



EXECUTIVE SUMMARY

MEETING DATE: November 20, 2023

HCR23-109

SUBJECT: Fiscal Year 2023 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 2023 (July 1, 2022 – June 30, 2023) 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, 2022 - June 30, 2023.
- Government Accounting Standards Board (GASB) Pronouncement Statement No. 96 “Subscription-Based Information Technology Arrangements” in Fiscal Year 2023 added an Intangible Asset – Right to Use Subscription Asset of \$5.2 million and related Subscriptions Payable of \$5.2 million.
- Total Revenues were \$463.5 million, of which 76 percent was from Federal grants.
- Total Expenses were \$419.6 million, of which \$260.3 million was related to Housing Assistance payments.
- Total Assets were \$1,122.9 million.
- Total Liabilities were \$1,122.9 million.
- Total Net Position was \$867.3 million and was comprised of:
 - Net Investment in Capital Assets: \$180.4 million – the amount spent on capital assets and is used for operations.
 - Restricted Net Position: \$235.3 million – the amount is restricted by external creditors, grantors contributors, or laws or regulations of other governments.
 - Unrestricted Net Position: \$451.6 million, which is an accounting definition and not necessarily indicative of funds available for discretionary use.
- On November 1, 2023, the Housing Commission Board of Commissioners Audit Committee voted to recommend that the Housing Commission Board of Commissioners accept and approve the Fiscal Year Annual Comprehensive Financial Report and Single Audit Reports prepared by CohnReznick LLP, an independent audit firm.



REPORT

DATE ISSUED: "Pqxgo dgt'36."4245"

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ATTENTION: "*****Ej ck'cpf 'O go dgtu'qh'yj g'Ucp'F lgi q'J qwulpi 'Eqo o kulqp"
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SUBJECT: "*****Huecnl gct'4245'CpwwcnEqo r tgi gpukxg'Hpcpekn'Tgr qtv*CEHT'+cpf 'Upi ng"
""Cwf k'Tgr qtu"

COUNCIL DISTRICT: "Ek{y kf g"

REQUESTED ACTION

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COMMITTEE RECOMMENDATION

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SUMMARY

lp'Pqxgo dgt'423: . 'hmqy lpi 'c'hqto cn'Tgs wguv□ or 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 ACFR (Attachment 1). This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

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, 2023.

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, 2023.

November 14, 2023

Fiscal Year 2023 Annual Comprehensive Financial Report (ACFR) and Single Audit Reports

Page 2

The Report to the Audit Committee of the Housing Commission Board (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, 2023, 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 2023. 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 1, 2023, Housing Commission staff and the Auditors presented the Fiscal Year 2023 Annual Comprehensive Financial Report and attached financial reports to the Audit Committee, the Executive Vice President of Strategic Initiatives, the Executive Vice President of 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.

HOUSING COMMISSION STRATEGIC PLAN

This item relates to the Core Value "Believe in transparency and being good financial stewards" in the Housing Commission Strategic Plan for Fiscal Year (FY) 2022-2024.

November 14, 2023

Fiscal Year 2023 Annual Comprehensive Financial Report (ACFR) and Single Audit Reports

Page 3

EQUAL OPPORTUNITY CONTRACTING AND EQUITY ASSURANCE

The Housing Commission's Strategic Plan for FY 2022-2024 includes the following statement regarding the Housing Commission's commitment to 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."

Respectfully submitted,

By: *Ryan Clumpner*
Audit Committee

By: *Johanna Hester*
Audit Committee

By: *Eugene "Mitch" Mitchell*
Audit Committee

Attachments:

- 1) FY23 Annual Comprehensive Financial Report (ACFR)
- 2) FY23 Single Audit Reports
- 3) FY23 Report to the Audit Committee of the Board of Commissioners
- 4) FY23 Financial Statements on the Otay Villas Housing Development
- 5) FY23 Financial Statements on the Adaptable Housing Development
- 6) FY23 Northern SDHC FHA LLC Financial Statements
- 7) FY23 Southern SDHC FHA LLC Financial Statements
- 8) FY23 Central SDHC FHA LLC Financial Statements
- 9) FY23 Popular Annual Financial Report (PAFR)

Hard copies are available for review during business hours at the information desk in the main lobby of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101. Docket materials are also available in the "Governance & Legislative Affairs" section of the San Diego Housing Commission website at www.sdhc.org.



