits (\$600 x 78 units)	46,800	46,800
Deposits of prior year surplus cash	14,638	-
Interest earned	1,500	1,717
Ending Balance	\$ 751,390	\$ 688,452

**Operating reserve**

The Project established and will continue to fund an operating reserve account pursuant to the regulatory agreement. The operating reserve was funded by previous project cash flow and RHCP annuity payments. The operating reserve balance is \$221,349 and \$220,907 as of June 30, 2022 and 2021, respectively.

**Other investments**

The Project has other investments with a balance of \$431,418 and \$636,210 as of June 30, 2022 and 2021, respectively.

In accordance with SDHC's investment policy, the restricted deposits and reserves above are invested in the State's Local Agency Investment Fund ("LAIF"), the San Diego County Investment Pool ("SDCIP") and other investments such as bonds, government agency securities and demand deposit accounts safe kept with commercial banking institutions. The detailed disclosures including investment policies and associated risk for each of these investments are included in the notes to SDHC's basic financial statements.

**Otay Villas Housing Development  
Project No. 12-HLCP-0003  
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**Notes to Financial Statements  
June 30, 2022 and 2021**

**Note 4 - Mortgage payable**

Mortgage payable to RHCP associated with the acquisition of the Project is in the amount of \$3,150,000. Repayment of the interest and any outstanding principal balance is due in its entirety on the maturity date of May 10, 2068. The note bears interest at 3.00% and is payable in the annual amount of 0.42% of the outstanding principal balance (\$13,230 per year). Interest expense was \$94,500 and \$94,500 for the years ended June 30, 2022 and 2021, respectively. Outstanding principal and accrued interest is \$3,150,000 and \$717,867, respectively, as of June 30, 2022 and \$3,150,000 and \$660,093, respectively, as of June 30, 2021.

**Note 5 - Management fee and sponsor overhead**

The Project incurs management fees and overhead costs from SDHC for central office services which includes but is not limited to clerical and management overhead expenses, such as salaries and benefits, office supplies and equipment, data processing or computer services, postage, training and telephone services. This does not include the salary of the project manager whether onsite or offsite. SDHC allocated to the Project management fees and overhead expenses in the amount of \$73,010 and \$73,010 for the years ended June 30, 2022 and 2021, respectively.

**Note 6 - Concentration of credit risk**

The Project maintains its cash and cash equivalents with various financial institutions. At times, these balances may exceed the federal insurance limits; however, the Project has not experienced any losses with respect to its bank balances in excess of government provided insurance. The Project Owner believes that no significant concentration of credit risks exists with respect to these cash balances at June 30, 2022.

**Note 7 - Current vulnerability due to certain concentrations**

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

**Note 8 - Contingency**

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to the Project's financial position, results of operations, and cash flows. As of June 30, 2022, the global pandemic is still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on the Project.

**Otay Villas Housing Development  
Project No. 12-HLCP-0003  
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**Notes to Financial Statements  
June 30, 2022 and 2021**

**Note 9 - Subsequent events**

Events that occur after the date of the statement of net position but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the statement of net position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the statement of net position require disclosure in the accompanying notes. Management evaluated the activity of the Project through September 28, 2022, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**Supplementary Information**  
**Supporting Data Required by RHCP**

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

**Supplementary Information  
Years Ended June 30, 2022 and 2021**

**Schedules of Operating Revenue**

<u>Account No.</u>	<u>2022</u>	<u>2021</u>
<b>Rental revenue</b>		
5120 Rent revenue - gross potential	\$ 468,074	\$ 432,597
5121 Tenant assistance payments	254,063	219,118
5100T Total rental revenue	<u>722,137</u>	<u>651,715</u>
5152N Net rental revenue	<u>722,137</u>	<u>651,715</u>
<b>Financial revenue</b>		
5410 Financial revenue - project operations	15,748	22,485
5440 Revenue from investments - replacement reserve	1,500	1,717
5490 Revenue from investments - miscellaneous	442	551
5400T Total financial revenue	<u>17,690</u>	<u>24,753</u>
<b>Other revenue</b>		
5910 Laundry and vending	5,520	6,952
5920 Tenant charges	3,050	-
5900T Total other revenue	<u>8,570</u>	<u>6,952</u>
5000T Total revenue	<u>748,397</u>	<u>683,420</u>

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

**Supplementary Information  
Years Ended June 30, 2022 and 2021**

**Schedules of Operating Expenses**

<u>Account No.</u>	<u>2022</u>	<u>2021</u>
<b>Administrative expenses</b>		
6250 Other renting expenses	3,150	1,252
6310 Office salaries	52,700	55,710
6311 Office expenses	7,437	7,509
6320 Management fee	73,010	73,010
6331 Administrative rent free unit	15,228	15,228
6340 Legal expense - project	3,478	5,668
6350 Auditing expense	7,350	7,773
6351 Bookkeeping fees/accounting services	8,892	8,892
6370 Bad debts	18,629	12,067
6390 Miscellaneous administrative expenses	2,841	2,083
6263T Total administrative expenses	<u>192,715</u>	<u>189,192</u>
<b>Utilities expense</b>		
6450 Electricity	22,334	17,234
6451 Water	82,622	86,260
6452 Gas	16,019	15,341
6453 Sewer	42,071	61,494
6400T Total utilities expense	<u>163,046</u>	<u>180,329</u>
<b>Operating and maintenance expenses</b>		
6510 Payroll	52,099	40,335
6515 Supplies	32,283	11,732
6520 Contracts	225,565	50,690
6525 Garbage and trash removal	17,887	21,153
6530 Security payroll/contract	28,440	28,930
6570 Vehicle and maintenance equipment operation and repairs	240	139
6500T Total operating and maintenance expenses	<u>356,514</u>	<u>152,979</u>



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

**Supplementary Information  
Years Ended June 30, 2022 and 2021**

<u>Account No.</u>	<u>2022</u>	<u>2021</u>
<b>Taxes and insurance</b>		
6710 Real estate taxes	47	-
6720 Property and liability insurance	19,503	15,554
6722 Workmen's compensation	7,841	5,400
6723 Health insurance and other employee benefits	<u>40,557</u>	<u>39,534</u>
6700T Total taxes and insurance	67,948	60,488
<b>Financial expenses</b>		
6820 Interest on first mortgage payable	<u>94,500</u>	<u>94,500</u>
6800T Total financial expenses	<u>94,500</u>	<u>94,500</u>
6000T Total cost of operations before depreciation	<u>874,723</u>	<u>677,488</u>
5060T Income (loss) before depreciation	<u>(126,326)</u>	<u>5,932</u>
<b>Depreciation</b>		
6600 Depreciation expense	<u>333,734</u>	<u>333,219</u>
Total depreciation	<u>333,734</u>	<u>333,219</u>
5060N Operating income (loss)	<u>(460,060)</u>	<u>(327,287)</u>
Total expenses	<u>1,208,457</u>	<u>1,010,707</u>
3250 Change in net assets	<u><u>\$ (460,060)</u></u>	<u><u>\$ (327,287)</u></u>

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

**Supplementary Information  
Years Ended June 30, 2022 and 2021**

**Detail of Accounts - Statements of Activities**

	2022	2021
Miscellaneous Administrative Expenses (Account No. 6390)		
Professional consultants	\$ 2,422	\$ 1,454
Business expense	105	1
Mileage reimbursement	44	10
Parking fees and permits	(10)	351
Gym membership	-	4
Training - computer	-	77
Training - local	159	154
Employee bilingual testing	-	8
Education and training classes	13	24
Parking garage	108	-
	\$ 2,841	\$ 2,083

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

**Supplementary Information  
June 30, 2022**

**Cash on Hand and in Banks**

Unrestricted cash operating accounts	
Operating account	341,459
	\$ 341,459
Restricted cash accounts	
Tenant security deposits - checking	\$ 40,113
Replacement reserve	751,390
Operating reserve	221,349
	\$ 1,012,852

**Mortgage Impound Accounts**

None.

**Reserves for Replacement and Operating Expenses**

	Replacement reserve	Operating Reserve
Beginning balance	\$ 688,452	\$ 220,907
Deposits (\$600 x 78 units)	46,800	-
Deposits of prior year surplus cash	14,638	-
Interest earned	1,500	442
Ending Balance	\$ 751,390	\$ 221,349

**Property, Equipment and Improvements**

Following are the details of property, equipment and improvements:

	Property, equipment and improvements			
	Balance 6/30/21	Additions	Deletions	Balance 6/30/22
Land	\$ 1,087,727	\$ -	\$ -	\$ 1,087,727
Buildings	6,255,040	30,907	-	6,285,947
	\$ 7,342,767	\$ 30,907	\$ -	\$ 7,373,674

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

**Supplementary Information  
June 30, 2022**

**Accounts Payable and Accrued Expenses**

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

Current	\$ 64,257
Total	<u>\$ 64,257</u>

**Gross Potential Rents**

Gross potential rents includes the following:

Tenant rental payments	\$ 468,074
Tenant assistance payments	<u>254,063</u>
Total gross potential rents	<u>\$ 722,137</u>

**Management Fee**

The management fee and sponsor overhead authorized by RHCP totals \$73,010 for the year ended June 30, 2022.

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

**Supplementary Information  
Year Ended June 30, 2022**

**Operating Cash Flow/Surplus Cash Computation**

Operating income	
Total income	\$ 748,397
Interest earned on restricted reserve accounts	(1,942)
	746,455
Adjusted operating income	746,455
Operating expenses	(780,223)
	(33,768)
Adjusted net income	(33,768)
Other activity	
Deposits into replacement reserve account	(46,800)
HCD required annual payment	(13,230)
	(60,030)
Total other activity	(60,030)
Operating cash flow/surplus cash	(93,798)
	(93,798)
Total cash available for distributions (net cash flow)	\$ -
	-

**Reconciliation to RHCP Form 181**

Total operating revenue	\$ 730,707
Interest income	17,690
Less interest on reserves	(1,943)
	746,454
Effective gross rent per RHCP Form 181	\$ 746,454

**Reconciliation to RHCP Form 180**

Total operating expenses	\$ 1,113,957
Less depreciation	(333,734)
Other difference	(2)
	780,221
Total operating costs per RHCP Form 180	\$ 780,221

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

**Supplementary Information  
Year Ended June 30, 2022**

**Rental Housing Construction Program -- Original  
6. AMC 180a - ACTUAL COST OF OPERATIONS - Operating Budget/Annual Report**

Contract No: 80-RHC-026 Reporting Period: 7/1/21 to 6/30/22  
 Project Name: Otay Villas  
 Prepared by: Maria Gimutao  
 Date Prepared: 8/8/22 Rev 9/28/16

ACCOUNT NAME	ACCOUNT CODES	UNIT EXPENSES					
		Approved Assisted (A)	Actual Assisted	Approved Non-Assisted	Actual Non-Assisted	Proposed Commercial	Actual Commercial
<b>MANAGEMENT FEE: 6200/6300</b>							
1 Management Fee or Sponsor Overhead	6320	15,912	15,912	57,096	57,096	0	0
<b>ADMINISTRATIVE EXPENSES: 6200/6300</b>							
2 Advertising	6210	0	0	0	0	0	0
3 Apartment Resale Expense (Cooperatives)	6235	0	0	0	0	0	0
4 Other Renting Expenses	6250	282	618	1,012	2,218	0	0
5 Office Salaries	6310	12,470	11,486	44,744	41,214	0	0
6 Office Supplies	6311	1,481	1,620	5,315	5,814	0	0
7 Office or Model Apartment Rent	6312	0	0	0	0	0	0
8 Manager and Superintendent Salaries	6330	0	0	0	0	0	0
9 Manager's or Superintendent's Rent Free Unit	6331	3,319	3,319	11,909	11,909	0	0
10 Legal Expense - Project	6340	1,515	758	5,436	2,720	0	0
11 Audit Expense - Project	6350	1,776	1,602	6,371	5,748	0	0
12 Bookkeeping Fees/Accounting Services	6351	1,938	1,938	6,954	6,954	0	0
13 Telephone and Answering Service Expenses	6360	0	0	0	0	0	0
14 Bad Debt Expense	6370	0	0	13,311	18,628	0	0
15 Miscellaneous Administrative Expenses (specify)	6390	144	766	517	2,750	0	0
<b>16 TOTAL ADMINISTRATIVE EXPENSES</b>	<b>6200/6300T</b>	<b>22,924</b>	<b>22,108</b>	<b>95,569</b>	<b>97,956</b>	<b>0</b>	<b>0</b>
<b>UTILITIES EXPENSES: 6400</b>							
17 Fuel Oil/Coal	6420	0	0	0	0	0	0
18 Electricity	6450	3,621	4,868	12,992	17,467	0	0
19 Water	6451	21,460	18,007	77,002	64,615	0	0
20 Gas	6452	3,476	3,491	12,473	12,528	0	0
21 Sewer	6453	12,844	9,169	46,086	32,902	0	0
<b>22 TOTAL UTILITIES EXPENSES</b>	<b>6400T</b>	<b>41,400</b>	<b>35,536</b>	<b>148,553</b>	<b>127,511</b>	<b>0</b>	<b>0</b>
<b>OPERATING AND MAINTENANCE EXPENSES: 6500</b>							
23 Janitor and Cleaning Payroll	6510	6,513	11,355	23,369	40,744	0	0
24 Janitor and Cleaning Supplies	6515	5,385	7,037	19,321	25,249	0	0
25 Janitor and Cleaning Contracts	6517	0	0	0	0	0	0
26 Exterminating Payroll/Contract	6519	0	0	0	0	0	0
27 Exterminating Supplies	6520	30,952	52,981	111,063	190,109	0	0
28 Garbage and Trash Removal	6525	0	0	0	0	0	0
29 Security Payroll/Contract	6530	6,507	6,198	23,348	22,241	0	0
30 Grounds Payroll	6535	0	0	0	0	0	0
31 Grounds Supplies	6536	0	0	0	0	0	0
32 Grounds Contract	6537	0	0	0	0	0	0
33 Repairs Payroll	6540	0	0	0	0	0	0
34 Repairs Material	6541	0	0	0	0	0	0
35 Repairs Contract	6542	0	0	0	0	0	0
36 Elevator Maintenance/Contract	6545	0	0	0	0	0	0
37 Heating/Cooling Repairs and Maintenance	6546	0	0	0	0	0	0
38 Swimming Pool Maintenance/Contract	6547	0	0	0	0	0	0
39 Snow Removal	6548	0	0	0	0	0	0
40 Decorating/Payroll Contract	6560	0	0	0	0	0	0
41 Decorating Supplies	6561	0	0	0	0	0	0
42 Vehicle and Maint. Equipment Operation/Repairs	6570	41	52	149	188	0	0
43 Misc. Operating and Maintenance Expenses (specify)	6590	0	0	0	0	0	0
<b>44 TOTAL OPERATING &amp; MAINTENANCE EXPENSES</b>	<b>6500T</b>	<b>49,398</b>	<b>77,624</b>	<b>177,251</b>	<b>278,532</b>	<b>0</b>	<b>0</b>
<b>TAXES AND INSURANCE: 6700</b>							
45 Real Estate Taxes	6710	0	10	0	36	0	0
46 Payroll Taxes (Project's Share)	6711	0	0	0	0	0	0
47 Misc. Taxes, Licenses and Permits	6719	0	0	0	0	0	0
48 Property and Liability Insurance (Hazard)	6720	3,385	4,251	12,147	15,253	0	0
49 Fidelity Bond Insurance	6721	0	0	0	0	0	0
50 Worker's Compensation	6722	997	1,703	3,579	6,109	0	0
51 Health Insurance and Other Employee Benefits	6723	8,240	8,845	29,568	31,739	0	0
52 Other Insurance	6729	0	0	0	0	0	0
<b>53 TOTAL TAXES AND INSURANCE</b>	<b>6700T</b>	<b>12,623</b>	<b>14,809</b>	<b>45,294</b>	<b>53,138</b>	<b>0</b>	<b>0</b>
<b>ASSISTED LIVING/BOARD &amp; CARE EXPENSES: 6900</b>							
54 Food	6932	0	0	0	0	0	0
55 Recreation and Rehabilitation	6980	0	0	0	0	0	0
56 Rehabilitation Salaries	6983	0	0	0	0	0	0
57 Other Service Expenses	6990	0	0	0	0	0	0
<b>58 TOTAL ASSISTED LIVING EXPENSES</b>	<b>6900T</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>61 TOTAL OPERATING COSTS</b>		<b>142,257</b>	<b>165,988</b>	<b>523,762</b>	<b>614,233</b>	<b>0</b>	<b>0</b>

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

**Supplementary Information  
Year Ended June 30, 2022**

**Rental Housing Construction Program -- Original  
7. AMC 181a - ACTUAL CASH FLOW ANALYSIS - Operating Budget/Annual Report**

Contract No: 80-RHC-026  
Project Name: Otay Villas  
Prepared by: Maria Gimutao  
Date Prepared: 8/8/22

Reporting Period: 7/1/21 to 6/30/22

Units/Sq. Ft. - Assisted: 17  
Units/Sq. Ft. - Total: 78

Rev 9/28/16

Unit Months: 936

ACCOUNT NAME	Account Codes	ASSISTED UNITS		NON-ASSISTED UNITS		COMMERCIAL		TOTAL PROJECT		PROJECT VARIANCE
		Approved Cashflow (A)	Actual Cashflow (B)	Approved Cashflow (C)	Actual Cashflow (D)	Proposed Cashflow (E)	Actual Cashflow (F)	Approved Cashflow (G)	Actual Cashflow (H)	Cashflow Variance (I)
<b>REVENUE ACCOUNTS/RENT REVENUE: 5100</b>										
1 Rent Revenue	5120	91,644	102,016	371,856	366,058	0	0	463,500	468,074	4,574
2 Tenant Assistance Payments	5121	54,472	55,373	195,459	198,690	0	0	249,931	254,063	4,132
3 Rent revenue - Stores and Commercial	5140	0	0	0	0	0	0	0	0	0
4 Garage and Parking Spaces	5170	0	0	0	0	0	0	0	0	0
5 Flexible Subsidy Revenue	5185	0	0	0	0	0	0	0	0	0
6 Miscellaneous Rent Revenue	5190	0	0	0	0	0	0	0	0	0
7 Excess Rent	5191	0	0	0	0	0	0	0	0	0
8 Rent Revenue/Insurance	5192	0	0	0	0	0	0	0	0	0
9 Special Claims Revenue	5193	0	0	0	0	0	0	0	0	0
10 Retained Excess Income	5194	0	0	0	0	0	0	0	0	0
<b>11 GROSS RENT REVENUE</b>	<b>5100T</b>	<b>146,116</b>	<b>157,389</b>	<b>567,315</b>	<b>564,748</b>	<b>0</b>	<b>0</b>	<b>713,431</b>	<b>722,137</b>	<b>8,706</b>
<b>VACANCIES: 5200</b>										
<b>Vacancy Percentage:</b>										
11 Apartments -	5220	0	0	0	0	0	0	0	0	0
12 Stores and Commercial	5240	0	0	0	0	0	0	0	0	0
13 Rental Concessions	5250	0	0	0	0	0	0	0	0	0
14 Garage and Parking Spaces	5270	0	0	0	0	0	0	0	0	0
15 Miscellaneous	5290	0	0	0	0	0	0	0	0	0
<b>Total Vacancies (HCD Use Only)</b>	<b>5200T</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>ASSISTED LIVING/BOARD &amp; CARE REVENUES: 5300</b>										
17 Food	5332	0	0	0	0	0	0	0	0	0
18 Recreation (Activities) and Rehabilitation	5380	0	0	0	0	0	0	0	0	0
19 Rehabilitation	5385	0	0	0	0	0	0	0	0	0
20 Other Service Revenue	5390	0	0	0	0	0	0	0	0	0
<b>Total Living Revenue</b>	<b>6300T</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FINANCIAL REVENUE: 5400</b>										
21 Financial Revenue - Project Operations	5410	5,503	3,432	19,745	12,315	0	0	25,248	15,747	(9,501)
<b>Total Financial Revenue</b>	<b>5400T</b>	<b>5,503</b>	<b>3,432</b>	<b>19,745</b>	<b>12,315</b>	<b>0</b>	<b>0</b>	<b>25,248</b>	<b>15,747</b>	<b>(9,501)</b>
<b>OTHER REVENUE: 5900</b>										
22 Laundry and Vending Revenue	5910	1,402	1,203	5,032	4,317	0	0	6,434	5,520	(914)
23 NSF and Late Charges	5920	0	665	0	2,385	0	0	0	3,050	3,050
24 Damages and Cleaning Fees	5930	0	0	0	0	0	0	0	0	0
25 Forfeited Tenant Security Deposits	5940	0	0	0	0	0	0	0	0	0
26 Other Revenue	5990	0	0	0	0	0	0	0	0	0
<b>Total Other Revenue</b>	<b>5900T</b>	<b>1,402</b>	<b>1,868</b>	<b>5,032</b>	<b>6,702</b>	<b>0</b>	<b>0</b>	<b>6,434</b>	<b>8,570</b>	<b>2,136</b>
<b>27 EFFECTIVE GROSS RENT (EGR)</b>	<b>5152T</b>	<b>153,021</b>	<b>162,689</b>	<b>592,092</b>	<b>583,765</b>	<b>0</b>	<b>0</b>	<b>745,113</b>	<b>746,454</b>	<b>1,341</b>
<b>28 TOTAL OPERATING EXPENSES</b>	<b>6000T</b>	<b>146,525</b>	<b>165,988</b>	<b>519,494</b>	<b>614,233</b>	<b>0</b>	<b>0</b>	<b>666,019</b>	<b>780,221</b>	<b>(114,202)</b>
<b>29 NET OPERATING INCOME (NOI)</b>	<b>5000T</b>	<b>6,496</b>	<b>(3,299)</b>	<b>72,598</b>	<b>(30,467)</b>	<b>0</b>	<b>0</b>	<b>79,094</b>	<b>(33,767)</b>	<b>(112,861)</b>
<b>FINANCIAL EXPENSES: 6800</b>										
30 Non-Contingent Debt Service (specify lender)	6895	0	0	0	0	0	0	0	0	0
1st Mortgage =		0	0	0	0	0	0	0	0	0
2nd Mortgage =		0	0	0	0	0	0	0	0	0
3rd Mortgage =		0	0	0	0	0	0	0	0	0
31 HCD Required Payments	6890	0	0	13,230	13,230	0	0	13,230	13,230	0
32 Lease Payment	6890	0	0	0	0	0	0	0	0	0
33 Miscellaneous Financial Expenses	6890	0	0	0	0	0	0	0	0	0
<b>Total Financial Expenses</b>	<b>6800T</b>	<b>0</b>	<b>0</b>	<b>13,230</b>	<b>13,230</b>	<b>0</b>	<b>0</b>	<b>13,230</b>	<b>13,230</b>	<b>0</b>
<b>FUNDED RESERVES:</b>										
34 Escrow Deposits	1310	0	0	0	0	0	0	0	0	0
35 Replacement Reserve-Deposit	1320	10,200	10,200	36,600	36,600	0	0	46,800	46,800	0
36 Operating Reserve-Deposit	1300	0	0	0	0	0	0	0	0	0
37 Other Reserves (specify)		0	0	0	0	0	0	0	0	0
#1	1330	0	0	0	0	0	0	0	0	0
#2	1330	0	0	0	0	0	0	0	0	0
#3	1330	0	0	0	0	0	0	0	0	0
<b>Total Reserve Deposits</b>		<b>10,200</b>	<b>10,200</b>	<b>36,600</b>	<b>36,600</b>	<b>0</b>	<b>0</b>	<b>46,800</b>	<b>46,800</b>	<b>0</b>
<b>38 PROJECT CASH FLOW (CF)</b>		<b>(3,704)</b>	<b>(13,499)</b>	<b>22,768</b>	<b>(80,297)</b>	<b>0</b>	<b>0</b>	<b>19,064</b>	<b>(93,797)</b>	<b>(112,861)</b>
<b>ADDITIONAL REVENUE:</b>										
39 RHCP-O Annuity Fund Request (For Assisted Units Only)		0	0	0	0	0	0	0	0	0
40 Withdrawal from Operating Reserves		0	0	0	0	0	0	0	0	0
41 Borrower Contribution		0	0	0	0	0	0	0	0	0
42 Other (specify)		0	0	0	0	0	0	0	0	0
<b>Total Additional Revenue</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>USE OF CASH FLOW:</b>										
43 HCD Interest Payments		0	0	0	0	0	0	0	0	0
44 Asset Mgmt Fee (CHRP-R/SUHRP & HOME-pre-UMR Only)		0	0	0	0	0	0	0	0	0
45 Asset Mgmt Fee/Prtrshp Costs (MHP/HOME under UMR)		0	0	0	0	0	0	0	0	0
46 Borrower Distributions		0	0	0	0	0	0	0	0	0
47 Residual Receipt Loan Payments		0	0	0	0	0	0	0	0	0
48 Other (specify)		0	0	0	0	0	0	0	0	0
<b>Total Use of Cash Flow</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Board of Commissioners  
San Diego Housing Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003, which comprise the statement of net position as of June 30, 2022, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2022 which included an emphasis of matter paragraph as indicated at page 4.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Sacramento, California  
September 28, 2022



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

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

**June 30, 2022 and 2021**

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

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

**June 30, 2022**

Certificate of Owner

I, as an officer of the San Diego Housing Commission, owner of Adaptable Housing Development, hereby certify that I have examined the accompanying financial statements and supplementary information of Adaptable Housing Development as of and for the year ended June 30, 2022 and, to the best of my knowledge and belief, these financial statements and supplementary information are complete and accurate.

San Diego Housing Commission

*Suket Dayal*

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

Employer Identification Number: 95-3390896

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

**June 30, 2022**

Managing Agent's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary information of Adaptable Housing Development as of and for the year ended June 30, 2022, and to the best of my knowledge and belief, the same is complete and accurate.

*Suket Dayal*

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San Diego Housing Commission  
Suket Dayal, Executive Vice President of Business  
Administration & Chief Financial Officer

## Independent Auditor's Report

To the Board of Commissioners  
San Diego Housing Commission

Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of Adaptable Housing Development Project No. 12-HLCP-0004, (the "Project") owned by San Diego Housing Commission ("SDHC"), which comprise the statements of net position as of June 30, 2022 and 2021, and the related statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004 as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

### *Emphasis of Matter*

As discussed in Note 2, the financial statements referred to above are intended to present the financial position, the changes in financial position, and cash flows of only the Project. They do not purport to, and do not, present fairly the financial position of SDHC as of June 30, 2022 and 2021, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004's ability to continue as a going concern for 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 San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004's ability to continue as a going concern for a reasonable period of time.

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

*Required Supplementary Information*

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



*Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The financial data templates as required by the California Department of Housing and Community Development ("RHCP"), are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data templates as required by the RHCP are fairly stated in all material respects in relation to the financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022, on our consideration of San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004's internal control over financial reporting and compliance.



Sacramento, California  
September 28, 2022

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

**Statements of Net Position  
June 30, 2022 and 2021**

	<u>Assets</u>	
	2022	2021
Current assets		
Cash and cash equivalents	\$ 124,821	\$ 19,889
Tenants' accounts receivable, net	2,543	1,594
Accounts receivable - grants	6,677	16,975
Accounts receivable - other	-	697
	134,041	39,155
Other assets		
Investments	194,955	243,980
Restricted deposits and funded reserves	365,785	330,638
	560,740	574,618
Capital assets		
Buildings and improvements	6,802,810	6,802,810
Accumulated depreciation	(2,887,095)	(2,470,867)
	3,915,715	4,331,943
Land	484,372	484,372
	4,400,087	4,816,315
Total capital assets		
	4,400,087	4,816,315
Total assets	\$ 5,094,868	\$ 5,430,088

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

**Statements of Net Position  
June 30, 2022 and 2021**

	<u>Liabilities and Net Position</u>	
	<u>2022</u>	<u>2021</u>
Current liabilities		
Accounts payable - operations	\$ 34,870	\$ 24,647
Accrued expenses	4,909	4,544
Accrued interest payable - first mortgage, current	5,900	5,900
Prepaid rent	4,953	4,228
	<hr/>	<hr/>
Total current liabilities	50,632	39,319
	<hr/>	<hr/>
Deposits and prepaid liability		
Tenants' security deposits liability	17,414	16,277
	<hr/>	<hr/>
Total deposits and prepaid liability	17,414	16,277
	<hr/>	<hr/>
Long-term liabilities		
Mortgage payable - first mortgage	1,404,849	1,404,849
Accrued interest payable - first mortgage, net of current portion	278,366	243,816
	<hr/>	<hr/>
Total long-term liabilities	1,683,215	1,648,665
	<hr/>	<hr/>
Total liabilities	1,751,261	1,704,261
	<hr/>	<hr/>
Contingency	-	-
Net Position		
Net investment in capital assets	2,995,238	3,411,466
Restricted for operating and replacement reserves	348,371	314,361
Unrestricted	(2)	-
	<hr/>	<hr/>
Total net position	3,343,607	3,725,827
	<hr/>	<hr/>
Total liabilities and net position	<u>\$ 5,094,868</u>	<u>\$ 5,430,088</u>

See Notes to Financial Statements.

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

**Statements of Revenue, Expenses and Changes in Net Position  
Years Ended June 30, 2022 and 2021**

	2022	2021
Operating revenue		
Rental income	\$ 218,378	\$ 212,092
Subsidy income	109,167	93,797
Other operating income	9,945	13,933
Total operating revenue	337,490	319,822
Operating expenses		
Administrative	85,440	96,141
Utilities	59,952	63,365
Operating and maintenance	145,765	92,498
Taxes and insurance	39,568	34,969
Depreciation	416,228	416,229
Total operating expenses	746,953	703,202
Net operating loss	(409,463)	(383,380)
Nonoperating revenue (expense)		
Financial revenue - investments	6,675	8,830
Interest expense - first mortgage	(42,145)	(42,145)
Total nonoperating revenue (expense)	(35,470)	(33,315)
Change in net position before capital transactions	(444,933)	(416,695)
Contributions	62,713	22,249
Change in net position	(382,220)	(394,446)
Net position		
Beginning of year	3,725,827	4,120,273
End of year	\$ 3,343,607	\$ 3,725,827

See Notes to Financial Statements.

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

**Statements of Cash Flows  
Years Ended June 30, 2022 and 2021**

	2022	2021
Cash flows from operating activities		
Cash received from tenants and operations	\$ 336,942	\$ 298,591
Less cash payments for operations and administration		
Administrative expenses paid	(10,645)	(22,629)
Management fee and sponsor overhead paid	(32,758)	(32,760)
Utilities paid	(60,070)	(62,698)
Salaries and wages paid	(64,127)	(64,867)
Operating and maintenance paid	(102,347)	(51,395)
Property insurance paid	(7,345)	(4,854)
Net tenant security deposits received	1,137	428
Other operating expenses paid	(32,223)	(30,115)
	(308,378)	(268,890)
Net cash provided by operating activities	28,564	29,701
Cash flows from capital and related financing activities		
Contributions from owner	62,713	22,249
Interest paid	(7,595)	(5,900)
	55,118	16,349
Net cash provided by capital and related financing activities	55,118	16,349
Cash flows from investing activities		
Net deposits to replacement reserve	(33,852)	(21,587)
Net deposits to operating reserve	(158)	(197)
Interest on investments	7,372	9,149
Net sales (purchases) of investments	47,888	(151,652)
	21,250	(164,287)
Net cash provided by (used in) investing activities	21,250	(164,287)
Net increase (decrease) in cash and cash equivalents	104,932	(118,237)
Cash and cash equivalents, beginning	19,889	138,126
Cash and cash equivalents, end	\$ 124,821	\$ 19,889

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

**Statements of Cash Flows  
Years Ended June 30, 2022 and 2021**

	2022	2021
Reconciliation of net operating loss to net cash provided by operating activities		
Net operating loss	\$ (409,463)	\$ (383,380)
Adjustments to reconcile net operating loss to net cash provided by operating activities		
Depreciation	416,228	416,229
Bad debt	324	8,828
Changes in:		
Tenants' accounts receivable	(1,273)	(8,258)
Accounts receivable - grants	10,298	(14,244)
Prepaid revenue	725	1,271
Accounts payable - operations	10,223	8,174
Accrued expenses	365	653
Tenants' security deposits liability	1,137	428
Net cash provided by operating activities	\$ 28,564	\$ 29,701

See Notes to Financial Statements.

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

**Notes to Financial Statements  
June 30, 2022 and 2021**

**Note 1 - The financial reporting entity**

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

**Note 2 - Significant accounting policies**

**Basic financial statements**

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

**Measurement focus, basis of accounting and financial statement presentation**

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

The Project distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with the Project's ongoing operations. The principal operating revenue of the Project is rental income from the tenants of its housing units and the operating subsidy income. Operating expenses for the Project include the cost of services and general and administrative expenses. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses. When both restricted and unrestricted resources are available for use, it is the Project's policy to use restricted resources first, then unrestricted resources as needed.

**Cash and cash equivalents**

The Project cash and cash equivalents are maintained within the general operating bank account of SDHC. The ending balance of the operating account is allocated between several projects of SDHC based upon each project's relative cash activities. As of June 30, 2022 and 2021, the reconciled balance of SDHC's general cash account is \$29,418,653 and \$46,536,479, respectively, of which \$124,821 and \$19,889 belong to the Project as of June 30, 2022 and 2021, respectively.

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

**Notes to Financial Statements  
June 30, 2022 and 2021**

**Restricted deposits and funded reserves**

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

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

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

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

**Fair value**

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

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

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

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

**Tenants' accounts receivable**

Resident accounts receivable are due from tenants and reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of the receivables. It is reasonably possible that management's estimate of the allowance will change. The allowance for doubtful accounts was \$127 and \$65 as of June 30, 2022 and 2021, respectively.



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

**Notes to Financial Statements  
June 30, 2022 and 2021**

**Capital assets**

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

Building and improvements	12 - 40 years
---------------------------	---------------

**Impairment of capital assets**

SDHC reviews the capital assets of the Project for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. There has been no impairment of the capital assets during the years ended June 30, 2022 and 2021.

**Rental income**

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

**HUD public housing operating subsidy**

The Project converted to Public Housing and receives an operating subsidy from HUD. The Project recognized \$109,167 and \$93,797 of operating subsidy income during the years ended June 30, 2022 and 2021, respectively, of which \$6,677 and \$16,975 is receivable as of June 30, 2022 and 2021, respectively.

**Net position**

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

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

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

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

**Use of estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. Actual results could differ from those estimates.

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

**Notes to Financial Statements  
June 30, 2022 and 2021**

**Note 3 - Restricted deposits and funded reserves**

As of June 30, 2022 and 2021, the restricted deposits and reserves consist of the following:

**Tenant security deposits**

The Project collects security deposits from tenants at the inception of the tenant lease. These deposits, which are reported in the basic financial statements as restricted cash, are refundable to the tenants to the extent there are no unpaid rents or damages to the housing unit. Tenant security deposits held amounted to \$17,414 and \$16,277 as of June 30, 2022 and 2021, respectively.

**Replacement reserve**

The Project established and will continue to fund a replacement reserve account for the term of the regulatory agreement. The replacement reserve was funded in the initial amount of \$35,000 to provide for future major additions, repairs or replacements. The Project shall make annual deposits of \$21,000 per year. The replacement reserve balance is \$269,214 and \$235,362 as of June 30, 2022 and 2021, respectively. During the years ended June 30, 2022 and 2021, the replacement reserve activity was as follows:

	2022	2021
Beginning balance	\$ 235,362	\$ 213,775
Deposits (\$600 x 35 units)	21,000	21,000
Interest earned	537	587
Deposits of prior year surplus cash	12,315	-
Ending balance	\$ 269,214	\$ 235,362

**Operating reserve**

The Project established and will continue to fund an operating reserve account pursuant to the regulatory agreement. The operating reserve was funded by previous project cash flow and RHCP annuity payments. The operating reserve balance is \$79,157 and \$78,999 as of June 30, 2022 and 2021, respectively.

**Other investments**

The Project has other investments with a balance of \$194,955 and \$243,980 as of June 30, 2022 and 2021, respectively.

In accordance with SDHC's investment policy, the restricted deposits and reserves above are invested in the State's Local Agency Investment Fund, the San Diego County Investment Pool and other investments such as bonds, government agency securities and demand deposit accounts safe kept with commercial banking institutions. The detailed disclosures including investment policies and associated risk for each of these investments are included in the notes to SDHC's basic financial statements.

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

**Notes to Financial Statements  
June 30, 2022 and 2021**

**Note 4 - Mortgage payable**

The mortgage payable to RHCP associated with the acquisition of the Project is in the amount of \$1,404,849. Repayment of the interest and any outstanding principal balance is due in its entirety on the maturity date of May 10, 2068. The note bears interest at 3.00% and is payable in the annual amount of 0.42% of the outstanding principal balance. Interest expense was \$42,145 and \$42,145 for the years ended June 30, 2022 and 2021, respectively. Outstanding principal and accrued interest is \$1,404,849 and \$284,266, respectively, as of June 30, 2022 and \$1,404,849 and \$249,716, respectively, as of June 30, 2021.

**Note 5 - Management fee and sponsor overhead**

The Project incurs a management fee and overhead costs from SDHC for central office services which includes but is not limited to clerical and management overhead expenses, such as salaries and benefits, office supplies and equipment, data processing or computer services, postage, training and telephone services. This does not include the salary of the project manager whether onsite or offsite. SDHC allocated to the Project management fees and overhead expenses in the amount of \$32,758 and \$32,760 for the years ended of June 30, 2022 and 2021, respectively.

**Note 6 - Concentration of credit risk**

The Project maintains its cash and cash equivalents with various financial institutions. At times, these balances may exceed the federal insurance limits; however, the Project has not experienced any losses with respect to its bank balances in excess of government provided insurance. SDHC believes that no significant concentration of credit risks exists with respect to these cash balances at June 30, 2022.

**Note 7 - Current vulnerability due to certain concentrations**

The Project's principal assets consist of 35 units within various apartment projects. The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations of governmental agencies, including, but not limited to HUD or RHCP. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD or RHCP. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**Note 8 - Contingency**

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to the Project's financial position, results of operations, and cash flows. As of June 30, 2022, the global pandemic is still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on the Project.

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

**Notes to Financial Statements  
June 30, 2022 and 2021**

**Note 9 - Subsequent events**

Events that occur after the date of the statement of net position but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the statement of net position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the statement of net position require disclosure in the accompanying notes. Management evaluated the activity of the Project through September 28, 2022, the date the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**Supplementary Information**  
**Supporting Data Required by RHCP**

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

**Supplementary Information  
Years Ended June 30, 2022 and 2021**

**Schedules of Operating Revenue**

<u>Account No.</u>	<u>2022</u>	<u>2021</u>
<b>Rental revenue</b>		
5120 Rent revenue - gross potential	\$ 218,378	\$ 212,092
5121 Tenant assistance payments	109,167	93,797
5100T Total rental revenue	<u>327,545</u>	<u>305,889</u>
5152N Net rental revenue	<u>327,545</u>	<u>305,889</u>
<b>Financial revenue</b>		
5410 Financial revenue - project operations	5,980	8,046
5440 Revenue from investments - replacement reserve	537	587
5490 Revenue from investments - miscellaneous	158	197
5400T Total financial revenue	<u>6,675</u>	<u>8,830</u>
<b>Other revenue</b>		
5910 Laundry and vending	4,649	5,299
5920 Tenant charges	5,296	50
5990 Miscellaneous revenue	-	8,584
5900T Total other revenue	<u>9,945</u>	<u>13,933</u>
5000T Total revenue	<u><u>344,165</u></u>	<u><u>328,652</u></u>

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

**Supplementary Information  
Years Ended June 30, 2022 and 2021**

**Schedules of Operating Expenses**

<u>Account No.</u>	<u>2022</u>	<u>2021</u>
<b>Administrative expenses</b>		
6250 Other renting expenses	1,556	3,172
6310 Office salaries	31,415	31,544
6311 Office expenses	2,094	1,614
6320 Management fee	32,758	32,760
6340 Legal expense - project	2,163	1,708
6350 Auditing expense	7,350	7,515
6351 Bookkeeping fees/accounting services	3,990	3,990
6370 Bad debts	324	8,828
6390 Miscellaneous administrative expenses	3,790	5,010
6263T Total administrative expenses	<u>85,440</u>	<u>96,141</u>
<b>Utilities expense</b>		
6450 Electricity	4,532	2,546
6451 Water	18,049	22,500
6452 Gas	24,370	21,656
6453 Sewer	13,001	16,663
6400T Total utilities expense	<u>59,952</u>	<u>63,365</u>
<b>Operating and maintenance expenses</b>		
6510 Payroll	33,021	33,961
6515 Supplies	5,071	1,113
6520 Contracts	107,590	57,306
6530 Security payroll/contract	56	15
6570 Vehicle and maintenance equipment operation and repairs	27	103
6500T Total operating and maintenance expenses	<u>145,765</u>	<u>92,498</u>

**Adaptable Housing Development  
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**Supplementary Information  
Years Ended June 30, 2022 and 2021**

<u>Account No.</u>	<u>2022</u>	<u>2021</u>
<b>Taxes and insurance</b>		
6710 Real estate taxes	55	-
6720 Property and liability insurance	7,345	4,854
6722 Workmen's compensation	4,717	4,253
6723 Health insurance and other employee benefits	27,451	25,862
6700T Total taxes and insurance	39,568	34,969
<b>Financial expenses</b>		
6820 Interest on first mortgage payable	42,145	42,145
6800T Total financial expenses	42,145	42,145
6000T Total cost of operations before depreciation	372,870	329,118
5060T Income (loss) before depreciation	(28,705)	(466)
<b>Depreciation</b>		
6600 Depreciation expense	416,228	416,229
Total depreciation	416,228	416,229
5060N Operating income (loss)	(444,933)	(416,695)
Total expenses	789,098	745,347
3250 Change in net assets	<u>\$ (444,933)</u>	<u>\$ (416,695)</u>



**Adaptable Housing Development  
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**Supplementary Information  
Years Ended June 30, 2022 and 2021**

**Detail of Accounts - Statements of Activities**

	2022	2021
Miscellaneous Other Revenue (Account No. 5990)		
Insurance proceeds	\$ -	\$ 8,584
	\$ -	\$ 8,584
Miscellaneous Administrative Expenses (Account No. 6390)		
Professional consultants	3,160	644
Business expense	31	-
Mileage reimbursement	19	4
Parking fees and permits	45	315
Gym membership	-	6
Training	71	115
Employee bilingual testing	6	3
Translation Service	1	-
Tenant relocation due to maintenance	457	1,942
Non-reimbursable claims	-	1,981
	\$ 3,790	\$ 5,010

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

**Supplementary Information  
June 30, 2022**

**Cash on Hand and in Banks**

Unrestricted cash operating accounts	
Operating account	\$ 124,821
	\$ 124,821
Restricted cash accounts	
Tenant security deposits	\$ 17,414
Replacement reserve	269,214
Operating reserve	79,157
Investments	194,955
	\$ 560,740

The tenant security deposits are maintained in separate interest-bearing accounts with interest earned on these deposits credited to a liability account to be refunded or applied for the benefit of tenants.

**Mortgage Impound Accounts**

None.

**Reserves for Replacements and Operating Expenses**

	Reserve for replacements	Operating expense reserve
Balance, June 30, 2021	\$ 235,362	\$ 78,999
Deposits (\$1,750 x 12 months)	21,000	-
Interest earned	537	158
Transfers in/out	12,315	-
Balance, June 30, 2022	\$ 269,214	\$ 79,157

**Property, Equipment and Improvements**

Following are the details of property, equipment and improvements:

	Property, equipment and improvements			
	Balance 6/30/21	Additions	Deletions	Balance 6/30/22
Land	\$ 484,372	\$ -	\$ -	\$ 484,372
Buildings	6,802,810	-	-	6,802,810
	\$ 7,287,182	\$ -	\$ -	\$ 7,287,182

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

**Supplementary Information  
June 30, 2022**

**Accounts Payable and Accrued Expenses**

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

Current	\$ 34,870
Total	<u>\$ 34,870</u>

**Gross Potential Rents**

Gross potential rents includes the following:

Tenant rental payments	\$ 218,378
Tenant assistance payments	<u>109,167</u>
Total gross potential rents	<u>\$ 327,545</u>

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

**Supplementary Information  
Year Ended June 30, 2022**

**Management Fee**

The management fee and sponsor overhead authorized by RHCP totals \$32,758 for the year ended June 30, 2022.