SAN DIEGO
HOUSING
COMMISSION

San Diego Housing Commission Annual Comprehensive Financial Report

A Component Unit of the City of San Diego

For the fiscal year ended June 30, 2023

San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101
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, 2023**

**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 17,000 households with low income; addressing homelessness; and creating and preserving affordable rental housing.





November 2, 2023

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 all general purpose local governments to publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. As a component unit of the City of San Diego, and pursuant to the above-stated requirement, we hereby issue the Annual Comprehensive Financial Report (Annual Report) of the San Diego Housing Commission (SDHC) for the fiscal year that ended on June 30, 2023.

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

SDHC's financial statements have been audited by CohnReznick LLP, a firm of licensed certified public accountants. The goal of this independent audit was to provide reasonable assurance that SDHC's financial statements for the fiscal year that ended on June 30, 2023, 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, 2023, 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, 2022. This was the 15th 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 2022. This was the 13th 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 Interim 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 provides a comprehensive roadmap that encourages increased internal collaboration and promotes a focus on innovative solutions for its strategic priority areas. The plan directs the creation of a number of plans, guides and reviews that will assist SDHC in carrying out its work, accomplishing strategic objectives and increasing public awareness and engagement.

Since the SDHC Board of Commissioners' approval of the Fiscal Year (FY) 2022 - 2024 Strategic Plan on July 9, 2021, total progress toward Strategic Priority Area (SPA) goals and objectives has been measured at 76.75%.

SDHC's Strategic Plan and annual Progress Reports are available at 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

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. 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.

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 to ensure employment opportunities remain competitive.
 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 (Action Plan).
 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.

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.

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 17,000 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 2023, SDHC was awarded 25 additional tenant-based Veterans Affairs Supportive Housing (VASH) vouchers. These vouchers serve veterans experiencing homelessness who are eligible for a VASH voucher.

SDHC was awarded 95 Fair Share Incremental Vouchers in Fiscal Year 2023. The incremental vouchers were part of a fair share allocation under the Housing Choice Voucher Program to assist low-income families.

In Fiscal Year 2023, SDHC was also awarded 50 additional Mainstream vouchers. The Mainstream Voucher Program provides tenant-based vouchers for low-income households that include a non-elderly person with disabilities. SDHC Mainstream Voucher Program provides vouchers to families with low income or experiencing homelessness that include a non-elderly person with a disability between the ages of 18 and 61.

Additionally, in Fiscal Year 2023 SDHC received an award of 21 additional Emergency Housing Vouchers (EHV). These vouchers serve four eligible populations: people experiencing homelessness, people at risk of homelessness, people fleeing or attempting to flee domestic violence, sexual assault, stalking, or human trafficking; and people who are recently homeless and for whom providing rental assistance will prevent the family's homelessness or having high risk of housing instability.

HUD awarded SDHC 17 replacement vouchers after a landlord opted to not renew a Moderate Rehabilitation Program contract. The replacement vouchers ensured that the residents could continue to receive assistance and are not displaced.

'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 2023, HUD announced the addition of 87 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 2023, SDHC had committed a total of more than 5,500 rental assistance subsidies for families and individuals experiencing homelessness dating

back to 2002. This includes 1,310 Veterans Affairs Supportive Housing (VASH) vouchers that have been allocated since 2008 and the 25 additional VASH vouchers allocated in 2023 to serve veterans experiencing homelessness.

Committing Federal Rental Housing Vouchers for Affordable Housing

SDHC also committed 308 federal Project-Based Housing Vouchers (PBVs) to affordable housing developments in Fiscal Year 2023. SDHC dedicated 233 Project-Based Vouchers to affordable housing developments that serve residents with low-income or experiencing homelessness. These vouchers are awarded through a competitive Notice of Funding Availability (NOFA) process. An additional 75 Project-Based Vouchers and 40 Sponsor-Based Subsidies (SBS) were awarded to projects applying for State of California Homekey Program funds to serve households experiencing homelessness.

PBVs 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 specific housing units to which they are awarded so that when a tenant moves on, the voucher remains with the units to help other households.

Additional MTW Programs

SDHC's MTW operating budget in Fiscal Year 2023 was \$282,651,955. 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 January 1, 2023, SDHC updated the payment standards that are used to determine the amount of rental assistance each family receives.