**Operating Cash Flow/Surplus Cash Computation**

Operating income	
Total income	\$ 344,165
Interest earned on restricted reserve accounts	(695)
	343,470
Adjusted operating income	343,470
Operating expenses	(330,725)
	12,745
Adjusted net income	12,745
Other activity	
Mandatory debt service	
RHCP	(5,900)
Deposits into replacement reserve account	(21,000)
	(26,900)
Total other activity	(26,900)
Operating cash flow/surplus cash	(14,155)
	-
Total cash available for distributions (net cash flow)	\$ -

**Reconciliation to RHCP Form 181**

Total operating revenue	\$ 337,490
Interest income	6,675
Less interest on reserves	(695)
	343,470
Effective gross rent per RHCP Form 181	\$ 343,470

**Reconciliation to RHCP Form 180**

Total operating expenses	\$ 746,953
Less depreciation	(416,228)
Other difference	(2)
	330,723
Total operating costs per RHCP Form 180	\$ 330,723

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

**Supplementary Information  
 Year Ended June 30, 2022**

**Rental Housing Construction Program -- Original  
 6. AMC 180a - ACTUAL COST OF OPERATIONS - Operating Budget/Annual Report**

Contract No: 80-RHC-002 Reporting Period: 7/1/21 to 6/30/22  
 Project Name: Adaptable Housing  
 Prepared by: Maria Gimutao  
 Date Prepared: 8/5/22 Rev 9/28/16

ACCOUNT NAME	ACCOUNT CODES	UNIT EXPENSES					
		Approved Assisted	Actual Assisted	Approved Non-Assisted	Actual Non-Assisted	Proposed Commercial	Actual Commercial
		(A)					
<b>MANAGEMENT FEE: 6200/6300</b>							
1 Management Fee or Sponsor Overhead	6320	13,104	13,104	19,656	19,656	0	0
<b>ADMINISTRATIVE EXPENSES: 6200/6300</b>							
2 Advertising	6210	0	0	0	0	0	0
3 Apartment Resale Expense (Cooperatives)	6235	0	0	0	0	0	0
4 Other Renting Expenses	6250	94	503	142	755	0	0
5 Office Salaries	6310	10,877	12,566	16,315	18,849	0	0
6 Office Supplies	6311	690	837	1,035	1,256	0	0
7 Office or Model Apartment Rent	6312	957	0	1,436	0	0	0
8 Manager and Superintendent Salaries	6330	0	0	0	0	0	0
9 Manager's or Superintendent's Rent Free Unit	6331	0	0	0	0	0	0
10 Legal Expense - Project	6340	941	865	1,411	1,298	0	0
11 Audit Expense - Project	6350	3,082	2,940	4,622	4,410	0	0
12 Bookkeeping Fees/Accounting Services	6351	1,596	1,596	2,394	2,394	0	0
13 Telephone and Answering Service Expenses	6360	0	0	0	0	0	0
14 Bad Debt Expense	6370	0	0	2,759	324	0	0
15 Miscellaneous Administrative Expenses (specify)	6390	122	1,452	183	2,178	0	0
16 <b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>6200/6300T</b>	18,359	20,760	30,297	31,464	0	0
<b>UTILITIES EXPENSES: 6400</b>							
17 Fuel Oil/Coal	6420	0	0	0	0	0	0
18 Electricity	6450	906	1,813	1,360	2,719	0	0
19 Water	6451	8,843	7,220	13,265	10,830	0	0
20 Gas	6452	8,882	9,748	13,324	14,622	0	0
21 Sewer	6453	6,534	5,200	9,801	7,801	0	0
22 <b>TOTAL UTILITIES EXPENSES</b>	<b>6400T</b>	25,166	23,981	37,749	35,972	0	0
<b>OPERATING AND MAINTENANCE EXPENSES: 6500</b>							
23 Janitor and Cleaning Payroll	6510	12,960	13,208	19,440	19,812	0	0
24 Janitor and Cleaning Supplies	6515	622	2,028	932	3,043	0	0
25 Janitor and Cleaning Contracts	6517	0	0	0	0	0	0
26 Exterminating Payroll/Contract	6519	0	0	0	0	0	0
27 Exterminating Supplies	6520	24,003	43,219	36,004	64,828	0	0
28 Garbage and Trash Removal	6525	0	0	0	0	0	0
29 Security Payroll/Contract	6530	0	23	0	34	0	0
30 Grounds Payroll	6535	0	0	0	0	0	0
31 Grounds Supplies	6536	0	0	0	0	0	0
32 Grounds Contract	6537	0	0	0	0	0	0
33 Repairs Payroll	6540	0	0	0	0	0	0
34 Repairs Material	6541	0	0	0	0	0	0
35 Repairs Contract	6542	0	0	0	0	0	0
36 Elevator Maintenance/Contract	6545	0	0	0	0	0	0
37 Heating/Cooling Repairs and Maintenance	6546	0	0	0	0	0	0
38 Swimming Pool Maintenance/Contract	6547	0	0	0	0	0	0
39 Snow Removal	6548	0	0	0	0	0	0
40 Decorating/Payroll Contract	6560	0	0	0	0	0	0
41 Decorating Supplies	6561	0	0	0	0	0	0
42 Vehicle and Maint. Equipment Operation/Repairs	6570	200	11	300	16	0	0
43 Misc. Operating and Maintenance Expenses (specify)	6590	0	0	0	0	0	0
44 <b>TOTAL OPERATING &amp; MAINTENANCE EXPENSES</b>	<b>6500T</b>	37,784	58,489	56,677	87,733	0	0
<b>TAXES AND INSURANCE: 6700</b>							
45 Real Estate Taxes	6710	0	22	0	33	0	0
46 Payroll Taxes (Project's Share)	6711	0	0	0	0	0	0
47 Misc. Taxes, Licenses and Permits	6719	0	0	0	0	0	0
48 Property and Liability Insurance (Hazard)	6720	3,282	2,938	4,923	4,407	0	0
49 Fidelity Bond Insurance	6721	0	0	0	0	0	0
50 Worker's Compensation	6722	1,701	1,909	2,552	2,864	0	0
51 Health Insurance and Other Employee Benefits	6723	9,147	10,957	13,721	16,436	0	0
52 Other Insurance	6729	0	0	0	0	0	0
53 <b>TOTAL TAXES AND INSURANCE</b>	<b>6700T</b>	14,130	15,826	21,196	23,739	0	0
<b>ASSISTED LIVING/BOARD &amp; CARE EXPENSES; 6900</b>							
54 Food	6932	0	0	0	0	0	0
55 Recreation and Rehabilitation	6980	0	0	0	0	0	0
56 Rehabilitation Salaries	6983	0	0	0	0	0	0
57 Other Service Expenses	6990	0	0	0	0	0	0
58 <b>TOTAL ASSISTED LIVING EXPENSES</b>	<b>6900T</b>	0	0	0	0	0	0
61 <b>TOTAL OPERATING COSTS</b>		<b>108,544</b>	<b>132,160</b>	<b>165,574</b>	<b>198,563</b>	<b>0</b>	<b>0</b>

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

**Supplementary Information  
Year Ended June 30, 2022**

**Rental Housing Construction Program -- Original  
7. AMC 181a - ACTUAL CASH FLOW ANALYSIS - Operating Budget/Annual Report**

Contract No: 80-RHC-002  
Project Name: Adaptable Housing  
Prepared by: Maria Gimutao  
Date Prepared: 8/5/22

Reporting Period: 7/1/21 to 6/30/22

Units/Sq. Ft. - Assisted: 14  
Units/Sq. Ft. - Total: 35

Rev 9/28/16

Unit Months: 420

ACCOUNT NAME	Account Codes	ASSISTED UNITS		NON-ASSISTED UNITS		COMMERCIAL		TOTAL PROJECT		PROJECT VARIANCE
		Approved Cashflow (A)	Actual Cashflow (B)	Approved Cashflow (C)	Actual Cashflow (D)	Proposed Cashflow (E)	Actual Cashflow (F)	Approved Cashflow (G)	Actual Cashflow (H)	Cashflow Variance (I)
<b>REVENUE ACCOUNTS/RENT REVENUE: 5100</b>										
1 Rent Revenue	5120	92,028	87,351	132,720	131,027	0	0	224,748	218,378	(6,370)
2 Tenant Assistance Payments	5121	47,174	43,667	70,761	65,500	0	0	117,935	109,167	(8,768)
3 Rent revenue - Stores and Commercial	5140	0	0	0	0	0	0	0	0	0
4 Garage and Parking Spaces	5170	0	0	0	0	0	0	0	0	0
5 Flexible Subsidy Revenue	5185	0	0	0	0	0	0	0	0	0
6 Miscellaneous Rent Revenue	5190	0	0	0	0	0	0	0	0	0
7 Excess Rent	5191	0	0	0	0	0	0	0	0	0
8 Rent Revenue/Insurance	5192	0	0	0	0	0	0	0	0	0
9 Special Claims Revenue	5193	0	0	0	0	0	0	0	0	0
10 Retained Excess Income	5194	0	0	0	0	0	0	0	0	0
<b>11 GROSS RENT REVENUE</b>	<b>5100T</b>	<b>139,202</b>	<b>131,018</b>	<b>203,481</b>	<b>196,527</b>	<b>0</b>	<b>0</b>	<b>342,683</b>	<b>327,545</b>	<b>(15,138)</b>
<b>VACANCIES: 5200</b>										
<b>Vacancy Percentage:</b>										
11 Apartments -	5220	0	0	0	0	0	0	0	0	0
12 Stores and Commercial	5240	0	0	0	0	0	0	0	0	0
13 Rental Concessions	5250	0	0	0	0	0	0	0	0	0
14 Garage and Parking Spaces	5270	0	0	0	0	0	0	0	0	0
15 Miscellaneous	5290	0	0	0	0	0	0	0	0	0
<b>Total Vacancies (HCD Use Only)</b>	<b>5200T</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>ASSISTED LIVING/BOARD &amp; CARE REVENUES: 5300</b>										
17 Food	5332	0	0	0	0	0	0	0	0	0
18 Recreation (Activities) and Rehabilitation	5380	0	0	0	0	0	0	0	0	0
19 Rehabilitation	5385	0	0	0	0	0	0	0	0	0
20 Other Service Revenue	5390	0	0	0	0	0	0	0	0	0
<b>Total Living Revenue</b>	<b>6300T</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FINANCIAL REVENUE: 5400</b>										
21 Financial Revenue - Project Operations	5410	3,583	2,392	5,375	3,588	0	0	8,958	5,980	(2,978)
<b>Total Financial Revenue</b>	<b>5400T</b>	<b>3,583</b>	<b>2,392</b>	<b>5,375</b>	<b>3,588</b>	<b>0</b>	<b>0</b>	<b>8,958</b>	<b>5,980</b>	<b>(2,978)</b>
<b>OTHER REVENUE: 5900</b>										
22 Laundry and Vending Revenue	5910	2,400	1,859	3,600	2,789	0	0	6,000	4,649	(1,351)
23 NSF and Late Charges	5920	0	2,118	0	3,178	0	0	0	5,296	5,296
24 Damages and Cleaning Fees	5930	0	0	0	0	0	0	0	0	0
25 Forfeited Tenant Security Deposits	5940	0	0	0	0	0	0	0	0	0
26 Other Revenue	5990	0	0	0	0	0	0	0	0	0
<b>Total Other Revenue</b>	<b>5900T</b>	<b>2,400</b>	<b>3,977</b>	<b>3,600</b>	<b>5,967</b>	<b>0</b>	<b>0</b>	<b>6,000</b>	<b>9,945</b>	<b>3,945</b>
<b>27 EFFECTIVE GROSS RENT (EGR)</b>	<b>5152T</b>	<b>145,185</b>	<b>137,388</b>	<b>212,456</b>	<b>206,082</b>	<b>0</b>	<b>0</b>	<b>357,641</b>	<b>343,470</b>	<b>(14,171)</b>
<b>28 TOTAL OPERATING EXPENSES</b>	<b>6000T</b>	<b>111,800</b>	<b>132,160</b>	<b>162,318</b>	<b>198,563</b>	<b>0</b>	<b>0</b>	<b>274,118</b>	<b>330,723</b>	<b>(56,605)</b>
<b>29 NET OPERATING INCOME (NOI)</b>	<b>5000T</b>	<b>33,385</b>	<b>5,228</b>	<b>50,138</b>	<b>7,519</b>	<b>0</b>	<b>0</b>	<b>83,523</b>	<b>12,747</b>	<b>(70,776)</b>
<b>FINANCIAL EXPENSES: 6800</b>										
30 Non-Contingent Debt Service (specify lender)	6895	0	0	0	0	0	0	0	0	0
1st Mortgage =		0	0	0	0	0	0	0	0	0
2nd Mortgage =		0	0	0	0	0	0	0	0	0
3rd Mortgage =		0	0	0	0	0	0	0	0	0
31 HCD Required Payments	6890	0	0	5,900	5,900	0	0	5,900	5,900	0
32 Lease Payment	6890	0	0	0	0	0	0	0	0	0
33 Miscellaneous Financial Expenses	6890	0	0	0	0	0	0	0	0	0
<b>Total Financial Expenses</b>	<b>6800T</b>	<b>0</b>	<b>0</b>	<b>5,900</b>	<b>5,900</b>	<b>0</b>	<b>0</b>	<b>5,900</b>	<b>5,900</b>	<b>0</b>
<b>FUNDED RESERVES:</b>										
34 Escrow Deposits	1300	0	0	0	0	0	0	0	0	0
35 Replacement Reserve-Deposit	1320	8,400	8,400	12,600	12,600	0	0	21,000	21,000	0
36 Operating Reserve-Deposit	1300	0	0	0	0	0	0	0	0	0
37 Other Reserves (specify)		0	0	0	0	0	0	0	0	0
#1	1330	0	0	0	0	0	0	0	0	0
#2	1330	0	0	0	0	0	0	0	0	0
#3	1330	0	0	0	0	0	0	0	0	0
<b>Total Reserve Deposits</b>		<b>8,400</b>	<b>8,400</b>	<b>12,600</b>	<b>12,600</b>	<b>0</b>	<b>0</b>	<b>21,000</b>	<b>21,000</b>	<b>0</b>
<b>38 PROJECT CASH FLOW (CF)</b>		<b>24,985</b>	<b>(3,172)</b>	<b>31,638</b>	<b>(10,981)</b>	<b>0</b>	<b>0</b>	<b>56,623</b>	<b>(14,153)</b>	<b>(70,776)</b>
<b>ADDITIONAL REVENUE:</b>										
39 RHCP-O Annuity Fund Request (For Assisted Units Only)		0	0	0	0	0	0	0	0	0
40 Withdrawal from Operating Reserves		0	0	0	0	0	0	0	0	0
41 Borrower Contribution		0	0	0	0	0	0	0	0	0
42 Other (specify)		0	0	0	0	0	0	0	0	0
<b>Total Additional Revenue</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>USE OF CASH FLOW:</b>										
43 HCD Interest Payments		0	0	0	0	0	0	0	0	0
44 Asset Mgmt Fee (CHRP-R/SUHRP & HOME-pre-UMR Only)		0	0	0	0	0	0	0	0	0
45 Asset Mgmt Fee/Prtrshp Costs (MHP/HOME under UMR)		0	0	0	0	0	0	0	0	0
46 Borrower Distributions		0	0	0	0	0	0	0	0	0
47 Residual Receipt Loan Payments		0	0	0	0	0	0	0	0	0
48 Other (specify)		0	0	0	0	0	0	0	0	0
<b>Total Use of Cash Flow</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Board of Commissioners  
San Diego Housing Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of San Diego Housing Commission's Adaptable Housing Development Project No. 12-HLCP-0004, which comprise the statement of net position as of June 30, 2022, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2022 which included an emphasis of matter paragraph as indicated at page 4.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Diego Housing Commission's Adaptable Housing Development Project No. 12-HLCP-0004's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Diego Housing Commission's Adaptable Housing Development Project No. 12-HLCP-0004's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of San Diego Housing Commission's Adaptable Housing Development Project No. 12-HLCP-0004's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Diego Housing Commission's Adaptable Housing Development Project No. 12-HLCP-0004's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not

an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*CohnReznick LLP*

Sacramento, California  
September 28, 2022





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**Northern SDHC FHA LLC  
HUD Project No.: 129-11053**

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

**June 30, 2022**

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**Northern SDHC FHA LLC**  
**HUD Project No.: 129-11053**

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**Northern SDHC FHA LLC  
HUD Project No.: 129-11053**

**June 30, 2022**

Mortgagor's Certification

We hereby certify that we have examined the accompanying financial statements and supplementary data of Northern SDHC FHA LLC and, to the best of our knowledge and belief, the same are complete and accurate.

Sole Member

San Diego Housing Commission

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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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Emily Jacobs Date  
E. Vice President of Real Estate

**Northern SDHC FHA LLC  
HUD Project No.: 129-11053**

**June 30, 2022**

Managing Agent's Certification

We hereby certify that we have examined the accompanying financial statements and supplementary data of Northern SDHC FHA LLC and, to the best of our knowledge and belief, the same are complete and accurate.

Managing Agent

San Diego Housing Commission

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Emily Jacobs  
E. Vice President of Real Estate

Date

---

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  
Northern SDHC FHA LLC

Report on the Audit of the Financial Statements

*Opinion*

We have audited the financial statements of Northern SDHC FHA LLC, which comprise the balance sheet as of June 30, 2022, and the related statements of operations, member's equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Northern SDHC FHA LLC as of June 30, 2022, 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 audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northern SDHC FHA LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern SDHC FHA LLC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Northern SDHC FHA LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern SDHC FHA LLC's ability to continue as a going concern for a reasonable period of time.

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

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The HUD-required financial data templates are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 20, 2022 on our consideration of Northern SDHC FHA LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 Northern SDHC FHA LLC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northern SDHC FHA LLC's internal control over financial reporting and compliance.

*CohnReznick LLP*

Sacramento, California  
September 20, 2022

Taxpayer Identification Number:  
22-1478099

Lead Auditor: Ahamadou Alainchar Bocar, CPA



Northern SDHC FHA LLC  
HUD Project No.: 129-11053

Balance Sheet  
June 30, 2022

Assets

Current assets	
Cash - operations	\$ 717,917
Tenant accounts receivable	17,255
Allowance for doubtful accounts	(653)
Accounts receivable - HUD	44
Accounts and notes receivable - operations	121,277
Prepaid expenses	21,017
	<hr/>
Total current assets	876,857
	<hr/>
Deposits held in trust - funded	
Tenant deposits	117,885
	<hr/>
Restricted deposits and funded reserves	
Escrow deposits	55,812
Reserve for replacements	254,407
	<hr/>
Total restricted deposits and funded reserves	310,219
	<hr/>
Rental property	
Land	3,690,974
Buildings and improvements	11,060,209
Dwelling equipment	55,380
	<hr/>
	14,806,563
Less accumulated depreciation	(5,174,189)
	<hr/>
Total rental property	9,632,374
	<hr/>
Total assets	\$ 10,937,335
	<hr/> <hr/>

**Northern SDHC FHA LLC**  
**HUD Project No.: 129-11053**

**Balance Sheet**  
**June 30, 2022**

Liabilities and Member's Equity (Deficit)

Current liabilities	
Accounts payable - operations	\$ 274,595
Accounts payable - entity	80,315
Accrued wages payable	18,490
Accrued management fee payable	13,740
Accrued interest payable - first mortgage	43,660
Mortgage payable - first mortgage (short-term)	382,473
Prepaid revenue	<u>37,225</u>
Total current liabilities	<u>850,498</u>
Deposits liability	
Tenant deposits held in trust (contra)	<u>117,884</u>
Long-term liabilities	
Mortgage payable - first mortgage, net	<u>13,266,318</u>
Total long-term liabilities	<u>13,266,318</u>
Total liabilities	<u>14,234,700</u>
Contingency	-
Member's equity (deficit)	<u>(3,297,365)</u>
Total liabilities and member's equity (deficit)	<u><u>\$ 10,937,335</u></u>

See Notes to Financial Statements.

Northern SDHC FHA LLC  
HUD Project No.: 129-11053

Statement of Operations  
Year Ended June 30, 2022

Rental revenue	
Rent revenue - gross potential	\$ 2,334,910
Tenant assistance payments	<u>849,293</u>
Total rental revenue	<u>3,184,203</u>
Vacancies	
Apartments	(15,389)
Rental concessions	<u>(343)</u>
Total vacancies	<u>(15,732)</u>
Net rental revenue	<u>3,168,471</u>
Financial revenue	
Financial revenue - project operations	425
Revenue from investments - replacement reserve	<u>82</u>
Total financial revenue	<u>507</u>
Other revenue	
Laundry and vending	44,037
Tenant charges	16,249
Miscellaneous revenue	<u>198,956</u>
Total other revenue	<u>259,242</u>
Total revenue	<u>3,428,220</u>

Northern SDHC FHA LLC  
HUD Project No.: 129-11053

Statement of Operations  
Year Ended June 30, 2022

Administrative expenses	
Other renting expenses	2,829
Office salaries	111,316
Office expenses	16,470
Management fee	160,010
Administrative rent free unit	22,573
Legal expense - project	21,467
Auditing expense	13,400
Bad debts	746
Miscellaneous administrative expenses	18,379
	<hr/>
Total administrative expenses	367,190
	<hr/>
Utilities expense	
Electricity	19,268
Water	130,187
Gas	37,776
Sewer	88,802
	<hr/>
Total utilities expense	276,033
	<hr/>
Operating and maintenance expenses	
Payroll	108,284
Supplies	48,565
Contracts	705,044
Garbage and trash removal	28,504
Security payroll/contract	1,271
Vehicle and maintenance equipment operation and repairs	568
	<hr/>
Total operating and maintenance expenses	892,236
	<hr/>

**Northern SDHC FHA LLC**  
**HUD Project No.: 129-11053**

**Statement of Operations**  
**Year Ended June 30, 2022**

Taxes and insurance	
Real estate taxes	2,547
Property and liability insurance	53,281
Workmen's compensation	17,462
Health insurance and other employee benefits	103,541
Miscellaneous taxes, licenses, permits and insurance	<u>6,800</u>
Total taxes and insurance	<u>183,631</u>
Financial expenses	
Interest on first mortgage payable	548,176
Mortgage insurance premium/service charge	<u>63,600</u>
Total financial expenses	<u>611,776</u>
Total cost of operations before depreciation	<u>2,330,866</u>
Income (loss) before depreciation	<u>1,097,354</u>
Depreciation	
Depreciation expense	<u>581,327</u>
Total depreciation	<u>581,327</u>
Total expenses	<u>2,912,193</u>
Net income (loss)	<u><u>\$ 516,027</u></u>

See Notes to Financial Statements.

**Northern SDHC FHA LLC**  
**HUD Project No.: 129-11053**

**Statement of Member's Equity (Deficit)**  
**Year Ended June 30, 2022**

Member's equity (deficit), June 30, 2021	\$ (2,893,739)
Distributions	(1,000,434)
Contributions	80,781
Net income (loss)	<u>516,027</u>
Members' equity (deficit) June 30, 2022	<u>\$ (3,297,365)</u>

See Notes to Financial Statements.

**Northern SDHC FHA LLC**  
**HUD Project No.: 129-11053**

**Statement of Cash Flows**  
**Year Ended June 30, 2022**

Cash flows from operating activities	
Rental receipts	\$ 3,127,319
Interest receipts	507
Other operating receipts	<u>259,242</u>
Total receipts	<u>3,387,068</u>
Administrative expenses paid	(193,822)
Management fees paid	(159,473)
Utilities paid	(276,033)
Salaries and wages paid	(219,793)
Operating and maintenance paid	(669,831)
Real estate taxes paid	(2,547)
Property insurance paid	(53,281)
Miscellaneous taxes and insurance paid	(6,800)
Tenant security deposits received	(740)
Other operating expenses paid	(121,003)
Interest paid on first mortgage	(531,469)
Mortgage insurance premium paid	<u>(63,052)</u>
Total disbursements	<u>(2,297,844)</u>
Net cash provided by operating activities	<u>1,089,224</u>
Cash flows from investing activities	
Net withdrawals from mortgage escrows	1,250
Net withdrawals from reserve for replacements	<u>29,944</u>
Net cash provided by investing activities	<u>31,194</u>
Cash flows from financing activities	
Mortgage principal payments - first mortgage	(368,381)
Distributions to sole member	(1,000,434)
Contributions by sole member	<u>80,781</u>
Net cash used in financing activities	<u>(1,288,034)</u>
Net decrease in cash and restricted cash	(167,616)
Cash and restricted cash, beginning	<u>1,003,418</u>
Cash and restricted cash, end	<u><u>\$ 835,802</u></u>

**Northern SDHC FHA LLC**  
**HUD Project No.: 129-11053**

**Statement of Cash Flows**  
**Year Ended June 30, 2022**

Reconciliation of net income (loss) to net cash provided by operating activities	
Net income (loss)	\$ 516,027
Adjustments to reconcile net income (loss) to net cash provided by operating activities	
Depreciation	581,327
Amortization of debt issuance costs	17,862
Bad debts	746
Changes in asset and liability accounts	
(Increase) decrease in assets	
Tenant accounts receivable	(8,781)
Accounts receivable - other	(121,321)
Prepaid expenses	548
Increase (decrease) in liabilities	
Accounts payable	108,433
Accrued liabilities	1,615
Accrued interest payable	(1,155)
Tenant security deposits held in trust	(740)
Prepaid revenue	(9,754)
Entity/construction liability accounts (include detail)	
Accounts payable - entity	4,417
	573,197
Total adjustments	573,197
Net cash provided by operating activities	\$ 1,089,224

See Notes to Financial Statements.



**Northern SDHC FHA LLC**  
**HUD Project No.: 129-11053**

**Notes to Financial Statements**  
**June 30, 2022**

**Note 1 - Organization and nature of operations**

Northern SDHC FHA LLC (the "Company") was formed as a limited liability company under the laws of the State of California on July 13, 2010 for the purpose of owning and operating rental housing projects under Section 207, pursuant to Section 223(f) of the National Housing Act as regulated by the U.S. Department of Housing and Urban Development ("HUD") and is subject to restrictions as to the operating policies, rental charges, operating expenditures and distributions to the sole member. The Company has executed a limited liability company operating agreement (the "operating agreement") dated August 20, 2010. The properties of the Company consist of 14 apartment complexes totaling 154 units and are located in San Diego, California (the "Projects"). The Projects are currently operating under the name of SDHC North Portfolio.

The Company is wholly owned by San Diego Housing Commission ("SDHC"). The Company is also a blended component unit of SDHC.

The Company will continue to operate until July 13, 2065, unless dissolved earlier in accordance with the operating agreement.

Cash distributions are limited by agreements between the Company and HUD to the extent of surplus cash as defined by HUD.

**Note 2 - Summary of significant accounting policies**

**Basis of presentation**

The financial statements have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, income is recognized as earned and expensed as incurred, regardless of the timing of payments.

**Tenant accounts receivable**

Tenant accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on the historical collection experience and a review of the current status of tenants' accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2022, the allowance for doubtful accounts is \$653.

**Rental property**

Rental property is carried at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives by use of the straight-line method. The estimated useful lives of the assets are as follows:

Buildings and improvements	12 - 37 years
Dwelling equipment	5 years

**Impairment of long-lived assets**

The Company reviews its investment in rental property for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the Projects are less than its carrying amount, management compares the carrying amount of the Projects to its fair value in order to determine whether an impairment loss has occurred. The amount of the

**Northern SDHC FHA LLC**  
**HUD Project No.: 129-11053**

**Notes to Financial Statements**  
**June 30, 2022**

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, 2022.

**Debt issuance costs**

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

**Rental revenue**

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

**Income taxes**

The Company is a single member limited liability company and is a disregarded entity for federal income tax purposes and is not subject to income taxes. The Company's federal tax status as a pass-through entity is based on its legal status as a single member limited liability company. SDHC, the sole member of the Company, is a state agency which is exempt from filing any income tax returns. Accordingly, these financial statements do not reflect a provision for income taxes and the Company has no other tax positions which must be considered for disclosure.

**Advertising costs**

Advertising and marketing costs are expensed as incurred.

**Use of estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Note 3 - Restricted deposits and funded reserves**

**Escrow deposits**

Under agreements with the mortgage lender and HUD, the Company is required to make monthly deposits to escrow accounts. Funds deposited are used to pay mortgage insurance premiums. As of June 30, 2022, the balance in the escrow deposits is \$55,812.

**Reserve for replacements**

The Company is required to make monthly deposits to a reserve for replacements account to fund future maintenance and replacement costs. Monthly payments of \$4,492 are required to be deposited with the mortgage lender. During the year ended June 30, 2022, the Company made no deposits to the replacement reserve as the lender and HUD approved a waiver of the deposit requirement as long as the replacement reserve balance exceeds \$1,000 per unit or \$154,000. As of June 30, 2022, the balance in the reserve for replacements is \$254,407.

**Northern SDHC FHA LLC**  
**HUD Project No.: 129-11053**

**Notes to Financial Statements**  
**June 30, 2022**

**Note 4 - Statement of cash flows**

The following table provides a reconciliation of cash and restricted cash reported within the balance sheet that sum to the total of the same such amounts in the statement of cash flows:

Cash	\$ 717,917
Tenant deposits	<u>117,885</u>
Total cash and restricted cash shown in the statement of cash flows	<u><u>\$ 835,802</u></u>

Amounts included in restricted cash are comprised of security deposits held in trust for the future benefit of tenants upon moving out of the Projects as required by the regulatory authority.

**Note 5 - Mortgage payable**

In August 2010, the Company entered into a mortgage agreement with PNC Bank, N.A., a national banking association, in the original amount of \$17,500,200. The mortgage is secured by a deed of trust and insured by HUD. The mortgage bears an annual interest rate of 3.76%. Principal and interest are paid in monthly installments of \$74,987 through maturity on September 1, 2045. As of June 30, 2022, the outstanding principal and accrued interest is \$13,934,118 and \$43,660, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$285,327 as of June 30, 2022, and are related to the first mortgage. Debt issuance costs on the above mortgage are being amortized using an imputed interest rate of 3.97%. Amortization of debt issuance costs is \$17,862 for the year ended June 30, 2022 and is included in interest on first mortgage payable on the statement of operations.

The liability of the Company under the mortgage note is limited to the underlying value of the real estate collateral plus other amounts deposited with the lender.

The mortgage qualifies for an interest rebate subsidy from the U.S. Treasury under the Build America Bonds Program ("BABs"). During the year ended June 30, 2022, the Company received BABs interest rebate of \$198,956, which is included in miscellaneous revenue on the statement of operations.

**Northern SDHC FHA LLC**  
**HUD Project No.: 129-11053**

**Notes to Financial Statements**  
**June 30, 2022**

Aggregate annual maturities of the mortgage payable over each of the next five years and thereafter subsequent to June 30, 2022 are as follows:

2023	\$ 382,473
2024	397,104
2025	412,296
2025	428,068
2027	444,444
Thereafter	<u>11,869,733</u>
Subtotal	13,934,118
Less unamortized debt issuance costs	<u>(285,327)</u>
Total	<u><u>\$ 13,648,791</u></u>

**Note 6 - Management fee**

The Company has entered into an agreement with SDHC in connection with the management of the rental operations of the Projects. The property management fee is based on 5% of the effective gross income of the Projects, as defined. For the year ended June 30, 2022, management fees of \$160,010 were incurred and charged to operations, of which \$13,740 remain payable as of June 30, 2022.

**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, 2022, the Company recognized housing assistance payments amounting to \$849,293.

**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, 2022, \$80,315 is due to SDHC.

**Note 9 - Concentration of credit risk**

The Company maintains its cash accounts with various financial institutions. At times, these balances may exceed the federal insurance limits; however, the Company has not experienced any losses with respect to its bank balances in excess of government provided insurance. Bank balances are fully insured and/or collateralized with securities held by the pledging financial institutions in SDHC's, the Company's sole member, name as discussed below.

Cash deposits are secured by pledging securities as collateral. Collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits 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

**Northern SDHC FHA LLC**  
**HUD Project No.: 129-11053**

**Notes to Financial Statements**  
**June 30, 2022**

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, 2022.

**Note 10 - Current vulnerability due to certain concentrations**

The Company's principal assets consist of 14 apartment complexes totaling 154 units. The Company's operations are concentrated in the multifamily real estate market. In addition, the Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**Note 11 - Contingency**

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to the Company's financial position, results of operations, and cash flows. As of June 30, 2022, the global pandemic is still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on the Project.

**Note 12 - Subsequent events**

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Company through September 20, 2022 the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**Supplementary Information**  
**Supporting Data Required by HUD**

**Northern SDHC FHA LLC  
HUD Project No.: 129-11053**

**Supplementary Information**

**Balance Sheet Data  
June 30, 2022**

<u>Account No.</u>	<u>Assets</u>		
<b>Current assets</b>			
1120	Cash - operations		\$ 717,917
1130	Tenant accounts receivable	\$ 17,255	
1131	Allowance for doubtful accounts	(653)	
1130N	Net tenants accounts receivable		16,602
1135	Accounts receivable - HUD		44
1140	Accounts and notes receivable - operations		121,277
1200	Prepaid expenses		<u>21,017</u>
1100T	Total current assets		876,857
<b>Deposits held in trust - funded</b>			
1191	Tenant deposits		117,885
<b>Restricted deposits and funded reserves</b>			
1310	Escrow deposits	55,812	
1320	Reserve for replacements	<u>254,407</u>	
1300T	Total deposits		310,219
<b>Rental property</b>			
1410	Land	3,690,974	
1420	Buildings	11,060,209	
1440	Building equipment - portable	<u>55,380</u>	
1400T	Total fixed assets	14,806,563	
1495	Less accumulated depreciation	<u>(5,174,189)</u>	
1400N	Net fixed assets		<u>9,632,374</u>
1000T	Total assets		<u><u>\$ 10,937,335</u></u>

Northern SDHC FHA LLC  
HUD Project No.: 129-11053

Supplementary Information

Balance Sheet Data  
June 30, 2022

		<u>Liabilities and Members' Equity (Deficit)</u>	
<u>Account No.</u>			
Current liabilities			
2110	Accounts payable - operations	\$	274,595
2113	Accounts payable - entity		80,315
2120	Accrued wages payable		18,490
2123	Accrued management fee payable		13,740
2131	Accrued interest payable - first mortgage		43,660
2170	Mortgage payable - first mortgage (short-term)		382,473
2210	Prepaid revenue		<u>37,225</u>
2122T	Total current liabilities		850,498
Deposits liability			
2191	Tenant deposits held in trust (contra)		117,884
Long-term liabilities			
2320	Mortgage payable - first mortgage	<u>\$</u>	<u>13,266,318</u>
2300T	Total long-term liabilities		<u>13,266,318</u>
2000T	Total liabilities		14,234,700
3130	Members' equity (deficit)		<u>(3,297,365)</u>
2033T	Total liabilities and members' equity (deficit)	<u>\$</u>	<u>10,937,335</u>



Northern SDHC FHA LLC  
HUD Project No.: 129-11053

Supplementary Information

Statement of Operations Data  
Year Ended June 30, 2022

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 2,334,910	
5121	Tenant assistance payments	<u>849,293</u>	
5100T	Total rental revenue		\$ 3,184,203
Vacancies			
5220	Apartments	(15,389)	
5250	Rental concessions	<u>(343)</u>	
5200T	Total vacancies		<u>(15,732)</u>
5152N	Net rental revenue		3,168,471
Financial revenue			
5410	Financial revenue - project operations	425	
5440	Revenue from investments - replacement reserve	<u>82</u>	
5400T	Total financial revenue		507
Other revenue			
5910	Laundry and vending	44,037	
5920	Tenant charges	16,249	
5990	Miscellaneous revenue	<u>198,956</u>	
5900T	Total other revenue		<u>259,242</u>
5000T	Total revenue		<u>3,428,220</u>

**Northern SDHC FHA LLC  
HUD Project No.: 129-11053**

**Supplementary Information**

**Statement of Operations Data  
Year Ended June 30, 2022**

Account No.

Administrative expenses		
6250	Other renting expenses	2,829
6310	Office salaries	111,316
6311	Office expenses	16,470
6320	Management fee	160,010
6331	Administrative rent free unit	22,573
6340	Legal expense - project	21,467
6350	Auditing expense	13,400
6370	Bad debts	746
6390	Miscellaneous administrative expenses	<u>18,379</u>
6263T	Total administrative expenses	367,190
Utilities expense		
6450	Electricity	19,268
6451	Water	130,187
6452	Gas	37,776
6453	Sewer	<u>88,802</u>
6400T	Total utilities expense	276,033
Operating and maintenance expenses		
6510	Payroll	108,284
6515	Supplies	48,565
6520	Contracts	705,044
6525	Garbage and trash removal	28,504
6530	Security payroll/contract	1,271
6570	Vehicle and maintenance equipment operation and repairs	<u>568</u>
6500T	Total operating and maintenance expenses	892,236

Northern SDHC FHA LLC  
HUD Project No.: 129-11053

Supplementary Information

Statement of Operations Data  
Year Ended June 30, 2022

<u>Account No.</u>			
Taxes and insurance			
6710	Real estate taxes	2,547	
6720	Property and liability insurance	53,281	
6722	Workmen's compensation	17,462	
6723	Health insurance and other employee benefits	103,541	
6790	Miscellaneous taxes, licenses, permits and insurance	<u>6,800</u>	
6700T	Total taxes and insurance		183,631
Financial expenses			
6820	Interest on first mortgage payable	548,176	
6850	Mortgage insurance premium/service charge	<u>63,600</u>	
6800T	Total financial expenses		<u>611,776</u>
6000T	Total cost of operations before depreciation		<u>2,330,866</u>
5060T	Income (loss) before depreciation		<u>1,097,354</u>
Depreciation			
6600	Depreciation expense	<u>581,327</u>	
	Total depreciation		<u>581,327</u>
5060N	Operating income (loss)		<u>516,027</u>
	Total expenses		<u>2,912,193</u>
3250	Net income (loss)		<u>\$ 516,027</u>

Northern SDHC FHA LLC  
HUD Project No.: 129-11053

Supplementary Information

Statement of Operations Data  
Year Ended June 30, 2022

<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>\$ 368,381</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>\$ -</u>
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations.	<u>\$ 30,026</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) Interest reduction payments from subsidy.	<u>\$ -</u>

Northern SDHC FHA LLC  
HUD Project No.: 129-11053

Supplementary Information

Statement of Member's Equity (Deficit) Data  
Year Ended June 30, 2022

<u>Account No.</u>		<u>Total</u>
S1100-010	Member's equity (deficit), June 30, 2021	\$ (2,893,739)
S1200-420	Distributions	(1,000,434)
S1200-430	Contributions	80,781
3250	Net income (loss)	<u>516,027</u>
3130	Member's equity (deficit), June 30, 2022	<u>\$ (3,297,365)</u>

**Northern SDHC FHA LLC  
HUD Project No.: 129-11053**

**Supplementary Information**

**Statement of Cash Flows Data  
Year Ended June 30, 2022**

<u>Account No.</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 3,127,319
S1200-020	Interest receipts	507
S1200-030	Other operating receipts	<u>259,242</u>
S1200-040	Total receipts	<u>3,387,068</u>
S1200-050	Administrative expenses paid	(193,822)
S1200-070	Management fees paid	(159,473)
S1200-090	Utilities paid	(276,033)
S1200-100	Salaries and wages paid	(219,793)
S1200-110	Operating and maintenance paid	(669,831)
S1200-120	Real estate taxes paid	(2,547)
S1200-140	Property insurance paid	(53,281)
S1200-150	Miscellaneous taxes and insurance paid	(6,800)
S1200-160	Net tenant security deposits received (paid)	(1)
S1200-170	Other operating expenses paid	(121,003)
S1200-180	Interest paid on first mortgage	(531,469)
S1200-210	Mortgage insurance premium paid	<u>(63,052)</u>
S1200-230	Total disbursements	<u>(2,297,105)</u>
S1200-240	Net cash provided by operating activities	<u>1,089,963</u>
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	1,250
S1200-250	Net withdrawals from reserve for replacements	<u>29,944</u>
S1200-350	Net cash provided by investing activities	<u>31,194</u>
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	(368,381)
S1200-420	Distributions to members	(1,000,434)
S1200-430	Contributions by members	<u>80,781</u>
S1200-460	Net cash used in financing activities	<u>(1,288,034)</u>
S1200-470	Net decrease in cash	(166,877)
S1200-480	Cash, beginning	<u>884,794</u>
S1200T	Cash, end	<u>\$ 717,917</u>

**Northern SDHC FHA LLC  
HUD Project No.: 129-11053**

**Supplementary Information**

**Statement of Cash Flows Data  
Year Ended June 30, 2022**

<u>Account No.</u>			
	Reconciliation of net income (loss) to net cash provided by operating activities		
3250	Net income (loss)		<u>\$ 516,027</u>
	Adjustments to reconcile net income (loss) to net cash provided by operating activities		
6600	Depreciation		581,327
S1200-486	Amortization of debt issuance costs		17,862
	Changes in asset and liability accounts		
	(Increase) decrease in assets		
S1200-490	Tenant accounts receivable		(8,781)
S1200-500	Accounts receivable - other		(121,321)
S1200-520	Prepaid expenses		548
S1200-530	Tenant security deposits funded		739
	Increase (decrease) in liabilities		
S1200-540	Accounts payable		108,433
S1200-560	Accrued liabilities		1,615
S1200-570	Accrued interest payable		(1,155)
S1200-580	Tenant security deposits held in trust		(740)
S1200-590	Prepaid revenue		(9,754)
S1200-605	Entity/construction liability accounts (include detail)		
S1200-606	Accounts payable - entity	<u>\$ 4,417</u>	
			4,417
S1200-600	Other adjustments (include detail)		
S1200-601	Bad debts	<u>746</u>	
			<u>746</u>
	Total adjustments		<u>573,936</u>
S1200-610	Net cash provided by operating activities		<u><u>\$ 1,089,963</u></u>

Northern SDHC FHA LLC  
HUD Project No.: 129-11053

Supplementary Information  
Year Ended June 30, 2022

**Reserve for Replacements**

<u>Account No.</u>		
1320P	Balance at June 30, 2021	\$ 284,351
1320INT	Interest income	82
1320WT	Approved withdrawals	<u>(30,026)</u>
1320	Balance at June 30, 2022	<u>\$ 254,407</u>



**Northern SDHC FHA LLC  
HUD Project No.: 129-11053**

**Supplementary Information  
Period Ended December 31, 2021**

**Mid-Year Computation of Surplus Cash**

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1400-020	Cash (Accounts 1120, 1170 and 1191)	\$ 971,059
S1400-030	Accounts receivable - HUD	-
		<hr/>
S1400-050	Total cash	971,059
		<hr/>
S1400-060	Accrued mortgage interest payable	44,243
S1400-070	Delinquent mortgage principal payments	-
S1400-080	Delinquent deposits to reserve for replacements	-
S1400-090	Accounts payable (due within 30 days)	158,744
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)	52,618
S1400-140	Tenant security deposits liability (Account 2191)	117,874
		<hr/>
S1400-180	Less total current obligations	373,479
		<hr/>
S1400-190	Surplus cash (deficiency)	\$ 597,580
		<hr/> <hr/>

**Northern SDHC FHA LLC  
HUD Project No.: 129-11053**

**Supplementary Information  
Year Ended June 30, 2022**

**Computation of Surplus Cash**

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1300-010	Cash (Accounts 1120, 1170 and 1191)	\$ 835,802
1135	Accounts receivable - HUD	44
		<hr/>
S1300-040	Total cash	835,846
		<hr/>
S1300-050	Accrued mortgage interest payable	43,660
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	274,595
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)	32,230
2210	Prepaid revenue (Account 2210)	37,225
2191	Tenant security deposits liability (Account 2191)	117,884
S1300-110	Other current obligations (describe in detail)	
S1300-120	Accounts payable - entity	\$ 80,315
		<hr/>
		80,315
		<hr/>
S1300-140	Less total current obligations	585,909
		<hr/>
S1300-150	Surplus cash (deficiency)	\$ 249,937
		<hr/> <hr/>
S1300-200	Amount available for distribution during next fiscal period	\$ 249,937
		<hr/> <hr/>

**Northern SDHC FHA LLC**  
**HUD Project No.: 129-11053**

**Supplementary Information**  
**Year Ended June 30, 2022**

**Changes in Fixed Asset Accounts**

	Assets			
	Balance 6/30/21	Additions	Deletions	
Land	\$ 3,690,974	\$ -	\$ -	\$ 3,690,974
Buildings	11,060,209	-	-	11,060,209
Building equipment - portable	55,380	-	-	55,380
	<u>\$ 14,806,563</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,806,563</u>
Accumulated depreciation	<u>\$ 4,592,862</u>	<u>\$ 581,327</u>	<u>\$ -</u>	<u>\$ 5,174,189</u>
Total net book value				<u>\$ 9,632,374</u>

Northern SDHC FHA LLC  
HUD Project No.: 129-11053

Supplementary Information  
Year Ended June 30, 2022

**Detail of Accounts - Balance Sheet**

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

Other	
Interest rebate - Build America Bonds	\$ 14,410
Insurance proceeds	<u>106,867</u>
	<u>\$ 121,277</u>

**Detail of Accounts - Statement of Operations**

Miscellaneous Other Revenue (Account No. 5990)

Interest rebate - Build America Bonds	<u>\$ 198,956</u>
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**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>\$ 159,473</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  
Northern SDHC FHA LLC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northern SDHC FHA LLC, which comprise the balance sheet as of June 30, 2022, 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 20, 2022.

#### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northern SDHC FHA LLC's internal control over financial reporting as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northern SDHC FHA LLC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Northern SDHC FHA LLC's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

#### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northern SDHC FHA LLC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*CohnReznick LLP*

Sacramento, California  
September 20, 2022

Independent Auditor's Report on Compliance for the Major HUD  
Program and Report on Internal Control over Compliance Required by the  
*Consolidated Audit Guide for Audits of HUD Programs*

To the Sole Member  
Northern SDHC FHA LLC

Report on Compliance for the Major HUD Program

*Opinion on the Major HUD Program*

We have audited Northern SDHC FHA LLC's compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide") that could have a direct and material effect on Northern SDHC FHA LLC's major U.S. Department of Housing and Urban Development ("HUD") program for the year ended June 30, 2022. Northern SDHC FHA LLC's major HUD program and the related direct and material compliance requirements are as follows:

Name of Major HUD Program	Direct and Material Compliance Requirements
Section 223(f) - Mortgage Insurance Program	Fair housing and nondiscrimination, mortgage loan status, reserve for replacements, distributions to owners, equity skimming, cash receipts, cash disbursements, tenant leasing and eligibility, security deposits, management functions, unauthorized ownership changes, and unauthorized project loans.

In our opinion, Northern SDHC FHA LLC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major HUD program for the year ended June 30, 2022.

*Basis for Opinion on the Major HUD Program*

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

We are required to be independent of Northern SDHC FHA LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that our audit provides a reasonable basis for our opinion on compliance for the major HUD program. Our audit does not provide a legal determination of Northern SDHC FHA LLC's compliance.

*Responsibilities of Management for Compliance*

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

### *Auditor's Responsibilities for the Audit of Compliance*

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Northern SDHC FHA LLC's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of Northern SDHC FHA LLC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of Northern SDHC FHA LLC's internal control. Accordingly, no such opinion is expressed.

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

### Report on Internal Control over Compliance

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

*CohnReznick LLP*

Sacramento, California  
September 20, 2022

**Northern SDHC FHA LLC  
HUD Project No.: 129-11053**

**Schedule of Findings, Questioned Costs and Recommendations  
June 30, 2022**

Our audit disclosed no findings that are required to be reported herein under the HUD Consolidated Audit Guide.

**Northern SDHC FHA LLC  
HUD Project No.: 129-11053**

**Schedule of the Status of Prior Audit Findings,  
Questioned Costs and Recommendations  
June 30, 2022**

1. Audit Report, dated September 14, 2021 for the year ended June 30, 2021, issued by CohnReznick LLP.
  - There are no open findings from the prior audit period.
2. There were no reports issued by HUD OIG or other federal agencies or contract administrators during the period covered by this audit.
3. On October 27, 2021, the HUD Real Estate Assessment Center issued a summary report following the physical inspection of the Project. The inspection was completed and the Project received a score of 79c. There were no other letters or reports issued by HUD management during the period covered by this audit.



**Independent Member of Nexia International**

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**Southern SDHC FHA LLC  
HUD Project No.: 129-11055**

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

**June 30, 2022**

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**Southern SDHC FHA LLC**  
**HUD Project No.: 129-11055**

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**Southern SDHC FHA LLC  
HUD Project No.: 129-11055**

**June 30, 2022**

Mortgagor's Certification

We hereby certify that we have examined the accompanying financial statements and supplementary data of Southern SDHC FHA LLC and, to the best of our knowledge and belief, the same are complete and accurate.

Sole Member  
San Diego Housing Commission

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

\_\_\_\_\_  
Emily Jacobs Date  
E. Vice President of Real Estate

**Southern SDHC FHA LLC  
HUD Project No.: 129-11055**

**June 30, 2022**

Managing Agent's Certification

We hereby certify that we have examined the accompanying financial statements and supplementary data of Southern SDHC FHA LLC and, to the best of our knowledge and belief, the same are complete and accurate.