In Fiscal Year 2023, 1,622 families moved to Enterprise or Choice communities. In addition, 781 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 2023, 261 families participated in this Security Deposit Loan Program, and SDHC loaned a total of more than \$539,575 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, public housing residents and participants in certain homelessness programs.

In Fiscal Year 2023, more than 1,600 SDHC Achievement Academy participants attended 230 workshops addressing various topics, such as financial education, life skills, workforce readiness, computer literacy and job recruitments. In addition to attending workshops, 1,156 participants received core services, including benefits screening and meeting with a certified financial counselor; 230 participants were placed in jobs; and 312 increased their earnings. In Fiscal Year 2023, the average hourly wage earned by SDHC Achievement Academy participants placed in jobs was \$19.68, which reflects a 64 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.

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 2023 was 83 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 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 also undertook 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 administered the City of San Diego COVID-19 Housing Stability Assistance Program, which helped pay rent and utilities for households with low income that experienced financial hardship due to or during the COVID-19 pandemic.

SDHC began making payments for qualifying applicants in late April 2021. The program essentially concluded as of August 31, 2022, with minor adjustments following that date,

such as resolution of a few remaining appeals. At the program's conclusion, SDHC had disbursed \$218,621,397 in assistance payments to help 18,318 qualifying households.

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.

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

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

SDHC administers the following programs on behalf of the City through several Memoranda of Understanding (MOU) with the City. Starting in Fiscal Year 2024, the City and SDHC consolidated all program administration under one Master MOU:

- Day Center Facility for Adults Experiencing Homelessness
- Homeless Transitional Storage Center
- Storage Connect Centers I & II
- Homelessness Response Center
- Four interim shelter programs (Connections Housing Downtown for single adults; Rachel's Promise, which provides short-term housing and services to single women; the Interim Shelter Program for Adults operated out of the Paul Mirable Center on Father Joe's Villages' main campus; and the Bishop Interim Shelter Program, which also provides shelter beds for single adults)
- Golden Hall Shelter for Single Adults, Families with Children and Transition-Age Youth
- Bridge Shelters at 16th Street/Newton Avenue and 17th Street/Imperial Avenue for single adults
- Rosecrans Shelter
- Harm Reduction Shelter
- Four rapid rehousing programs
- Program for Engaged Education Resources (PEER) (SDHC collaboration with San Diego City College to build a pipeline for career in homelessness services)
- Security Deposit Plus Program; and
- The City's Serial Inebriate Program (SIP) transitional housing program.

SDHC also administers several contracts for programs for Transition-Age Youth (TAY) based on a Memorandum of Understanding between SDHC and the City for the administration and oversight of homelessness programs funded by State Homeless

Housing, Assistance and Prevention (HHAP) program funds, which first took effect on June 16, 2020. The Interim Shelter for TAY provides a service-enhanced, low-barrier interim shelter 24 hours a day, seven days a week, in alignment with Housing First principles. The SafeTAY Network Outreach Program focuses outreach services and emergency hotel/motel vouchers to TAY 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 shelter, food, transportation and assistance in reuniting with family or connecting youth with safe, long-term housing.

SDHC administered homeless programs

In Fiscal Year 2023, SDHC also supported several homelessness programs funded through HUD Continuum of Care (CoC), Moving to Work, SDHC Local Funds and City of San Diego Inclusionary Housing Funds, General Fund and Housing Trust Funds.

These programs include:

- 10 CoC funded Permanent Supportive Housing programs serving up to 285 households each year
- 4 CoC funded Rapid Rehousing programs
- Homeshare program that focuses on matching unhoused individuals with seniors who need support in maintaining their housing
- Inclement Weather Shelter program that provides emergency overnight shelter under certain weather conditions
- Housing Instability Prevention Program (HIPP), which helps pay rent and other housing-related expenses for families in the City of San Diego with low income and unstable housing situations, such as facing eviction for nonpayment of rent.
- Multidisciplinary Outreach Team, which provides specialized outreach services and care to unhoused San Diegans
- LGBTQ+ Affirming Shelter, serving transition-age youth in an affirming environment
- Haven Family Shelter, serving up to 9 families at any given time
- 3 Transitional Housing programs, providing up to 134 beds to families

In October 2021, the San Diego City Council authorized the reallocation of 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) launched in December 2021 and continues to provide assistance, education, legal representation and public awareness to certain populations in the City of San Diego, and emergency and limited legal assistance to eligible tenants facing eviction 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 functions as a centralized resource for low-income renters facing eviction and is available to all qualified individuals regardless of their immigration status. As of June 30, 2023, EPP had provided full legal assistance to 360 eligible tenants and limited legal assistance to 1,513 eligible tenants. The program also had conducted 123 public workshops and 321

public awareness events, received and responded to 1,688 hotline calls, and made 33,961 referrals to other community resources.

SDHC's HOUSING FIRST - SAN DIEGO programs continue to enhance and expand to serve the various needs of those in the City of San Diego who are at risk of or experiencing homelessness. During Fiscal Year 2023, HOUSING FIRST - SAN DIEGO created housing opportunities for 1,157 households in the City of San Diego. Direct Client Services Programs include 10 programs that directly assist individuals and families with a wide range of services and financial and rental assistance needs. These housing interventions focus on housing households quickly and then provide case management services and financial assistance to support housing stability. These include various programs that make up each of the following programs: Homelessness Prevention and Shelter Diversion, FLEX Subsidy, Moving Home Rapid Rehousing and Landlord Engagement and Assistance Programs. Development Funds and Housing Vouchers are awarded through SDHC's Notice of Funding Availability to create, rehabilitate or acquire permanent supportive housing for individuals and families with very high service needs and ongoing financial assistance. Special Program Housing Vouchers provide ongoing rental assistance and wraparound supportive services in collaboration with community-based nonprofits and agencies for a variety of special populations. Since HOUSING FIRST – SAN DIEGO initiatives launched on November 12, 2014, SDHC has created 11,094 housing opportunities for households who are at risk of or experiencing homelessness.

Homelessness Response Center

The Homelessness Response Center provides a broad range of services to help individuals and families experiencing homelessness on their path to permanent or longer-term housing. SDHC operates and administers the Homelessness Response Center, in collaboration with the City of San Diego, People Assisting the Homeless (PATH), the San Diego Regional Task Force on Homelessness (RTFH), and nine other homelessness service providers. The Homelessness Response Center provides two major programs on-site including System Navigation Services to coordinate all activities to move someone from homelessness to permanent or longer-term housing and on-site partner providers who work with people experiencing homelessness to connect them to community-level services to promote housing stability. The Homelessness Response Center also houses the Coordinated Shelter Intake Program, which coordinates intake across all city-funded shelters seven days a week, providing a single point of access to determine bed availability across the system and create a more accessible, person-centered intake process, matching the best available bed to meet a person's needs and preferences.

Creating Affordable Housing

As of June 30, 2023, SDHC owns 150 properties with 2,401 affordable rental housing units, of which 189 units 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 2023, SDHC completed the following affordable housing partnership development in the City of San Diego:

- The Orchard at Hilltop, 111 affordable rental housing units for San Diegans with low income
- Harris Family Senior Residence, formerly known as East Block Senior, 115 affordable rental units for low income senior San Diegans
- Amanecer Apartments, formerly known as Ulric Street Apartments, 95 affordable rental units for San Diegans with low income and veterans experiencing homelessness
- Milejo Village, formerly known as Jamboree Permanent Supportive Housing at San Ysidro, 64 affordable rental housing units for San Diegans experiencing homelessness
- The Helm, 77 affordable rental units for San Diegans with low income
- Tizon Apartments, 175 affordable rental units for senior San Diegans with low income
- Livia at Scripps Ranch, formerly known as Scripps Mesa, 53 affordable rental units for San Diegans with low income.

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.



Jeff Davis
Interim President & Chief Executive Officer
San Diego Housing Commission