Managing Agent

San Diego Housing Commission

\_\_\_\_\_  
Emily Jacobs Date  
E. Vice President of Real Estate

\_\_\_\_\_  
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  
Southern SDHC FHA LLC

Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of Southern SDHC FHA LLC, which comprise the balance sheet as of June 30, 2022, and the related statements of operations, member's equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Southern SDHC FHA LLC as of June 30, 2022, 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 audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southern SDHC FHA LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern SDHC FHA LLC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Southern SDHC FHA LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern SDHC FHA LLC's ability to continue as a going concern for a reasonable period of time.

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

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The HUD-required financial data templates are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 20, 2022 on our consideration of Southern SDHC FHA LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 Southern SDHC FHA LLC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southern SDHC FHA LLC's internal control over financial reporting and compliance.

*CohnReznick LLP*

Sacramento, California  
September 20, 2022

Taxpayer Identification Number:  
22-1478099

Lead Auditor: Ahamadou Alainchar Bocar, CPA

**Southern SDHC FHA LLC**  
**HUD Project No.: 129-11055**

**Balance Sheet**  
**June 30, 2022**

Assets

Current assets	
Cash - operations	\$ 1,145,261
Tenant accounts receivable	42,977
Allowance for doubtful accounts	(1,523)
Accounts receivable - HUD	1,784
Accounts and notes receivable - operations	20,600
Prepaid expenses	<u>30,045</u>
Total current assets	<u>1,239,144</u>
Deposits held in trust - funded	
Tenant deposits	<u>214,296</u>
Restricted deposits and funded reserves	
Escrow deposits	79,784
Reserve for replacements	<u>496,210</u>
Total restricted deposits and funded reserves	<u>575,994</u>
Rental property	
Land	3,682,655
Building and improvements	10,528,694
Dwelling equipment	<u>153,054</u>
	14,364,403
Less accumulated depreciation	<u>(5,223,515)</u>
Total rental property	<u>9,140,888</u>
Total assets	<u><u>\$ 11,170,322</u></u>

**Southern SDHC FHA LLC**  
**HUD Project No.: 129-11055**

**Balance Sheet**  
**June 30, 2022**

Liabilities and Member's Equity (Deficit)

Current liabilities	
Accounts payable - operations	\$ 269,619
Accounts payable - entity	189,535
Accrued wages payable	28,618
Accrued management fee payable	22,240
Accrued interest payable - first mortgage	62,414
Mortgage payable - first mortgage (short-term)	546,758
Prepaid revenue	55,626
	<hr/>
Total current liabilities	1,174,810
	<hr/>
Deposits liability	
Tenant deposits held in trust (contra)	214,295
	<hr/>
Long-term liabilities	
Mortgage payable - first mortgage, net	18,981,536
	<hr/>
Total long-term liabilities	18,981,536
	<hr/>
Total liabilities	20,370,641
	<hr/>
Contingency	-
	<hr/>
Member's equity (deficit)	(9,200,319)
	<hr/>
Total liabilities and member's equity (deficit)	\$ 11,170,322
	<hr/> <hr/>

**Southern SDHC FHA LLC**  
**HUD Project No.: 129-11055**

**Statement of Operations**  
**Year Ended June 30, 2022**

Rental revenue	
Rent revenue - gross potential	\$ 3,537,614
Tenant assistance payments	<u>1,663,925</u>
Total rental revenue	<u>5,201,539</u>
Vacancies	
Apartments	<u>(42,548)</u>
Total vacancies	<u>(42,548)</u>
Net rental revenue	<u>5,158,991</u>
Financial revenue	
Financial revenue - project operations	621
Revenue from investments - replacement reserve	<u>173</u>
Total financial revenue	<u>794</u>
Other revenue	
Laundry and vending	47,685
Tenant charges	20,531
Miscellaneous revenue	<u>250,211</u>
Total other revenue	<u>318,427</u>
Total revenue	<u>5,478,212</u>

**Southern SDHC FHA LLC**  
**HUD Project No.: 129-11055**

**Statement of Operations**  
**Year Ended June 30, 2022**

Administrative expenses	
Management consultants	14,736
Other renting expenses	5,075
Office salaries	155,291
Office expenses	27,033
Management fee	259,210
Administrative rent free unit	41,503
Legal expense - project	22,570
Auditing expense	13,400
Bad debts	47,897
Miscellaneous administrative expenses	2,497
	<hr/>
Total administrative expenses	589,212
	<hr/>
Utilities expense	
Electricity	38,648
Water	234,801
Gas	56,770
Sewer	115,970
	<hr/>
Total utilities expense	446,189
	<hr/>
Operating and maintenance expenses	
Payroll	193,655
Supplies	62,391
Contracts	936,580
Garbage and trash removal	48,184
Security payroll/contract	67,869
Vehicle and maintenance equipment operation and repairs	5,026
	<hr/>
Total operating and maintenance expenses	1,313,705
	<hr/>

**Southern SDHC FHA LLC**  
**HUD Project No.: 129-11055**

**Statement of Operations**  
**Year Ended June 30, 2022**

Taxes and insurance	
Real estate taxes	200
Property and liability insurance	84,461
Workmen's compensation	27,145
Health insurance and other employee benefits	146,009
Miscellaneous taxes, licenses, permits and insurance	<u>12,590</u>
Total taxes and insurance	<u>270,405</u>
Financial expenses	
Interest on first mortgage payable	782,587
Mortgage insurance premium/service charge	<u>90,918</u>
Total financial expenses	<u>873,505</u>
Total cost of operations before depreciation	<u>3,493,016</u>
Income (loss) before depreciation	<u>1,985,196</u>
Depreciation	
Depreciation expense	<u>616,792</u>
Total depreciation	<u>616,792</u>
Total expenses	<u>4,109,808</u>
Net income (loss)	<u><u>\$ 1,368,404</u></u>

See Notes to Financial Statements.



**Southern SDHC FHA LLC**  
**HUD Project No.: 129-11055**

**Statement of Member's Equity (Deficit)**  
**Year Ended June 30, 2022**

Member's equity (deficit), June 30, 2021	\$ (8,545,344)
Distributions	(2,104,542)
Contributions	81,163
Net income (loss)	<u>1,368,404</u>
Member's equity (deficit), June 30, 2022	<u>\$ (9,200,319)</u>

See Notes to Financial Statements.

**Southern SDHC FHA LLC**  
**HUD Project No.: 129-11055**

**Statement of Cash Flows**  
**Year Ended June 30, 2022**

Cash flows from operating activities	
Rental receipts	\$ 5,070,184
Interest receipts	794
Other operating receipts	<u>318,427</u>
Total receipts	<u>5,389,405</u>
Administrative expenses paid	(105,911)
Management fees paid	(258,621)
Utilities paid	(446,189)
Salaries and wages paid	(410,529)
Operating and maintenance paid	(936,833)
Real estate taxes paid	(200)
Property insurance paid	(84,461)
Miscellaneous taxes and insurance paid	(12,590)
Tenant security deposits received	8,513
Other operating expenses paid	(173,154)
Interest paid on first mortgage	(759,751)
Mortgage insurance premium paid	<u>(90,134)</u>
Total disbursements	<u>(3,269,860)</u>
Net cash provided by operating activities	<u>2,119,545</u>
Cash flows from investing activities	
Net withdrawals from mortgage escrows	1,788
Net withdrawals from reserve for replacements	158,024
Net purchases of fixed assets	<u>(21,294)</u>
Net cash provided by investing activities	<u>138,518</u>
Cash flows from financing activities	
Mortgage principal payments - first mortgage	(526,613)
Distributions to sole member	(2,104,542)
Contributions by members	<u>81,163</u>
Net cash used in financing activities	<u>(2,549,992)</u>
Net decrease in cash and restricted cash	(291,929)
Cash and restricted cash, beginning	<u>1,651,486</u>
Cash and restricted cash, end	<u><u>\$ 1,359,557</u></u>

**Southern SDHC FHA LLC**  
**HUD Project No.: 129-11055**

**Statement of Cash Flows**  
**Year Ended June 30, 2022**

Reconciliation of net income (loss) to net cash provided by operating activities	
Net income (loss)	\$ 1,368,404
Adjustments to reconcile net income (loss) to net cash provided by operating activities	
Depreciation	616,792
Amortization of debt issuance costs	24,486
Bad debts	47,897
Changes in asset and liability accounts	
(Increase) decrease in assets	
Tenant accounts receivable	(43,235)
Accounts receivable - other	(22,384)
Prepaid expenses	784
Increase (decrease) in liabilities	
Accounts payable	70,125
Accrued liabilities	6,875
Accrued interest payable	(1,650)
Tenant security deposits held in trust	8,513
Prepaid revenue	(2,285)
Entity/construction liability accounts (include detail)	
Accounts payable - entity	45,223
	<u>751,141</u>
Total adjustments	751,141
Net cash provided by operating activities	<u>\$ 2,119,545</u>

See Notes to Financial Statements.

**Southern SDHC FHA LLC**  
**HUD Project No.: 129-11055**

**Notes to Financial Statements**  
**June 30, 2022**

**Note 1 - Organization and nature of operations**

Southern SDHC FHA LLC (the "Company") was formed as a limited liability company under the laws of the State of California on July 13, 2010 for the purpose of owning and operating rental housing projects under Section 207, pursuant to Section 223(f) of the National Housing Act as regulated by the U.S. Department of Housing and Urban Development ("HUD") and is subject to restrictions as to the operating policies, rental charges, operating expenditures and distributions to the sole member. The Company has executed a limited liability company operating agreement (the "operating agreement") dated August 20, 2010. The Company properties consist of eight apartment complexes totaling 301 units located in San Diego, California (the "Projects"). The Projects are currently operating under the name of SDHC South Portfolio.

The Company is wholly owned by San Diego Housing Commission ("SDHC"). The Company is also a blended component unit of SDHC.

The Company will continue to operate until July 13, 2065, unless dissolved earlier in accordance with the operating agreement.

Cash distributions are limited by agreements between the Company and HUD to the extent of surplus cash as defined by HUD.

**Note 2 - Summary of significant accounting policies**

**Basis of presentation**

The financial statements have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, income is recognized as earned and expensed as incurred, regardless of the timing of payments.

**Tenant accounts receivable**

Tenant accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on the historical collection experience and a review of the current status of tenants' accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2022, the allowance for doubtful accounts is \$1,523.

**Rental property**

Rental property is carried at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives by use of the straight-line method. The estimated useful lives of the assets are as follows:

Buildings and improvements	12 - 37 years
Dwelling equipment	5 years

**Impairment of long-lived assets**

The Company reviews its investment in rental property for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the Projects are less than its carrying amount, management compares the carrying amount of the Projects to its fair

**Southern SDHC FHA LLC**  
**HUD Project No.: 129-11055**

**Notes to Financial Statements**  
**June 30, 2022**

value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended June 30, 2022.

**Debt issuance costs**

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

**Rental revenue**

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

**Income taxes**

The Company is a single member limited liability company and is a disregarded entity for federal income tax purposes and, as such, is not subject to income taxes. The Company's federal tax status as a pass-through entity is based on its legal status as a single member limited liability company. SDHC, the sole member of the Company, is a state agency which is exempt from filing any income tax returns. Accordingly, these financial statements do not reflect a provision for income taxes and the Company has no other tax positions which must be considered for disclosure.

**Advertising costs**

Advertising and marketing costs are expensed as incurred.

**Use of estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Note 3 - Restricted deposits and funded reserves**

**Escrow deposits**

Under agreements with the mortgage lender and HUD, the Company is required to make monthly deposits to escrow accounts. Funds deposited are used to pay mortgage insurance premiums. As of June 30, 2022, the balance in the escrow deposits is \$79,784.

**Reserve for replacements**

The Company is required to make monthly deposits to a reserve for replacements account to fund future maintenance and replacement costs. Monthly payments of \$7,500 are required to be deposited with the mortgage lender. During the year ended June 30, 2022, the Company only made one monthly deposits of \$7,500 and the deposits were not required by the lender for the remainder of the year. As of June 30, 2022, the balance in the reserve for replacements is \$496,210.

**Southern SDHC FHA LLC**  
**HUD Project No.: 129-11055**

**Notes to Financial Statements**  
**June 30, 2022**

**Note 4 - Mortgage payable**

In August 2010, the Company entered into a mortgage agreement with PNC Bank, N.A., a national banking association, in the original amount of \$25,017,100. The mortgage is secured by a deed of trust and insured by HUD. The mortgage bears an annual interest rate of 3.76%. Principal and interest are paid in monthly installments of \$107,197 through maturity on September 1, 2045. As of June 30, 2022, the outstanding principal and accrued interest is \$19,919,270 and \$62,414, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$390,976 as of June 30, 2022, and are related to the first mortgage. Debt issuance costs on the above mortgage are being amortized using an imputed interest rate of 3.96%. Amortization of debt issuance costs is \$24,486 for the year ended June 30, 2022, and is included in interest on first mortgage payable on the statement of operations.

The liability of the Company under the mortgage note is limited to the underlying value of the real estate collateral plus other amounts deposited with the lender.

The mortgage qualifies for an interest rebate subsidy from the U.S. Treasury under the Build America Bonds Program ("BABs"). During the year ended June 30, 2022, the Company received BABs interest rebate of \$250,211, which is included in miscellaneous revenue on the statement of operations.

Aggregate annual maturities of the mortgage payable over each of the next five years and thereafter subsequent to June 30, 2022 are as follows:

2023	\$	546,758
2024		567,674
2025		589,391
2026		611,938
2027		635,347
Thereafter		<u>16,968,162</u>
Subtotal		19,919,270
Less unamortized		<u>(390,976)</u>
Total	\$	<u><u>19,528,294</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, 2022, management fees of \$259,210 were incurred and charged to operations, of which \$22,240 remain payable at June 30, 2022.

**Southern SDHC FHA LLC**  
**HUD Project No.: 129-11055**

**Notes to Financial Statements**  
**June 30, 2022**

**Note 6 - Statement of cash flows**

The following table provides a reconciliation of cash and restricted cash reported within the balance sheet that sum to the total of the same such amounts in the statement of cash flows:

Cash	\$ 1,145,261
Tenant deposits	<u>214,296</u>
Total cash and restricted cash shown in the statement of cash flows	<u><u>\$ 1,359,557</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, 2022, the Company recognized housing assistance payments amounting to \$1,663,925.

**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, 2022, \$189,535 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, 2022.

**Southern SDHC FHA LLC**  
**HUD Project No.: 129-11055**

**Notes to Financial Statements**  
**June 30, 2022**

**Note 10 - Current vulnerability due to certain concentrations**

The Company's principal assets consist of eight apartment complexes totaling 301 units. The Company's operations are concentrated in the multifamily real estate market. In addition, the Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**Note 11 - Contingency**

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to the Company's financial position, results of operations, and cash flows. As of June 30, 2022, the global pandemic is still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on the Project. The Partnership is not able to estimate the length of severity of this outbreak and the related financial impact.

**Note 12 - Subsequent events**

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Company through September 20, 2022 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



**Supplementary Information**  
**Supporting Data Required by HUD**

**Southern SDHC FHA LLC  
HUD Project No.: 129-11055**

**Supplementary Information**

**Balance Sheet Data  
June 30, 2022**

Assets

Account No.

Current assets

1120	Cash - operations		\$ 1,145,261
1130	Tenant accounts receivable	\$ 42,977	
1131	Allowance for doubtful accounts	<u>(1,523)</u>	
1130N	Net tenants accounts receivable		41,454
1135	Accounts receivable - HUD		1,784
1140	Accounts and notes receivable - operations		20,600
1200	Prepaid expenses		<u>30,045</u>
1100T	Total current assets		1,239,144
Deposits held in trust - funded			
1191	Tenant deposits		214,296
Restricted deposits and funded reserves			
1310	Escrow deposits	79,784	
1320	Reserve for replacements	<u>496,210</u>	
1300T	Total deposits		575,994
Rental property			
1410	Land	3,682,655	
1420	Buildings	10,528,694	
1470	Maintenance equipment	<u>153,054</u>	
1400T	Total fixed assets	14,364,403	
1495	Less accumulated depreciation	<u>(5,223,515)</u>	
1400N	Net fixed assets		<u>9,140,888</u>
1000T	Total assets		<u><u>\$ 11,170,322</u></u>

**Southern SDHC FHA LLC**  
**HUD Project No.: 129-11055**

**Supplementary Information**

**Balance Sheet Data**  
**June 30, 2022**

Liabilities and Members' Equity (Deficit)

<u>Account No.</u>			
Current liabilities			
2110	Accounts payable - operations		\$ 269,619
2113	Accounts payable - entity		189,535
2120	Accrued wages payable		28,618
2123	Accrued management fee payable		22,240
2131	Accrued interest payable - first mortgage		62,414
2170	Mortgage payable - first mortgage (short-term)		546,758
2210	Prepaid revenue		<u>55,626</u>
2122T	Total current liabilities		1,174,810
Deposits liability			
2191	Tenant deposits held in trust (contra)		214,295
Long-term liabilities			
2320	Mortgage payable - first mortgage	<u>\$ 18,981,536</u>	
2300T	Total long-term liabilities		<u>18,981,536</u>
2000T	Total liabilities		20,370,641
3130	Members' equity (deficit)		<u>(9,200,319)</u>
2033T	Total liabilities and members' equity (deficit)		<u><u>\$ 11,170,322</u></u>

**Southern SDHC FHA LLC  
HUD Project No.: 129-11055**

**Supplementary Information**

**Statement of Operations Data  
Year Ended June 30, 2022**

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 3,537,614	
5121	Tenant assistance payments	<u>1,663,925</u>	
5100T	Total rental revenue		\$ 5,201,539
Vacancies			
5220	Apartments	<u>(42,548)</u>	
5200T	Total vacancies		<u>(42,548)</u>
5152N	Net rental revenue		5,158,991
Financial revenue			
5410	Financial revenue - project operations	621	
5440	Revenue from investments - replacement reserve	<u>173</u>	
5400T	Total financial revenue		794
Other revenue			
5910	Laundry and vending	47,685	
5920	Tenant charges	20,531	
5990	Miscellaneous revenue	<u>250,211</u>	
5900T	Total other revenue		<u>318,427</u>
5000T	Total revenue		<u>5,478,212</u>

**Southern SDHC FHA LLC  
HUD Project No.: 129-11055**

**Supplementary Information**

**Statement of Operations Data  
Year Ended June 30, 2022**

Account No.

Administrative expenses		
6204	Management consultants	14,736
6250	Other renting expenses	5,075
6310	Office salaries	155,291
6311	Office expenses	27,033
6320	Management fee	259,210
6331	Administrative rent free unit	41,503
6340	Legal expense - project	22,570
6350	Auditing expense	13,400
6370	Bad debts	47,897
6390	Miscellaneous administrative expenses	<u>2,497</u>
6263T	Total administrative expenses	589,212
Utilities expense		
6450	Electricity	38,648
6451	Water	234,801
6452	Gas	56,770
6453	Sewer	<u>115,970</u>
6400T	Total utilities expense	446,189
Operating and maintenance expenses		
6510	Payroll	193,655
6515	Supplies	62,391
6520	Contracts	936,580
6525	Garbage and trash removal	48,184
6530	Security payroll/contract	67,869
6570	Vehicle and maintenance equipment operation and repairs	<u>5,026</u>
6500T	Total operating and maintenance expenses	1,313,705

**Southern SDHC FHA LLC  
HUD Project No.: 129-11055**

**Supplementary Information**

**Statement of Operations Data  
Year Ended June 30, 2022**

<u>Account No.</u>			
Taxes and insurance			
6710	Real estate taxes	200	
6720	Property and liability insurance	84,461	
6722	Workmen's compensation	27,145	
6723	Health insurance and other employee benefits	146,009	
6790	Miscellaneous taxes, licenses, permits and insurance	<u>12,590</u>	
6700T	Total taxes and insurance		270,405
Financial expenses			
6820	Interest on first mortgage payable	782,587	
6850	Mortgage insurance premium/service charge	<u>90,918</u>	
6800T	Total financial expenses		<u>873,505</u>
6000T	Total cost of operations before depreciation		<u>3,493,016</u>
5060T	Income (loss) before depreciation		<u>1,985,196</u>
Depreciation			
6600	Depreciation expense	<u>616,792</u>	
	Total depreciation		<u>616,792</u>
5060N	Operating income (loss)		<u>1,368,404</u>
	Total expenses		<u>4,109,808</u>
3250	Net income (loss)		<u><u>\$ 1,368,404</u></u>

**Southern SDHC FHA LLC  
HUD Project No.: 129-11055**

**Supplementary Information**

**Statement of Operations Data  
Year Ended June 30, 2022**

<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>\$ 526,613</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>\$ 7,500</u>
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations.
	<u>\$ 144,403</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) Interest reduction payments from subsidy.
	<u>\$ -</u>

**Southern SDHC FHA LLC  
HUD Project No.: 129-11055**

**Supplementary Information**

**Statement of Member's Equity (Deficit) Data  
Year Ended June 30, 2022**

<u>Account No.</u>		Total
S1100-010	Member's equity (deficit) June 30, 2021	\$ (8,545,344)
S1200-420	Distributions	(2,104,542)
S1200-430	Contributions	81,163
3250	Net income (loss)	<u>1,368,404</u>
3130	Member's equity (deficit) June 30, 2022	<u><u>\$ (9,200,319)</u></u>



**Southern SDHC FHA LLC  
HUD Project No.: 129-11055**

**Supplementary Information**

**Statement of Cash Flows Data  
Year Ended June 30, 2022**

<u>Account No.</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 5,070,184
S1200-020	Interest receipts	794
S1200-030	Other operating receipts	<u>318,427</u>
S1200-040	Total receipts	<u>5,389,405</u>
S1200-050	Administrative expenses paid	(105,911)
S1200-070	Management fees paid	(258,621)
S1200-090	Utilities paid	(446,189)
S1200-100	Salaries and wages paid	(410,529)
S1200-110	Operating and maintenance paid	(936,833)
S1200-120	Real estate taxes paid	(200)
S1200-140	Property insurance paid	(84,461)
S1200-150	Miscellaneous taxes and insurance paid	(12,590)
S1200-170	Other operating expenses paid	(173,154)
S1200-180	Interest paid on first mortgage	(759,751)
S1200-210	Mortgage insurance premium paid	<u>(90,134)</u>
S1200-230	Total disbursements	<u>(3,278,373)</u>
S1200-240	Net cash provided by operating activities	<u>2,111,032</u>
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	1,788
S1200-250	Net withdrawals from reserve for replacements	158,024
S1200-330	Net purchases of fixed assets	<u>(21,294)</u>
S1200-350	Net cash provided by investing activities	<u>138,518</u>
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	(526,613)
S1200-420	Distributions to members	(2,104,542)
S1200-430	Contributions by members	<u>81,163</u>
S1200-460	Net cash used in financing activities	<u>(2,549,992)</u>
S1200-470	Net decrease in cash	(300,442)
S1200-480	Cash, beginning	<u>1,445,703</u>
S1200T	Cash, end	<u>\$ 1,145,261</u>

**Southern SDHC FHA LLC  
HUD Project No.: 129-11055**

**Supplementary Information**

**Statement of Cash Flows Data  
Year Ended June 30, 2022**

<u>Account No.</u>			
	Reconciliation of net income (loss) to net cash provided by operating activities		
3250	Net income (loss)		<u>\$ 1,368,404</u>
	Adjustments to reconcile net income (loss) to net cash provided by operating activities		
6600	Depreciation		616,792
S1200-486	Amortization of debt issuance costs		24,486
	Changes in asset and liability accounts		
	(Increase) decrease in assets		
S1200-490	Tenant accounts receivable		(43,235)
S1200-500	Accounts receivable - other		(22,384)
S1200-520	Prepaid expenses		784
S1200-530	Tenant security deposits funded		(8,513)
	Increase (decrease) in liabilities		
S1200-540	Accounts payable		70,125
S1200-560	Accrued liabilities		6,875
S1200-570	Accrued interest payable		(1,650)
S1200-580	Tenant security deposits held in trust		8,513
S1200-590	Prepaid revenue		(2,285)
S1200-605	Entity/construction liability accounts (include detail)		
S1200-606	Accounts payable - entity	<u>\$ 45,223</u>	
			45,223
S1200-600	Other adjustments (include detail)		
S1200-601	Bad debts	<u>47,897</u>	
			<u>47,897</u>
	Total adjustments		<u>742,628</u>
S1200-610	Net cash provided by operating activities		<u><u>\$ 2,111,032</u></u>

**Southern SDHC FHA LLC  
HUD Project No.: 129-11055**

**Supplementary Information  
Year Ended June 30, 2022**

**Reserve for Replacements**

<u>Account No.</u>		
1320P	Balance at June 30, 2021	\$ 654,234
1320DT	Total monthly deposits	7,500
1320INT	Interest income	173
1320WT	Approved withdrawals	<u>(165,697)</u>
1320	Balance at June 30, 2022	<u><u>\$ 496,210</u></u>

**Southern SDHC FHA LLC**  
**HUD Project No.: 129-11055**

**Supplementary Information**  
**Period Ended December 31, 2021**

**Mid-year Computation of Surplus Cash**

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1400-020	Cash (Accounts 1120, 1170 and 1191)	\$ 1,779,853
S1400-030	Accounts receivable - HUD	-
		<hr/>
S1400-050	Total cash	1,779,853
		<hr/>
S1400-060	Accrued mortgage interest payable	63,246
S1400-070	Delinquent mortgage principal payments	-
S1400-080	Delinquent deposits to reserve for replacements	-
S1400-090	Accounts payable (due within 30 days)	66,703
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)	81,454
S1400-140	Tenant security deposits liability (Account 2191)	206,972
S1400-150	Other current obligations (describe in detail)	
S1400-160	Accounts payable - entity	\$ 192,868
		<hr/>
		192,868
		<hr/>
S1400-180	Less total current obligations	611,244
		<hr/>
S1400-190	Surplus cash (deficiency)	\$ 1,168,609
		<hr/> <hr/>

**Southern SDHC FHA LLC  
HUD Project No.: 129-11055**

**Supplementary Information  
Year Ended June 30, 2022**

**Computation of Surplus Cash**

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1300-010	Cash (Accounts 1120, 1170 and 1191)	\$ 1,359,557
1135	Accounts receivable - HUD	<u>1,784</u>
S1300-040	Total cash	<u>1,361,341</u>
S1300-050	Accrued mortgage interest payable	62,414
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	269,619
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)	50,858
2210	Prepaid revenue (Account 2210)	55,626
2191	Tenant security deposits liability (Account 2191)	214,295
S1300-110	Other current obligations (describe in detail)	
S1300-120	Accounts payable - entity	<u>\$ 189,535</u>
		<u>189,535</u>
S1300-140	Less total current obligations	<u>842,347</u>
S1300-150	Surplus cash (deficiency)	<u>\$ 518,994</u>
S1300-200	Amount available for distribution during next fiscal period	<u>\$ 518,994</u>

**Southern SDHC FHA LLC  
HUD Project No.: 129-11055**

**Supplementary Information  
Year Ended June 30, 2022**

**Changes in Fixed Asset Accounts**

	Assets			Balance 6/30/22
	Balance 6/30/21	Additions	Deletions	
Land	\$ 3,682,655	\$ -	\$ -	\$ 3,682,655
Buildings	10,528,694	-	-	10,528,694
Maintenance equipment	131,760	21,294	-	153,054
	<u>\$ 14,343,109</u>	<u>\$ 21,294</u>	<u>\$ -</u>	<u>\$ 14,364,403</u>
Accumulated depreciation	<u>\$ 4,606,723</u>	<u>\$ 616,792</u>	<u>\$ -</u>	<u>\$ 5,223,515</u>
Total net book value				<u>\$ 9,140,888</u>

Fixed Asset Detail

Additions to Maintenance Equipment Account

Item and quantity	Amount
Grove Stair Lift	\$ 7,744
Backflow Preventer Installation	13,550
	<u>\$ 21,294</u>

**Southern SDHC FHA LLC  
HUD Project No.: 129-11055**

**Supplementary Information  
Year Ended June 30, 2022**

**Detail of Accounts - Balance Sheet**

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

Other	
Interest Rebate - Build America Bonds	<u>\$ 20,600</u>

**Detail of Accounts - Statement of Operations**

Miscellaneous Other Revenue (Account No. 5990)

Interest Rebate - Build America Bond	<u>\$ 250,211</u>
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**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>\$ 258,621</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  
Southern SDHC FHA LLC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southern SDHC FHA LLC, which comprise the balance sheet as of June 30, 2022, 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 20, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southern SDHC FHA LLC's internal control over financial reporting as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southern SDHC FHA LLC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southern SDHC FHA LLC's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern SDHC FHA LLC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*CohnReznick LLP*

Sacramento, California  
September 20, 2022

Independent Auditor's Report on Compliance for the Major HUD  
Program and Report on Internal Control over Compliance Required by the  
*Consolidated Audit Guide for Audits of HUD Programs*

To the Sole Member  
Southern SDHC FHA LLC

Report on Compliance for the Major HUD Program

*Opinion on the Major HUD Program*

We have audited Southern SDHC FHA LLC's compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide") that could have a direct and material effect on Southern SDHC FHA LLC's major U.S. Department of Housing and Urban Development ("HUD") program for the year ended June 30, 2022. Southern SDHC FHA LLC's major HUD program and the related direct and material compliance requirements are as follows:

Name of Major HUD Program	Direct and Material Compliance Requirements
Section 223(f) - Mortgage Insurance Program	Fair housing and nondiscrimination, mortgage loan status, reserve for replacements, distributions to owners, equity skimming, cash receipts, cash disbursements, tenant leasing and eligibility, security deposits, management functions, unauthorized ownership changes, and unauthorized project loans.

In our opinion, Southern SDHC FHA LLC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major HUD program for the year ended June 30, 2022.

*Basis for Opinion on the Major HUD Program*

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

We are required to be independent of Southern SDHC FHA LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that our audit provides a reasonable basis for our opinion on compliance for the major HUD program. Our audit does not provide a legal determination of Southern SDHC FHA LLC's compliance.

*Responsibilities of Management for Compliance*

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

### *Auditor's Responsibilities for the Audit of Compliance*

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Southern SDHC FHA LLC's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of Southern SDHC FHA LLC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of Southern SDHC FHA LLC's internal control. Accordingly, no such opinion is expressed.

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

### Report on Internal Control over Compliance

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 20, 2022

**Southern SDHC FHA LLC  
HUD Project No.: 129-11055**

**Schedule of Findings, Questioned Costs and Recommendations  
June 30, 2022**

Our audit disclosed no findings that are required to be reported herein under the HUD Consolidated Audit Guide.

**Southern SDHC FHA LLC  
HUD Project No.: 129-11055**

**Schedule of the Status of Prior Audit Findings,  
Questioned Costs and Recommendations  
June 30, 2022**

1. Audit Report, dated September 14, 2021, for the year ended June 30, 2021, 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. On November 17, 2021, the HUD Real Estate Assessment Center issued a summary report following the physical inspection of the Project. The inspection was completed and the Project received a score of 66c. There were no other letters or reports issued by HUD management during the period covered by this audit.



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

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

**June 30, 2022**

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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, 2022**

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

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

\_\_\_\_\_  
Emily Jacobs Date  
E. Vice President of Real Estate

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

**June 30, 2022**

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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Emily Jacobs Date  
E. Vice President of Real Estate

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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, 2022, 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, 2022, 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 audit 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 auditing standards generally accepted in the United States of America. 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 20, 2022 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 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 Central SDHC FHA LLC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central SDHC FHA LLC's internal control over financial reporting and compliance.

*CohnReznick LLP*

Sacramento, California  
September 20, 2022

Taxpayer Identification Number:  
22-1478099

Lead Auditor: Ahamadou Alainchar Bocar, CPA

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

**Balance Sheet  
June 30, 2022**

Assets

Current assets	
Cash - operations	\$ 839,059
Tenant accounts receivable	64,646
Allowance for doubtful accounts	(2,693)
Accounts receivable - HUD	5,962
Prepaid expenses	<u>23,511</u>
Total current assets	<u>930,485</u>
Deposits held in trust - funded	
Tenant deposits	<u>164,679</u>
Restricted deposits and funded reserves	
Escrow deposits	45,155
Reserve for replacements	<u>397,993</u>
Total restricted deposits and funded reserves	<u>443,148</u>
Rental property	
Land	3,852,360
Buildings	9,084,098
Dwelling equipment	<u>103,065</u>
	13,039,523
Less accumulated depreciation	<u>(4,068,129)</u>
Total rental property	<u>8,971,394</u>
Total assets	<u><u>\$ 10,509,706</u></u>

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

**Balance Sheet**  
**June 30, 2022**

Liabilities and Member's Equity (Deficit)

Current liabilities	
Accounts payable - operations	\$ 480,117
Accounts payable - entity	177,324
Accrued wages payable	26,316
Accrued management fee payable	17,584
Accrued interest payable - first mortgage	38,012
Mortgage payable - first mortgage (short-term)	346,026
Prepaid revenue	34,659
	<hr/>
Total current liabilities	1,120,038
	<hr/>
Deposits liability	
Tenant deposits held in trust (contra)	164,678
	<hr/>
Long-term liabilities	
Mortgage payable - first mortgage, net	11,890,415
	<hr/>
Total long-term liabilities	11,890,415
	<hr/>
Total liabilities	13,175,131
	<hr/>
Contingency	-
	<hr/>
Member's equity (deficit)	(2,665,425)
	<hr/>
Total liabilities and member's equity (deficit)	\$ 10,509,706
	<hr/> <hr/>

See Notes to Financial Statements.



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

Statement of Operations  
Year Ended June 30, 2022

Rental revenue	
Rent revenue - gross potential	\$ 2,746,583
Tenant assistance payments	<u>1,365,699</u>
Total rental revenue	<u>4,112,282</u>
Vacancies	
Apartments	<u>(77,918)</u>
Total vacancies	<u>(77,918)</u>
Net rental revenue	<u>4,034,364</u>
Financial revenue	
Financial revenue - project operations	65
Revenue from investments - replacement reserve	<u>136</u>
Total financial revenue	<u>201</u>
Other revenue	
Laundry and vending	18,651
Tenant charges	<u>27,838</u>
Total other revenue	<u>46,489</u>
Total revenue	<u>4,081,054</u>

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

**Statement of Operations  
Year Ended June 30, 2022**

Administrative expenses	
Other renting expenses	16,206
Office salaries	161,520
Office expenses	23,463
Management fee	203,437
Administrative rent free unit	12,108
Legal expense - project	9,704
Auditing expense	13,400
Bad debts	60,999
Miscellaneous administrative expenses	<u>57,420</u>
Total administrative expenses	<u>558,257</u>
Utilities expense	
Electricity	28,179
Water	201,580
Gas	49,775
Sewer	<u>126,301</u>
Total utilities expense	<u>405,835</u>
Operating and maintenance expenses	
Payroll	198,333
Supplies	231,217
Contracts	1,053,545
Garbage and trash removal	44,130
Security payroll/contract	97,364
Vehicle and maintenance equipment operation and repairs	<u>6,025</u>
Total operating and maintenance expenses	<u>1,630,614</u>

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

**Statement of Operations**  
**Year Ended June 30, 2022**

Taxes and insurance	
Real estate taxes	1,446
Property and liability insurance	65,629
Workmen's compensation	27,963
Health insurance and other employee benefits	149,267
Miscellaneous taxes, licenses, permits and insurance	<u>6,800</u>
Total taxes and insurance	<u>251,105</u>
Financial expenses	
Interest on first mortgage payable	478,086
Mortgage insurance premium/service charge	<u>57,048</u>
Total financial expenses	<u>535,134</u>
Total cost of operations before depreciation	<u>3,380,945</u>
Income (loss) before depreciation	<u>700,109</u>
Depreciation	
Depreciation expense	<u>499,520</u>
Total depreciation	<u>499,520</u>
Total expenses	<u>3,880,465</u>
Net income (loss)	<u><u>\$ 200,589</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, 2022**

Member's equity (deficit) June 30, 2021	\$ (1,988,247)
Distributions	(968,365)
Contributions	90,598
Net income (loss)	<u>200,589</u>
Member's equity (deficit) June 30, 2022	<u>\$ (2,665,425)</u>

See Notes to Financial Statements.

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

**Statement of Cash Flows**  
**Year Ended June 30, 2022**

Cash flows from operating activities	
Rental receipts	\$ 3,939,252
Interest receipts	201
Other operating receipts	46,489
	3,985,942
Total receipts	3,985,942
Administrative expenses paid	(59,176)
Management fees paid	(202,607)
Utilities paid	(206,672)
Salaries and wages paid	(458,144)
Operating and maintenance paid	(1,404,102)
Real estate taxes paid	(1,446)
Property insurance paid	(65,629)
Miscellaneous taxes and insurance paid	(6,800)
Tenant security deposits received	8,418
Other operating expenses paid	(177,230)
Interest paid on first mortgage	(462,781)
Mortgage insurance premium paid	(56,426)
	(3,092,595)
Total disbursements	(3,092,595)
Net cash provided by operating activities	893,347
Cash flows from investing activities	
Net withdrawals from mortgage escrows	1,020
Net withdrawals from reserve for replacements	95,651
	96,671
Net cash provided by investing activities	96,671
Cash flows from financing activities	
Mortgage principal payments - first mortgage	(333,644)
Distribution to member	(968,365)
Contribution by member	90,598
	(1,211,411)
Net cash used in financing activities	(1,211,411)
Net decrease in cash and restricted cash	(221,393)
Cash and restricted cash, beginning	1,225,131
Cash and restricted cash, end	\$ 1,003,738

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

**Statement of Cash Flows**  
**Year Ended June 30, 2022**

Reconciliation of net income (loss) to net cash provided by operating activities	
Net income (loss)	\$ 200,589
Adjustments to reconcile net income (loss) to net cash provided by operating activities	
Depreciation	499,520
Amortization of debt issuance costs	16,320
Bad debts	60,999
Changes in asset and liability accounts	
(Increase) decrease in assets	
Tenant accounts receivable	(81,833)
Accounts receivable - other	45,277
Prepaid expenses	622
Increase (decrease) in liabilities	
Accounts payable	209,494
Accrued liabilities	(97)
Accrued interest payable	(1,015)
Tenant security deposits held in trust	8,418
Prepaid revenue	4,238
Entity/construction liability accounts (include detail)	
Accounts payable - entity	(69,185)
	<u>692,758</u>
Total adjustments	<u>692,758</u>
Net cash provided by operating activities	<u>\$ 893,347</u>

See Notes to Financial Statements.

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

**Notes to Financial Statements**  
**June 30, 2022**

**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 which is in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, income is recognized as earned and expensed as incurred, regardless of the timing of payments.

**Tenant accounts receivable**

Tenant accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on the historical collection experience and a review of the current status of tenants' accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2022, the allowance for doubtful accounts is \$2,693.

**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, 2022**

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, 2022.

**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, 2022, the balance in the escrow deposits is \$45,155.

**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, 2022, the Company only made one monthly deposit of \$5,850 and the deposits were not required by the lender for the remainder of the year. As of June 30, 2022, the balance in the reserve for replacements is \$397,993.

**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



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

**Notes to Financial Statements**  
**June 30, 2022**

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, 2022, the outstanding principal and accrued interest is \$12,497,185 and \$38,012, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$260,744 as of June 30, 2022, and are related to the first mortgage. Debt issuance costs on the above mortgage are being amortized using an imputed rate of 3.97%. Amortization of debt issuance costs is \$16,320 for the year ended June 30, 2022 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, 2022 are as follows:

2023	\$	346,026
2024		358,870
2025		372,190
2026		386,004
2027		400,332
Thereafter		10,633,763
Subtotal		12,497,185
Less unamortized debt issuance costs		(260,743)
Total	\$	12,236,442

**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, 2022, management fees of \$203,437 were incurred and charged to operations. As of June 30, 2022, management fees of \$17,584 remain payable.

**Note 6 - Statement of cash flows**

The following table provides a reconciliation of cash and restricted cash reported within the balance sheet that sum to the total of the same such amounts in the statement of cash flows:

Cash	\$	839,059
Tenant deposits		164,679
Total cash and restricted cash shown in the statement of cash flows	\$	1,003,738

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

**Notes to Financial Statements**  
**June 30, 2022**

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, 2022, the Company recognized housing assistance payments amounting to \$1,365,699.

**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, 2022, \$177,324 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, 2022.

**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 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.

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

**Notes to Financial Statements**  
**June 30, 2022**

**Note 11 - Contingency**

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to the Company's financial position, results of operations, and cash flows. As of June 30, 2022, the global pandemic is still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on the Project.

**Note 12 - Subsequent events**

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Company through September 20, 2022, 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, 2022**

<u>Account No.</u>	<u>Assets</u>		
<b>Current assets</b>			
1120	Cash - operations		\$ 839,059
1130	Tenant accounts receivable	\$ 64,646	
1131	Allowance for doubtful accounts	<u>(2,693)</u>	
1130N	Net tenants accounts receivable		61,953
1135	Accounts receivable - HUD		5,962
1200	Prepaid expenses		<u>23,511</u>
1100T	Total current assets		930,485
<b>Deposits held in trust - funded</b>			
1191	Tenant deposits		164,679
<b>Restricted deposits and funded reserves</b>			
1310	Escrow deposits	45,155	
1320	Reserve for replacements	<u>397,993</u>	
1300T	Total deposits		443,148
<b>Rental property</b>			
1410	Land	3,852,360	
1420	Buildings	9,084,098	
1470	Maintenance equipment	<u>103,065</u>	
1400T	Total fixed assets	13,039,523	
1495	Less accumulated depreciation	<u>(4,068,129)</u>	
1400N	Net fixed assets		<u>8,971,394</u>
1000T	Total assets		<u><u>\$ 10,509,706</u></u>

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

Supplementary Information

Balance Sheet Data  
June 30, 2022

		<u>Liabilities and Members' Equity (Deficit)</u>	
<u>Account No.</u>			
Current liabilities			
2110	Accounts payable - operations	\$	480,117
2113	Accounts payable - entity		177,324
2120	Accrued wages payable		26,316
2123	Accrued management fee payable		17,584
2131	Accrued interest payable - first mortgage		38,012
2170	Mortgage payable - first mortgage (short-term)		346,026
2210	Prepaid revenue		<u>34,659</u>
2122T	Total current liabilities		1,120,038
Deposits liability			
2191	Tenant deposits held in trust (contra)		164,678
Long-term liabilities			
2320	Mortgage payable - first mortgage	<u>\$ 11,890,415</u>	
2300T	Total long-term liabilities		<u>11,890,415</u>
2000T	Total liabilities		13,175,131
3130	Members' equity (deficit)		<u>(2,665,425)</u>
2033T	Total liabilities and members' equity (deficit)	\$	<u><u>10,509,706</u></u>

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

Supplementary Information

Statement of Operations Data  
Year Ended June 30, 2022

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 2,746,583	
5121	Tenant assistance payments	<u>1,365,699</u>	
5100T	Total rental revenue		\$ 4,112,282
Vacancies			
5220	Apartments	<u>(77,918)</u>	
5200T	Total vacancies		<u>(77,918)</u>
5152N	Net rental revenue		4,034,364
Financial revenue			
5410	Financial revenue - project operations	65	
5440	Revenue from investments - replacement reserve	<u>136</u>	
5400T	Total financial revenue		201
Other revenue			
5910	Laundry and vending	18,651	
5920	Tenant charges	<u>27,838</u>	
5900T	Total other revenue		<u>46,489</u>
5000T	Total revenue		<u>4,081,054</u>

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

Supplementary Information

Statement of Operations Data  
Year Ended June 30, 2022

Account No.

Administrative expenses		
6250	Other renting expenses	16,206
6310	Office salaries	161,520
6311	Office expenses	23,463
6320	Management fee	203,437
6331	Administrative rent free unit	12,108
6340	Legal expense - project	9,704
6350	Auditing expense	13,400
6370	Bad debts	60,999
6390	Miscellaneous administrative expenses	<u>57,420</u>
6263T	Total administrative expenses	<u>558,257</u>
Utilities expense		
6450	Electricity	28,179
6451	Water	201,580
6452	Gas	49,775
6453	Sewer	<u>126,301</u>
6400T	Total utilities expense	<u>405,835</u>
Operating and maintenance expenses		
6510	Payroll	198,333
6515	Supplies	231,217
6520	Contracts	1,053,545
6525	Garbage and trash removal	44,130
6530	Security payroll/contract	97,364
6570	Vehicle and maintenance equipment operation and repairs	<u>6,025</u>
6500T	Total operating and maintenance expenses	<u>1,630,614</u>



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

**Supplementary Information**

**Statement of Operations Data  
Year Ended June 30, 2022**

<u>Account No.</u>			
Taxes and insurance			
6710	Real estate taxes	1,446	
6720	Property and liability insurance	65,629	
6722	Workmen's compensation	27,963	
6723	Health insurance and other employee benefits	149,267	
6790	Miscellaneous taxes, licenses, permits and insurance	<u>6,800</u>	
6700T	Total taxes and insurance		<u>251,105</u>
Financial expenses			
6820	Interest on first mortgage payable	478,086	
6850	Mortgage insurance premium/service charge	<u>57,048</u>	
6800T	Total financial expenses		<u>535,134</u>
6000T	Total cost of operations before depreciation		<u>3,380,945</u>
5060T	Income (loss) before depreciation		<u>700,109</u>
Depreciation			
6600	Depreciation expense	<u>499,520</u>	
	Total depreciation		<u>499,520</u>
5060N	Operating income (loss)		<u>200,589</u>
	Total expenses		<u>3,880,465</u>
3250	Net income (loss)		<u><u>\$ 200,589</u></u>

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

Supplementary Information

Statement of Operations Data  
Year Ended June 30, 2022

Account No.