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



Government Finance Officers Association

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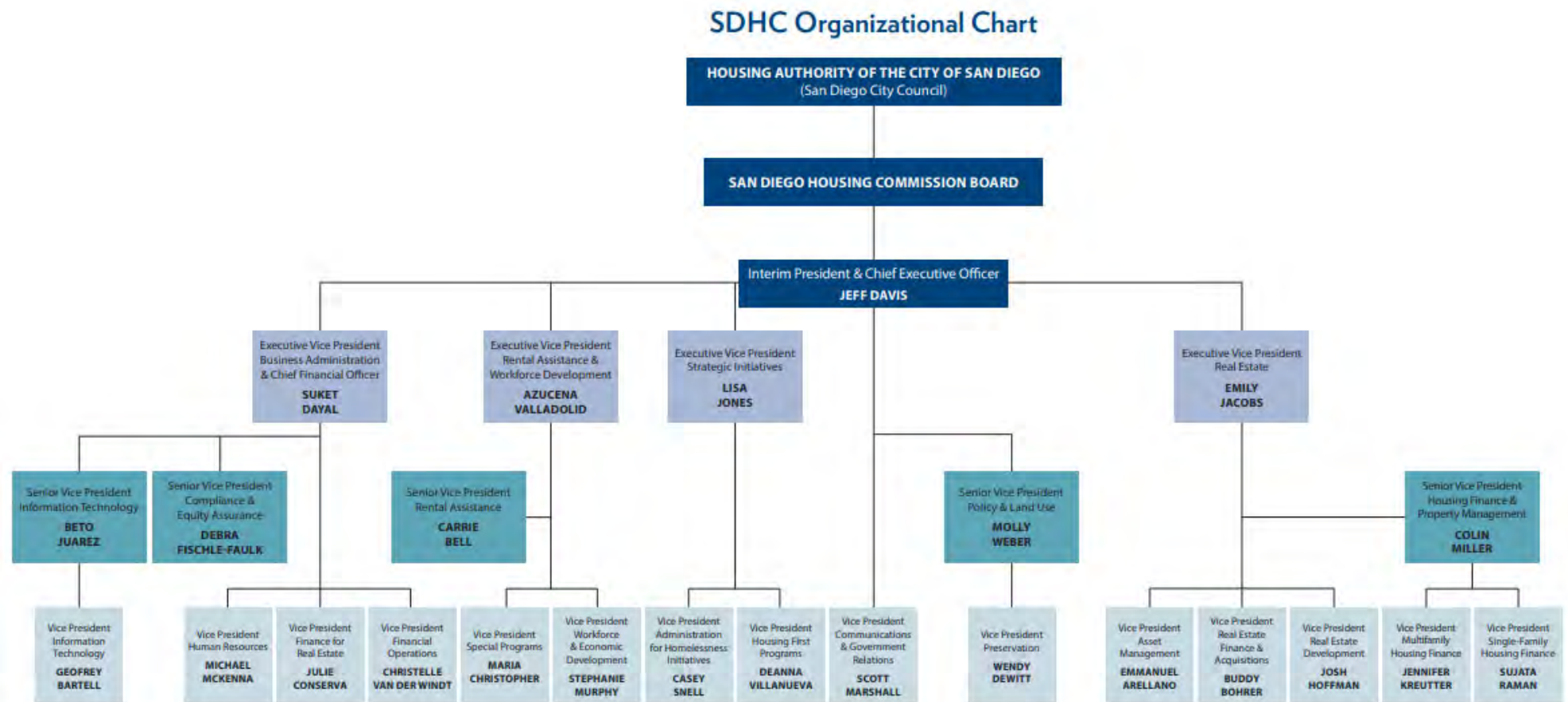
**San Diego Housing Commission
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO



As of August 14, 2023



SAN DIEGO HOUSING COMMISSION
ROSTER OF OFFICIALS
AS OF JUNE 30, 2023

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	Kent Lee, 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	Johanna Hester
Commissioner	Kellee Hubbard
Commissioner	Antoine "Tony" Jackson
Commissioner	Melinda Vasquez



SAN DIEGO
HOUSING
COMMISSION

Financial Section



We're About People

For the 15th 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 2022 (July 1, 2021 – June 30, 2022) 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, 2023, and the related notes to the financial statements, which collectively comprise SDHC's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditor, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units and the fiduciary fund of the San Diego Housing Commission, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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. In our opinion, the Combining Schedules and the Financial Data Schedule required by HUD listed in the table of contents as supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections included in the annual comprehensive financial report but does not include the 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 2, 2023, on our consideration of SDHC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SDHC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SDHC's internal control over financial reporting and compliance.