S1000-010	Total first mortgage (or bond) principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.	\$ 333,644
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.	\$ 5,850
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations.	\$ 101,637
S1000-040	Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statement of operations.	\$ -
S3100-120	Mortgage payable note detail (Section 236 only) Interest reduction payments from subsidy.	\$ -

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

Supplementary Information

Statement of Member's Equity (Deficit) Data  
Year Ended June 30, 2022

<u>Account No.</u>		
S1100-010	Members' equity (deficit) June 30, 2021	\$ (1,988,247)
S1200-420	Distributions	(968,365)
S1200-430	Contributions	90,598
3250	Net income (loss)	<u>200,589</u>
3130	Members' equity (deficit) June 30, 2022	<u><u>\$ (2,665,425)</u></u>

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

**Supplementary Information**

**Statement of Cash Flows Data**  
**Year Ended June 30, 2022**

<u>Account No.</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 3,939,252
S1200-020	Interest receipts	201
S1200-030	Other operating receipts	46,489
		<hr/>
S1200-040	Total receipts	3,985,942
		<hr/>
S1200-050	Administrative expenses paid	(59,176)
S1200-070	Management fees paid	(202,607)
S1200-090	Utilities paid	(206,672)
S1200-100	Salaries and wages paid	(458,144)
S1200-110	Operating and maintenance paid	(1,404,102)
S1200-120	Real estate taxes paid	(1,446)
S1200-140	Property insurance paid	(65,629)
S1200-150	Miscellaneous taxes and insurance paid	(6,800)
S1200-170	Other operating expenses paid	(177,230)
S1200-180	Interest paid on first mortgage	(462,781)
S1200-210	Mortgage insurance premium paid	(56,426)
		<hr/>
S1200-230	Total disbursements	(3,101,013)
		<hr/>
S1200-240	Net cash provided by operating activities	884,929
		<hr/>
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	1,020
S1200-250	Net withdrawals from reserve for replacements	95,651
		<hr/>
S1200-350	Net cash provided by investing activities	96,671
		<hr/>
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	(333,644)
S1200-420	Distributions to members	(968,365)
S1200-430	Contributions by members	90,598
		<hr/>
S1200-460	Net cash used in financing activities	(1,211,411)
		<hr/>
S1200-470	Net decrease in cash	(229,811)
		<hr/>
S1200-480	Cash, beginning	1,068,870
		<hr/>
S1200T	Cash, end	\$ 839,059
		<hr/> <hr/>

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

**Supplementary Information**

**Statement of Cash Flows Data**  
**Year Ended June 30, 2022**

<u>Account No.</u>			
	Reconciliation of net income (loss) to net cash provided by operating activities		
3250	Net income (loss)		<u>\$ 200,589</u>
	Adjustments to reconcile net income (loss) to net cash provided by operating activities		
6600	Depreciation		499,520
S1200-486	Amortization of debt issuance costs		16,320
	Changes in asset and liability accounts		
	(Increase) decrease in assets		
S1200-490	Tenant accounts receivable		(81,833)
S1200-500	Accounts receivable - other		45,277
S1200-520	Prepaid expenses		622
S1200-530	Tenant security deposits funded		(8,418)
	Increase (decrease) in liabilities		
S1200-540	Accounts payable		209,494
S1200-560	Accrued liabilities		(97)
S1200-570	Accrued interest payable		(1,015)
S1200-580	Tenant security deposits held in trust		8,418
S1200-590	Prepaid revenue		4,238
S1200-605	Entity/construction liability accounts (include detail)		
S1200-606	Accounts payable - entity	<u>\$ (69,185)</u>	(69,185)
S1200-600	Other adjustments (include detail)		
S1200-601	Bad debts	<u>60,999</u>	60,999
			<u>60,999</u>
	Total adjustments		<u>684,340</u>
S1200-610	Net cash provided by operating activities		<u>\$ 884,929</u>

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

Supplementary Information  
Year Ended June 30, 2022

**Reserve for Replacements**

<u>Account No.</u>		
1320P	Balance at June 30, 2021	\$ 493,644
1320DT	Total monthly deposits	5,850
1320INT	Interest income	136
1320WT	Approved withdrawals	<u>(101,637)</u>
1320	Balance at June 30, 2022	<u>\$ 397,993</u>

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

**Supplementary Information  
Period Ended December 31, 2021**

**Mid-Year Computation of Surplus Cash**

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1400-020	Cash (Accounts 1120, 1170 and 1191)	\$ 1,282,925
S1400-030	Accounts receivable - HUD	653
		<hr/>
S1400-050	Total cash	1,283,578
		<hr/>
S1400-060	Accrued mortgage interest payable	38,524
S1400-070	Delinquent mortgage principal payments	-
S1400-080	Delinquent deposits to reserve for replacements	-
S1400-090	Accounts payable (due within 30 days)	197,940
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)	49,321
S1400-140	Tenant security deposits liability (Account 2191)	163,829
		<hr/>
S1400-180	Less total current obligations	449,614
		<hr/>
S1400-190	Surplus cash (deficiency)	\$ 833,964
		<hr/> <hr/>

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

**Supplementary Information**  
**Year Ended June 30, 2022**

**Computation of Surplus Cash**

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1300-010	Cash (Accounts 1120, 1170 and 1191)	\$ 1,003,738
1135	Accounts receivable - HUD	<u>5,962</u>
S1300-040	Total cash	<u>1,009,700</u>
S1300-050	Accrued mortgage interest payable	38,012
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	480,117
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)	43,900
2210	Prepaid revenue (Account 2210)	34,659
2191	Tenant security deposits liability (Account 2191)	164,678
S1300-110	Other current obligations (describe in detail)	
S1300-120	Accounts payable - entity	<u>\$ 177,324</u>
		<u>177,324</u>
S1300-140	Less total current obligations	<u>938,690</u>
S1300-150	Surplus cash (deficiency)	<u>\$ 71,010</u>
S1300-200	Amount available for distribution during next fiscal period	<u>\$ 71,010</u>



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

**Supplementary Information**  
**Year Ended June 30, 2022**

**Changes in Fixed Asset Accounts**

	Assets			
	Balance 6/30/21	Additions	Deletions	
Land	\$ 3,852,360	\$ -	\$ -	\$ 3,852,360
Buildings	9,084,098	-	-	9,084,098
Maintenance equipment	103,065	-	-	103,065
	<u>\$ 13,039,523</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,039,523</u>
Accumulated depreciation	<u>\$ 3,568,609</u>	<u>\$ 499,520</u>	<u>\$ -</u>	<u>\$ 4,068,129</u>
Total net book value				<u>\$ 8,971,394</u>

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

Supplementary Information  
Year Ended June 30, 2022

**Detail of Accounts - Statement of Operations**

Miscellaneous Administrative Expenses (Account No. 6390)

Professional consultants	\$	16,946
Relocation expense		39,342
Training		<u>1,132</u>
	\$	<u><u>57,420</u></u>

**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>\$ 202,607</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, 2022, 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 20, 2022.

#### 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 the 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 20, 2022

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, 2022. 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, 2022.

*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 20, 2022

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

**Schedule of Findings, Questioned Costs and Recommendations  
June 30, 2022**

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, 2022**

1. Audit Report, dated September 14, 2021, for the year ended June 30, 2021, 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. On December 7, 2021, the HUD Real Estate Assessment Center issued a summary report following the physical inspection of the Project. The inspection was completed and the Project received a score of 61c. There were no other letters or reports issued by HUD management during the period covered by this audit.



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SAN DIEGO  
HOUSING  
COMMISSION

# San Diego Housing Commission

A Component Unit of the City of San Diego

## Popular Annual Financial Report

Fiscal Year Ended June 30, 2022

San Diego Housing Commission  
1122 Broadway, Suite 300  
San Diego, CA 92101  
[www.sdhc.org](http://www.sdhc.org)





**Housing Authority of the City of San Diego\***

Council President Sean Elo-Rivera, District 9  
 Council President Pro Tem Monica Montgomery Steppe, District 4  
 Joe LaCava, District 1  
 Jennifer Campbell, District 2  
 Stephen Whitburn, District 3  
 Marni von Wilpert, District 5  
 Chris Cate, District 6  
 Raul Campillo, District 7  
 Vivian Moreno, District 8

**SDHC Board of Commissioners\***

Chair of the Board Eugene “Mitch” Mitchell  
 Vice Chair Ryan Clumpner  
 Stefanie Benvenuto  
 Johanna Hester  
 Kellee Hubbard  
 Melinda Vasquez

**Interim SDHC President & CEO**

Jeff Davis

Visit SDHC’s website: [www.SDHC.org](http://www.SDHC.org)

\* As of June 30, 2022

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**SDHC Headquarters**

The San Diego Housing Commission’s (SDHC) Popular Annual Financial Report (PAFR) for the Fiscal Year that ended on June 30, 2022, was prepared by the SDHC Financial Services Department to provide readers an easy-to-understand summary of SDHC’s financial activities.

This report provides a condensed presentation of SDHC’s significant financial highlights for Fiscal Year 2022 (July 1, 2021 – June 30, 2022). The Annual Comprehensive Financial Report (ACFR) is the source of the data for this summary report. The ACFR is a more detailed financial report audited by CohnReznick, LLP and fully conforms to Generally Accepted Accounting Principles (GAAP). The ACFR is available on SDHC’s website at:

[www.sdhc.org/about-us/budget-finance](http://www.sdhc.org/about-us/budget-finance)

SDHC welcomes any questions or comments on any of the information provided in this report. Requests for additional information should be addressed to Suket Dayal, Executive Vice President of Business Administration and Chief Financial Officer, San Diego Housing Commission, 1122 Broadway, Suite 300, San Diego, California 92101.



SDHC is a public agency formed by local ordinance pursuant to the provisions of applicable Housing Authority law of the State of California. The organizational meeting of the SDHC Board of Commissioners occurred on January 5, 1979, at which Commissioners were sworn in and established a regular meeting schedule and guidelines for conducting business.

### **Governing Body and Strategic Guidance**

SDHC is governed by the Housing Authority of the City of San Diego (Housing Authority). The Housing Authority is a State agency and consists of nine commissioners. In 1969, the San Diego City Council appointed itself to be the commissioners of the Housing Authority. SDHC's President & CEO is the Executive Director of the Housing Authority.

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

A seven-member Board of Commissioners oversees SDHC's operations and makes recommendations to the Housing Authority. The Mayor appoints Commissioners, who are confirmed by the San Diego City Council.

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

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

**SDHC Mission Statement** The San Diego Housing Commission (SDHC) fosters social and economic stability for vulnerable populations in the City of San Diego through quality affordable housing, opportunities for financial self-reliance and homelessness solutions.

**Purpose** Help individuals, families and the San Diego community thrive.

**Core Values** At SDHC, we:

- Serve our clients with equity, dignity and respect.
- Are committed to excellence and innovation in all we do.
- Believe in transparency and being good financial stewards.

### **Equity and Inclusivity**

At SDHC, we are about people. SDHC embraces diverse approaches and points of view to improve our programs, projects and policies.

- We believe in delivering programs and services in innovative and inclusive ways.
- We are committed to advancing equity and inclusion both internally and externally.

## **SDHC Strategic Plan Fiscal Years 2022 - 2024**

SDHC's Strategic Plan for Fiscal Years (FY) 2022 - 2024 serves as a roadmap for SDHC, guiding the agency's decisions, initiatives and day-to-day efforts. At the same time, SDHC has the flexibility to adapt this Strategic Plan as needed to address changing circumstances around the agency.



The SDHC Board of Commissioners approved this three-year Strategic Plan on July 9, 2021. SDHC’s Strategic Plan and annual Progress Reports are available at [www.sdhc.org/about-us/plans-policies/strategic-plans](http://www.sdhc.org/about-us/plans-policies/strategic-plans).

The Strategic Plan includes following five strategic priority areas, with metrics to monitor progress and areas of focus.

## 1. Increasing and preserving housing solutions

- Areas of Focus:
  1. **Production:** Identify opportunities to produce and retain affordable and middle-income housing and permanent supportive housing solutions.
  2. **Preservation:** Preserve existing deed-restricted affordable housing or naturally occurring affordable housing (NOAH) by furthering recommendations of SDHC’s report “Preserving Affordable Housing in the City of San Diego,” released May 28, 2020.
  3. **Funding:** Identify and pursue additional funding mechanisms dedicated to increasing housing solutions.
  4. **Advocacy:** In alignment with Strategic Priority 5, conduct advocacy with policy makers at local, state and federal levels.





### 2. Helping families increase opportunities for self-sufficiency and quality of life

- Areas of focus:
  1. Conduct a needs assessment of existing program participants and residents to determine opportunities for quality-of-life enhancements in SDHC- or affiliate-owned housing communities.
  2. Explore an online tenant portal to streamline application process.
  3. Increase awareness of existing and/or new SDHC resources.
  4. Explore new funding structures to support priority programming and identified quality-of-life opportunities, including joint funding opportunities with partners.



*SDHC Achievement Academy Participants  
Thomas, Karolina and their children*

### 3. Investing in our team

- Areas of focus:
  1. Enhance communication/engagement through the development and implementation of a year-round internal engagement plan.
  2. Audit employee benefits and explore additional workplace programs.
  3. Conduct a classification and compensation study.
  4. Ensure team members have the training and resources needed to support SDHC's vision and grow individually.
  5. Ensure SDHC has the people it needs today and tomorrow to achieve success as outlined in the Strategic Plan.
  6. Ensure team members have the necessary technologies to support SDHC's vision.



### 4. Advancing homelessness solutions – supporting the City of San Diego Community Action Plan on Homelessness

- Areas of focus:
  1. Continue to support the City of San Diego Community Action Plan on Homelessness.
  2. Establish an internal working group to evaluate all SDHC divisions to look for opportunities to support the Action Plan. Ensure the areas of support align with Housing First principles and SDHC's role in the implementation of the Action Plan.
  3. Evaluate funding, infrastructure and capacity – staffing, technology, training, communications, etc.



*Rosecrans Shelter News Conference  
May 31, 2022*



*Homelessness Program for Engaged Educational  
Resources Participant  
Karisa*

### 5. Advocacy, Communication, Public Engagement

- Areas of focus:
  1. Advocacy: Establish priority policy areas and a policy engagement guide to foster progress toward SDHC's vision and secure additional public funding.
  2. Stakeholder Communication: Develop a communications strategy for SDHC and key housing/homelessness issues that builds support and awareness for SDHC and its multifaceted responsibilities.
  3. Public Engagement: Develop and implement an ongoing public engagement plan designed to build support for housing and homelessness solutions and SDHC among the broader public, including neighborhood planning associations, community leaders and the public at large.





Established in 1979, SDHC is an award-winning public agency dedicated to creating and preserving affordable housing within the City of San Diego.



## Popular Annual Financial Reporting Awards

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to SDHC for its Popular Annual Financial Report (PAFR) for the fiscal year that ended on June 30, 2021. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

To receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a PAFR whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. SDHC has received a Popular Award for the last 12 consecutive years (fiscal years ended 2010-2021). SDHC believes this current report continues to conform to the Popular Annual Financial Reporting requirements, and SDHC is submitting it to GFOA to determine its eligibility for another award.

The PAFR is available on SDHC's website:

[www.sdhc.org/about-us/budget-finance](http://www.sdhc.org/about-us/budget-finance)

Government Finance Officers Association

Award for  
Outstanding  
Achievement in  
Popular Annual  
Financial Reporting

Presented to

**San Diego Housing Commission  
California**

For its Annual Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morill*  
Executive Director/CEO

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## Comprehensive Annual Financial Report Awards

SDHC's Annual Comprehensive Financial Report (ACFR) for the fiscal years ended 2008-2021, from which information on pages 9-10 has been drawn, were awarded the Certificate of Achievement for Excellence in Financial Reporting by the GFOA. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

To be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized ACFR, whose contents conform to program standards. Such ACFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. SDHC believes its ACFR continues to conform to the Certificate of Achievement program requirements, and SDHC will be submitting its ACFR for the Fiscal Year 2022 to the GFOA.

## Chief Financial Officer's Message



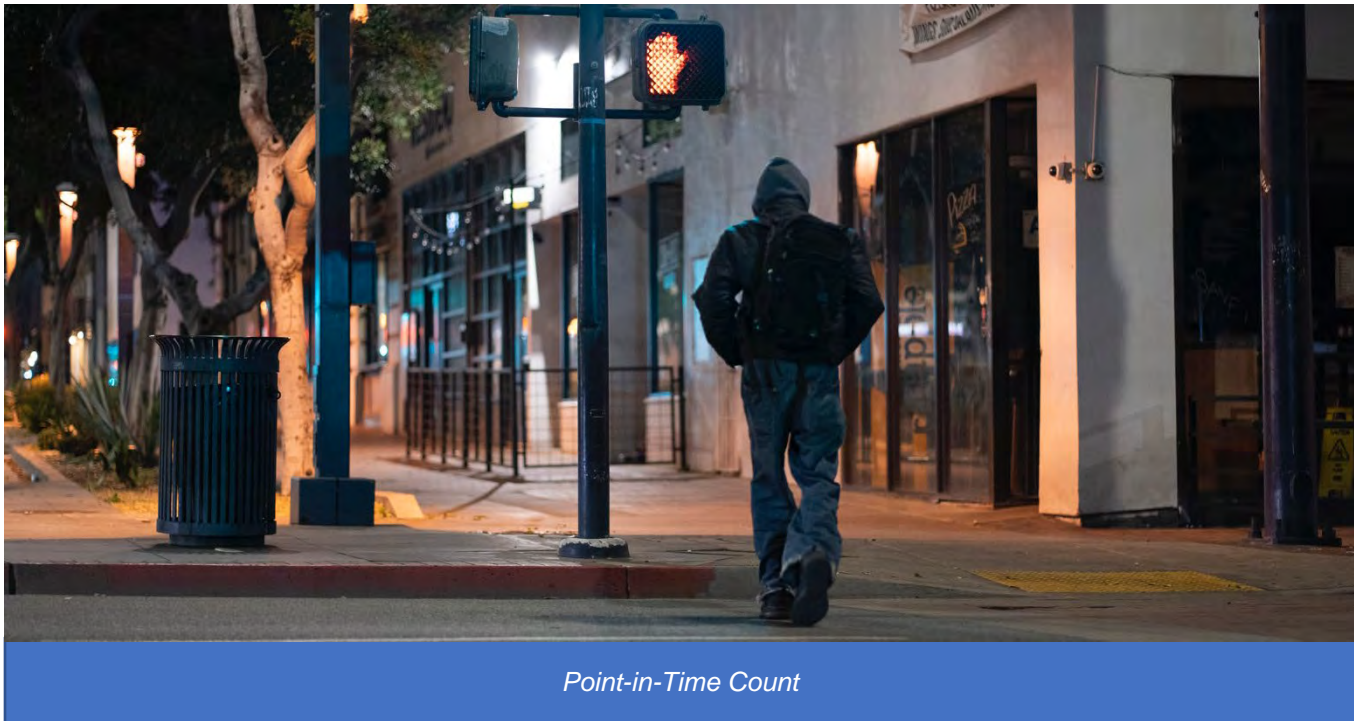
The majority of SDHC's programs depend on federal financial assistance from the U.S. Department of Housing and Urban Development (HUD) to continue operations. In Fiscal Year 2022, SDHC received 82% of its revenue from HUD and the U.S. Department of the Treasury, most of which was awarded to SDHC for Moving to Work (MTW) initiatives and for COVID-19-related assistance programs, respectively. SDHC's budget and financial condition are greatly affected by the financial condition of the federal government and Congress' annual appropriation to HUD.

HUD grants for housing programs and program administration funding may decrease due to the national economic and political climate. With a core value of transparency and being good financial stewards of the taxpayers' money, SDHC strives to do more with less. Through a combination of expense reduction and the prudent utilization of available programmatic reserves, SDHC was able to maintain a balanced budget in Fiscal Year 2022 and will have a balanced budget in Fiscal Year 2023.

Annually, SDHC submits an MTW Plan to HUD that describes initiatives to be implemented over the next fiscal year. Following each year, SDHC issues an MTW Report that gives an accounting of activities put into action during the fiscal year. HUD approved SDHC's 2023 MTW Plan on August 11, 2022. HUD's fiscal year runs from October to September. SDHC's MTW plans can be viewed at <http://www.sdhc.org/about-us/plans-policies/mtw-annual-plans/>

In 2022, the financial impact of the novel coronavirus (COVID-19) continued to be felt both worldwide and in the United States. While vaccines have become available to help reduce the adverse health effects of COVID-19, throughout the United States businesses in all financial sectors continue to feel its negative impact as COVID-19 variants emerge and threaten the resumption of business.

While SDHC cannot readily estimate the financial impact that the pandemic will have on its business operations, SDHC does not believe that the mission will be adversely impacted as it has received federal stimulus funding to continue providing essential housing assistance to the thousands of families, seniors, veterans and San Diegans experiencing homelessness in the City of San Diego.



## Chief Financial Officer's Message



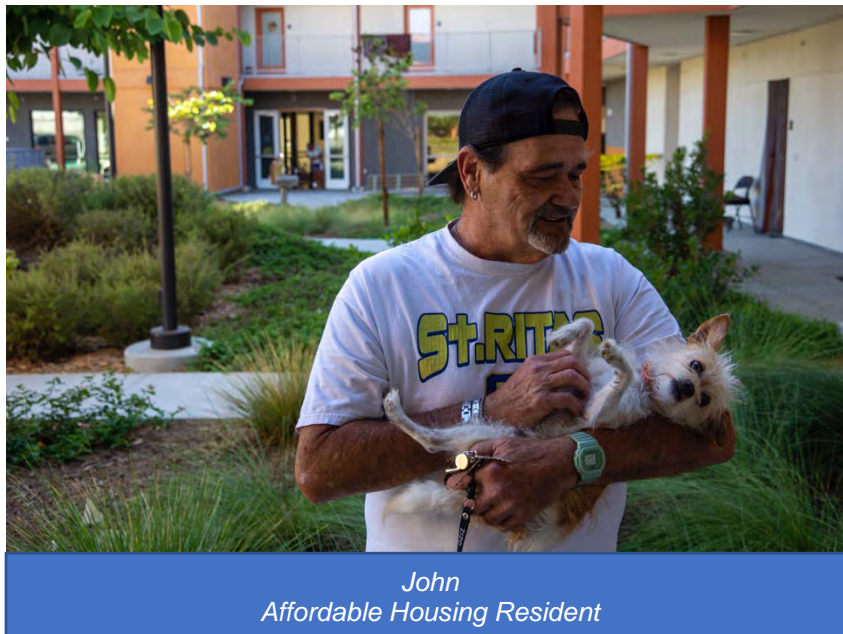
Local employment is an indicator of the economy. According to a report the State of California Employment Development Department issued on September 16, 2022, the unemployment rate in San Diego County was 3.4 percent in August 2022, up from a revised 3.1 percent in July 2022, and below the year-ago estimate of 6.5 percent. This compares with an unadjusted unemployment rate of 4.1 percent for California and 3.8 percent for the nation during the same period. [https://www.labormarketinfo.edd.ca.gov/file/lfmonth/sand\\$pds.pdf](https://www.labormarketinfo.edd.ca.gov/file/lfmonth/sand$pds.pdf)

The high cost of living and affordability of homes continue to be a challenge in San Diego and contribute to the homelessness crisis. The San Diego Point-in-Time Count, known as We All Count was conducted on February 24, 2022. HUD requires that cities receiving federal funding to combat homelessness complete the Point-In-Time Count each year. The San Diego Regional Task Force on Homelessness (RTFH) coordinates the count, which typically identifies both sheltered and unsheltered individuals. Last year, due to health and safety concerns related to the pandemic, the count of unsheltered individuals was not completed. This year's count identified 8,427 individuals experiencing homelessness in the County of San Diego. This is up 10 percent from the 7,638 individuals counted in 2020. RTFH's 2022 report is located here: [https://www.rtfhsd.org/wp-content/uploads/2022-San-Diego-Region-FINAL\\_05192022-1.pdf](https://www.rtfhsd.org/wp-content/uploads/2022-San-Diego-Region-FINAL_05192022-1.pdf)

SDHC's vision is that "Everyone in the City of San Diego has a home they can afford."

Through the execution of SDHC's original fiscal year 2023 budget of \$594.8 million, SDHC will continue to demonstrate the prudent and responsible management of its financial resources, all with a high quality of service, while helping vulnerable San Diegans acquire or maintain affordable housing, obtain or maintain financial self-reliance, and provide access to homelessness solutions.

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





## Statement of Net Position

The abbreviated Statement of Net Position presented in this report (in thousands) is a useful indicator of SDHC's financial position. In Fiscal Year 2022, SDHC's assets exceeded liabilities and deferred inflows by \$823.4 million, an increase of 2 percent from Fiscal Year 2021.

Total assets increased by \$104.5 million. The increase in current and other assets is primarily attributed to an increase of \$93.2 million in lease receivable as a result of the implementation of Government Accounting Standards Board (GASB) Statement No. 87 – Leases, as well as a \$17.0 million increase in loans made (notes and mortgages receivable) and associated accrued interest.

Total liabilities decreased by \$8.8 million, or 4 percent. This is primarily due to a decrease of \$6.1 million in unearned revenue as well as a \$3.3 million decrease in notes payable, noncurrent, principally related to the payments on loans as well as the forgiveness of \$696,000 on a loan from the City of San Diego in accordance with the terms of the loan.

Deferred inflows of resource increased \$93.8 million related to the aforementioned implementation of GASB 87 – Leases.

Net investment in capital assets decreased \$8.1 million to \$159.3 million. This was principally due to depreciation of \$10.7 million, offset by a \$3.8 million increase of improvements for Americans with Disabilities Act accessibility, as well as fire and life safety improvements at SDHC-owned properties.

Unrestricted net position increased \$19.5 million to \$431.1 million. Although these funds are defined as unrestricted under the applicable accounting standards, these funds are not necessarily indicative of funds available for discretionary use.

Restricted net position increased \$8.3 million to \$233.0 million in Fiscal Year 2022. The increase is primarily due to an increase in overall notes receivable programmatic reserves.

	June 30, 2022	June 30, 2021	Change %
<b>ASSETS</b>			
Current and other assets	\$ 807,896	\$ 696,449	16%
Capital assets net of depreciation	300,621	307,534	-2%
<b>Total assets</b>	<b>\$1,108,517</b>	<b>\$1,003,983</b>	<b>10%</b>
<b>LIABILITIES</b>			
Current liabilities	\$ 53,032	\$ 58,736	-10%
Notes payable and non-current liabilities	138,297	141,438	-2%
<b>Total liabilities</b>	<b>191,329</b>	<b>200,174</b>	<b>-4%</b>
Deferred inflows of resources	93,775	-	100%
<b>NET POSITION</b>			
Net investment in capital assets	159,314	167,437	-5%
Restricted	233,033	224,768	4%
Unrestricted	431,066	411,604	5%
<b>Total net position</b>	<b>823,413</b>	<b>803,809</b>	<b>2%</b>
<b>Total liabilities, deferred inflows and net position</b>	<b>\$1,108,517</b>	<b>\$1,003,983</b>	<b>10%</b>

### Key Terms

Here are some definitions of accounting terms that will assist you throughout the financial section of the PAFR and Annual Reports:

**Assets:** What is owned by SDHC.

**Liabilities:** What SDHC owes.

**Deferred inflow of resources:** An asset for a future reporting period.

**Net position:** The difference between SDHC's assets and liabilities. It is the net worth of SDHC.

**Current and other assets:** Cash, restricted cash and equivalents, investments, prepaid items, and accounts receivable.

**Capital assets, net of depreciation:** Land, building, building improvements, equipment, construction in progress, and depreciation.

**Current liabilities:** Accounts payable, accrued payroll, compensated absences, notes payable, and unearned income.

**Notes payable and non-current liabilities:** Long-term notes payable obligations due in the future years.

**Net investment in capital assets:** Capital assets less accumulated depreciation and any outstanding debt related to acquiring these assets.

**Restricted:** Funds subject to various external restrictions.

**Unrestricted:** Balance of net position not included in net investment in capital assets or restricted.



## Statement of Revenue, Expenses and Change in Net Position

The abbreviated Statement of Revenue, Expenses and Change in Net Position (in thousands) accounts for all of SDHC's revenue and expenses and reports the difference between the two as the change in net position. The statement reflects the results of SDHC's operations over the year and can be used to determine SDHC's creditworthiness and its ability to successfully recover its costs through grants, tenant charges, and other income.

Total net position increased \$19.6 million in Fiscal Year 2022. The change in net position is comprised of \$511.0 million of non-operating income and expenses, net and operating revenues of \$56.7 million, offset by operating expenses of \$537.4 million as well as depreciation expense of \$10.7 million.

Operating revenues increased by \$5.2 million in Fiscal Year 2022 primarily related to an increase of \$4.2 million in dwelling rental income as a result of a full-year income for previously acquired hotel properties that now provide affordable housing for people who experienced homelessness, in addition to a \$2.4 million increase of other revenues. This is offset by a \$2.1 million decrease in fee revenue, primarily related to bond and rental housing fees.

Operating expenses increased \$186.8 million, primarily due to an increase of \$164.2 million in housing assistance payments, including the City of San Diego's Housing Stability Assistance Program, as well as an increase of \$9.5 million in related administrative costs and \$8.7 million of asset management costs primarily related to utilities for the Housing Stability Assistance Program.

Other non-operating income and expense (net) increased by 25 percent in Fiscal Year 2022, primarily due to an increase in grant revenue for the Housing Stability Assistance Program.

	June 30, 2022	June 30, 2021	Change %
Operating revenues			
Dwelling rental income	\$ 36,641	\$ 32,472	13%
Land lease and other			
rental income	4,553	3,884	17%
Fee revenue	4,657	6,755	-31%
Other revenue	10,829	8,398	29%
Total Operating revenues	56,680	51,509	10%
Operating expenses	537,427	350,597	53%
Deficit before depreciation			
and other non-operating			
income and expenses	(480,747)	(299,088)	61%
Depreciation	10,683	9,470	13%
Deficit before other non-			
operating income			
and expense	(491,430)	(308,558)	59%
Other non-operating income			
and expenses, net	511,034	408,857	25%
Income (loss) before	19,604	100,299	-80%
capital transactions			
Transfer of properties to			
componet unit	-	33,164	100%
Change in net position	\$ 19,604	\$ 133,463	-85%
Net position:			
Beginning of year	803,809	670,346	20%
End of year	\$ 823,413	\$ 803,809	2%

### Additional Key Terms

**Operating Revenues:** Dwelling rent, commercial rent, land leases, management fees and other fees.

**Non-Operating Revenues:** Grant revenues from state, local and federal agencies and interest income.

**Operating Expenses:** Expenses related to operations, grant expense and supportive services to assist SDHC in performing its functions.

**Change in Net Position:** The total revenue earned less total expenses. Additionally includes transfer of property to component unit (if applicable).

# Investments



SDHC utilizes the services of an experienced financial advisor to aid in making investment decisions. The advisor provides guidance on creating a diversified portfolio and a secure investment mix. The advisor's ongoing role is to provide staff with sound investment opportunities that will maximize liquidity and yield without sacrificing principal value and safety of the investment securities. The fair value of cash and investments on June 30, 2022, was \$178.36 million, a decrease of 11.2 percent from the previous year.

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

Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In accordance with California Government Code, amounts over \$250,000 are collateralized with government securities pledged by the financial institution holding the securities in SDHC's name.

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

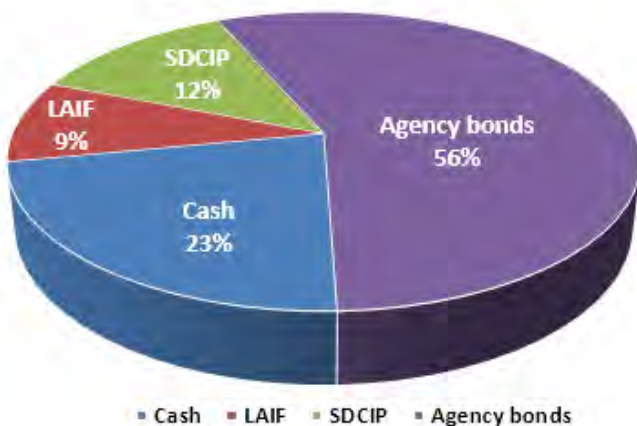
### Investment Risk Factors

The foremost objective of SDHC's Investment Policy is the safety of principal, which is achieved by mitigating credit risk and interest rate risk. These risks, along with custodial risk, concentration of credit risk and market risk, all affect the value of investments to a varying degree. Equity and debt securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risk and changes in interest rates.

Fair Value in Millions			
	6/30/2022	6/30/2021	Variance
Cash	\$40.19	\$57.94	(\$17.75)
LAIF	15.96	15.92	0.04
SDCIP	22.33	22.18	0.15
Agency Bonds	99.88	104.77	(4.89)
<b>Total</b>	<b>\$178.36</b>	<b>\$200.81</b>	<b>(\$22.45)</b>

SDHC's Quarterly Investment Report details are provided on a quarterly basis as an informational report to the SDHC Board of Commissioners. The reports are posted on SDHC's website, <https://www.sdhc.org/governance-legislative-affairs/sdhc-board-of-commissioners/meetings/>

**SDHC's Portfolio Distribution**



The SDHC Board-appointed Investment Committee meets twice each year to review the investment results for the portfolio.

## Capital Assets



At the end of Fiscal Year 2022, SDHC had approximately \$300.6 million (net of depreciation) invested in capital assets. The majority of SDHC’s investment in capital assets is composed of ownership of land, affordable housing stock and the Smart Corner office building.

In Fiscal Year 2022, SDHC completed building improvements of \$2.9 million and equipment of \$0.9 million related to Americans with Disabilities Act accessibility upgrades and fire and life safety improvements at Hillcrest Inn Apartments, Kearny Vista Apartments and Valley Vista Apartments.

Depreciation expense for the Fiscal Year that ended June 30, 2022, was \$10.7 million.



## Real Estate Portfolio



As of June 30, 2022, SDHC owns 150 properties with 2,401 rental housing units, of which 189 units are federal public housing that SDHC operates in the City of San Diego.

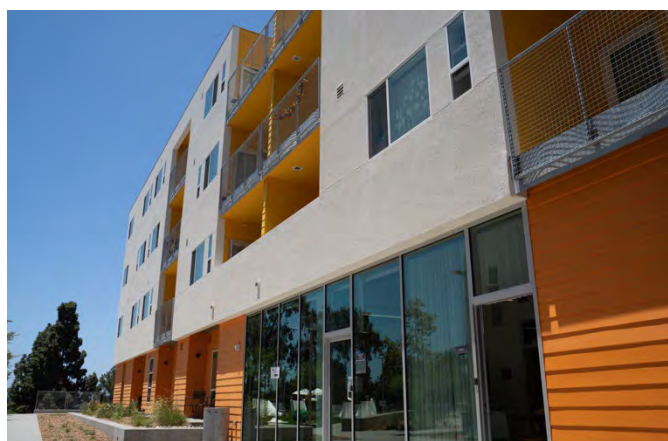
SDHC also is a lender and authorizes the issuance of Multifamily Housing Revenue Bonds to support new affordable housing. The agency's hallmark has been its ability to foster affordable housing developments by forging partnerships with nonprofit and for-profit developers and the City of San Diego.

In Fiscal Year 2022, SDHC completed the following affordable housing partnership developments throughout the City of San Diego:

- Ivy Senior Apartments, 52 affordable rental units for senior San Diegans experiencing homelessness
- Saint Teresa de Calcutta Villa, 403 affordable rental units for San Diegans with low income or experiencing homelessness
- Trinity Place, 73 affordable rental units for senior San Diegans experiencing homelessness
- Keeler Court, 70 affordable rental units for veterans experiencing homelessness, families and senior San Diegans with low income
- Quality Inn, 91 affordable rental units for San Diegans experiencing homelessness
- Mariner's Village, 170 affordable rental units for low income San Diegans



*Trinity Place  
73 Affordable rental apartments  
for senior San Diegans who have experienced  
homelessness*



*Keeler Court  
70 Affordable Apartments  
for veterans experiencing homelessness, families  
and senior San Diegans*

As of June 30, 2022, SHDC has committed \$23.0 million towards loans and grants for additional affordable housing projects that had not yet been fully funded or completed.



## Housing Development Partners



Beginning with Fiscal Year 2012, SDHC included the consolidated financial statements of its nonprofit affiliate, Housing Development Partners (HDP), as a discretely presented component unit. They are reported in a separate column in the financial statements to emphasize that HDP is legally separate from SDHC.

HDP develops and preserves affordable housing for low-income San Diegans through the rehabilitation of existing buildings and new construction.

Rental housing for seniors, families, veterans, workers, and tenants with special needs are among the developments in HDP's real estate portfolio.

Since its inception, HDP has developed 1,719 affordable rental housing units in the City at properties it has acquired and created through partnership developments, which includes 769 units on SDHC-owned land that is ground leased to HDP: Parker-Kier Apartments (33 affordable units and one manager's unit), Hotel Churchill (72 affordable units and one manager's unit), Village North Senior Garden Apartments (119 affordable units and one manager's unit), Casa Colina (74 affordable units and one manager's unit), Quality Inn (91 affordable units and one manager's unit), West Park Inn (46 affordable units and one manager's unit), and San Diego Square (154 affordable units and two managers' units).

Additionally, included in the total, is SDHC's January 2020 transfer of Mariner's Village (170 affordable units and two managers' units) and SDHC's December 2020 transfer of five single-family properties for a pilot program to build accessory dwelling units, sometimes referred to as "granny flats" or ADUs.

The abbreviated financial statements are for the period ending December 31, 2021, and are presented in thousands of dollars.

### HDP – Discretely Presented Component Units December 31, 2021

<b>ASSETS</b>	
Current and other assets	\$ 33,133
Capital assets net of depreciation	<u>139,050</u>
Total assets	<u><u>172,183</u></u>
<b>LIABILITIES</b>	
Current liabilities	4,533
Notes Payable and non-current liabilities	<u>195,568</u>
Total liabilities	<u><u>200,101</u></u>
<b>NET POSITION</b>	
Restricted	<u>27,320</u>
Unrestricted	<u>(55,238)</u>
Total liabilities and net position	<u><u>\$172,183</u></u>
<b>OPERATING REVENUES</b>	
Dwelling rental income	\$ 16,455
Other revenue	<u>2,039</u>
Total Operating revenues	18,494
<b>OPERATING EXPENSES</b>	
Income before depreciation and other non-operating income and expenses	<u>11,212</u>
Depreciation	7,282
Deficit before other non-operating income and expense	<u>4,765</u>
Other non-operating income and expenses, net	2,517
Change in net position before capital transactions	<u>(6,242)</u>
Capital contributions, net	(3,725)
Transfer of property to component unit	3,505
Change in net position	0
Net position:	<u>\$ (220)</u>
Beginning of year	<u>(27,698)</u>
End of year	<u><u>\$ (27,918)</u></u>

## Addressing Homelessness



The City of San Diego's (City) Homeless Shelters and Services Programs provide temporary shelter and supportive services to some of the City's most vulnerable residents. The City's homelessness programs include:

- Day Center Facility for Adults Experiencing Homelessness;
- Transitional Storage Center;
- Homelessness Response Center
- Coordinated Outreach Program
- Four interim housing programs (Connections Housing Downtown, a one-stop housing and services center for single adults experiencing homelessness; Interim Housing Program for Families, which provides short-term housing and services to help families experiencing homelessness stabilize their lives; the Interim Housing Program for Adults operated out of the Paul Mirable Center on the Father Joe's Villages main campus; and the Bishop Interim Shelter Program, which also provides shelter beds for single adults);
- Three Bridge Shelters;
- A rapid rehousing program; and
- The City's Serial Inebriate Program (SIP) transitional housing program



*Homelessness Response Center*

SDHC administers these programs through Memoranda of Understanding (MOU) with the City.

In Fiscal Year 2022, SDHC also supported more than 138 transitional housing beds, operated by three providers at different locations in the City, with City of San Diego Inclusionary Housing Funds and Housing Trust Funds.

With Federal Emergency Solutions Grant (ESG) and Continuum of Care funds, SDHC partnered with several local nonprofit agencies to provide Rapid Rehousing services. The ESG grant also funds the City's Security Deposit Plus program, which provides financial move-in assistance for persons experiencing homelessness.

In October 2021, the San Diego City Council authorized the reallocation of federal Coronavirus Aid, Relief, and Economic Security (CARES) Act Community Development Block Grant (CDBG) funds to fund an eviction prevention and education activity program. The City of San Diego's Eviction Prevention Program (EPP) provides assistance, education, legal representation and public awareness to certain populations in the City of San Diego, and emergency and limited legal assistance to eligible tenants facing eviction due to the state of emergency caused by the COVID-19 pandemic, the expired statewide eviction moratorium or financial hardship in accordance with HUD CDBG-CV regulatory requirements. EPP is a centralized resource for low-income renters facing eviction and is available to all qualified individuals regardless of their immigration status.

In Fiscal Year 2022, SDHC also received approval from the City Council to maintain three Rapid Rehousing (RRH) Programs, with funding from Homeless Housing, Assistance and Prevention (HHAP) Program and American Rescue Plan Act (ARPA) funds. The RRH programs launched in July 2019 and contained funds to serve 120 high-need households experiencing homelessness throughout the program term (both families and individuals). Additional funding allocated for Fiscal Year 2022 allowed households to continue receiving critical housing support as well as expands the program to serve up to an additional 100 households..



SDHC is one of only 39 original “Moving to Work” (MTW) agencies out of approximately 3,200 public housing authorities nationwide. In 2022, HUD announced the addition of 70 public housing authorities as new MTW agencies.

MTW status provides flexibility and allows SDHC to determine the most effective housing assistance programs for households with low income or experiencing homelessness in the City of San Diego

At the close of Fiscal Year 2022, SDHC had committed a total of more than 5,200 rental assistance subsidies for families and individuals experiencing homelessness dating back to 2002. This includes 1,235 Veterans Affairs Supportive Housing (VASH) vouchers that have been allocated since 2008 and the 50 additional VASH vouchers allocated in 2022 to serve veterans experiencing homelessness.

SDHC also committed 141 federal Project-Based Housing Vouchers (PBVs) to affordable housing developments in Fiscal Year 2022. These vouchers are known as affordable housing PBVs. They provide rental assistance to households with low income in the City of San Diego.

### Additional MTW Programs

SDHC's MTW operating budget in Fiscal Year 2022 was \$243,940,647. Examples of MTW initiatives that SDHC has implemented are the Choice Communities Initiative, updates to rental assistance payment standards, Path to Success, the SDHC Achievement Academy, and HOUSING FIRST – SAN DIEGO homelessness initiatives, such as Guardian Scholars, the Monarch School Project, SDHC Moving Home Rapid Rehousing and SDHC Moving On Rental Assistance.

**Choice Communities.** SDHC's Choice Communities initiative provides families that receive rental assistance with more flexibility to choose to live in neighborhoods that offer more opportunities for transportation, schools, and employment.

To increase housing opportunities through this initiative and to assist as many low-income families as possible, on May 1, 2022, SDHC updated the payment standards that are used to determine the amount of rental assistance each family receives.

In Fiscal Year 2022, 1,586 families moved to Enterprise or Choice communities. In addition, 532 families were contacted by an SDHC Mobility Counselor to assist with pre- and post-moving counseling, housing search assistance and guidance about neighborhood features for families moving to Choice or Enterprise Communities.

Families moving to Choice or Enterprise Communities are eligible for no-interest security deposit loans up to the payment standard for the area for their voucher size. In Fiscal Year 2022, 125 families participated in this Security Deposit Loan Program, and SDHC loaned a total of more than \$221,878 through this program

**SDHC Achievement Academy.** The SDHC Achievement Academy is a learning and resource center. Its programs emphasize career development, job skills, job placement and personal financial education. These services are available at no charge to families with low income in the City of San Diego, primarily those receiving federal Section 8 Housing Choice Voucher rental assistance, public housing residents and participants in homelessness programs.

In Fiscal Year 2022, more than 2,900 SDHC Achievement Academy participants attended 265 workshops addressing various topics, such as financial education, life skills, workforce readiness, computer literacy and job recruitments. The average hourly wage of participants placed in jobs was \$18.86.

**EnVision Center.** The SDHC Achievement Academy is one of the key partners in the collaboration among SDHC, the City of San Diego, and the San Diego Workforce Partnership that HUD selected to be an EnVision Center, which promotes financial self-reliance among federal rental assistance participants and public housing residents.

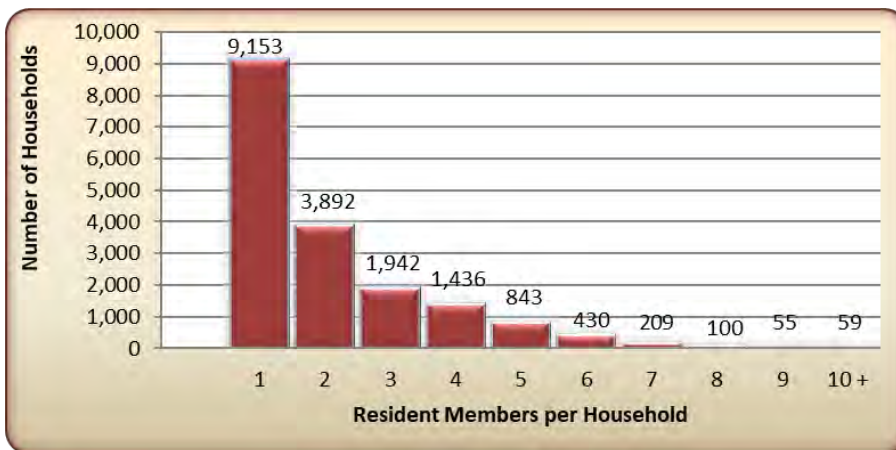
## Demographics of the HCV Program



Funded by HUD and managed by SDHC's Rental Assistance Division, the federal Section 8 Housing Choice Voucher Program provided rental assistance to more than 16,000 low-income families in the City of San Diego. The number of rental assistance households fluctuates throughout the year, as participating families are able to move on and leave the program at different times, enabling SDHC to bring new families into the program from the waiting list.

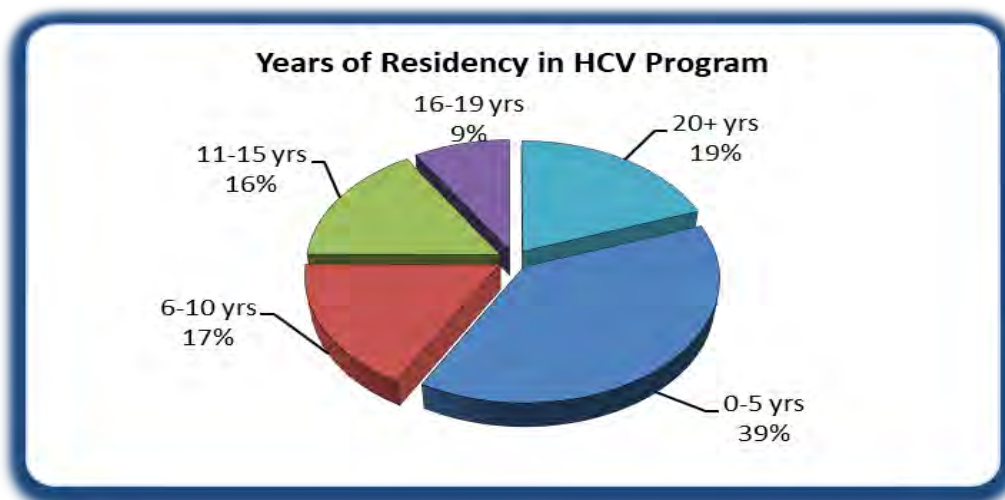
### Income per HCV Household

- 65% of HCV recipients' income is less than \$19,999 annually.



### Resident Members per Household

- More than 9,100 households have a single member.
- 21% have two members.
- 11% have three.





SAN DIEGO  
HOUSING  
COMMISSION

*We're About People*

1122 Broadway, Suite 300, San Diego, CA 92101

[www.sdhc.org](http://www.sdhc.org)