Sacramento, California
November 2, 2023



San Diego Housing Commission

Management's Discussion and Analysis (Unaudited) For the Fiscal Year Ended June 30, 2023

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, 2023. 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 \$867.3 million (net position). Of this amount, \$451.6 million (unrestricted net position) is available to meet ongoing and recurring obligations, \$235.3 million is restricted for specific purposes (restricted net position) and \$180.4 million is the net investment in capital assets.
- Total net position of SDHC increased \$43.8 million. The changes in net position is comprised of \$398.0 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 \$58.7 million principally related to dwelling (tenant rental) income, offset by operating expenses of \$401.7 million primarily related to housing assistance payments, administrative expenses and grant expense as well as depreciation expense of \$11.2 million.
- Current assets decreased \$18.9 million. This decrease is primarily due to a decrease in cash and cash equivalents as a result of \$16.1 million of COVID-19 Housing Stability Assistance Program (HSAP) funds returned to the State due to the program ending in the early part of Fiscal Year 2023 after all qualifying households were assisted in accordance with State and Federal requirements.
- Noncurrent assets increased \$35.7 million. This increase is primarily related to a \$17.0 million increase in long-term investments as well as a \$15.3 million increase in notes and mortgages receivable (principal), net of allowance.
- Noncurrent liabilities decreased \$23.8 million. This is mainly due to the \$25.2 million repayment of loans, with the full retirement of the Greystone debt for Central FNMA, and partial pay down of two JP Morgan Chase loans for the Valley Vista and Kearny Vista properties.

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, 2023, 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, 2023. 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, 2023. 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, 2023 and June 30, 2022 and changes in net position (Table 2) during the fiscal years then ended.

TABLE 1
Net Position
(Dollars in Thousands)

	June 30, 2023	June 30, 2022	Change \$	Change %
<u>Assets</u>				
Current assets	\$ 112,241	\$ 131,137	\$ (18,896)	-14%
Noncurrent assets	712,503	676,759	35,744	5%
Capital assets net of depreciation	298,110	300,621	(2,511)	-1%
Total assets	\$ 1,122,854	\$ 1,108,517	\$ 14,337	1%
<u>Liabilities</u>				
Current liabilities	\$ 50,039	\$ 53,032	\$ (2,993)	-6%
Notes payable and non-current liabilities	114,456	138,297	(23,841)	-17%
Total liabilities	164,495	191,329	(26,834)	-14%
Deferred inflows of resources	91,099	93,775	(2,676)	-3%
<u>Net Position</u>				
Net investment in capital assets	180,419	159,314	21,105	13%
Restricted	235,277	233,033	2,244	1%
Unrestricted	451,564	431,066	20,498	5%
Total net position	867,260	823,413	43,847	5%
Total liabilities, deferred inflows and net position	\$ 1,122,854	\$ 1,108,517	\$ 14,337	1%

SDHC's net position increased from \$823.4 million to \$867.3 million due to a \$43.8 million surplus generated during fiscal year 2023. The fiscal year 2023 surplus is \$24.2 million more than the fiscal year 2022 surplus of \$19.6 million.

Total assets increased \$14.3 million from \$1,108.5 million in fiscal year 2022 to \$1,122.8 million in fiscal year 2023. The increase in total assets is primarily due to an increase of \$35.7 million in non-current assets, primarily related to a \$17.0 million increase in long-term investments as well as a \$15.3 million increase in notes and mortgages receivable (principal), net of allowance. Current assets decreased by \$18.9 million primarily due to a decrease in cash and cash equivalents as a result of \$16.1 million of COVID-19 Housing Stability Assistance Program (HSAP) funds returned to the State due to the program ending in the early



part of Fiscal Year 2023 after all qualifying households were assisted in accordance with State and Federal requirements.

Total liabilities decreased \$26.8 million from \$191.3 million in fiscal year 2022 to \$164.5 million in fiscal year 2023. The decrease in total liabilities is due to a \$26.6 million decrease in notes payable, noncurrent, principally related to the \$25.2 million repayment of loans, with the full retirement of the Greystone debt for Central FNMA, and partial pay down of two JP Morgan Chase loans for the Valley Vista and Kearny Vista properties, as well as a decrease of \$11.4 million in unearned revenue related to the conclusion of the HSAP program mentioned above and returning \$16.1 million of funds to the State.

Deferred inflows of resources decreased \$2.7 million as a result of the annual income recognized on the long-term operating leases.

Net investment in capital assets increased by \$21.1 million from \$159.3 million in fiscal year 2022 to \$180.4 million in fiscal year 2023. This was principally due to the debt payments of \$25.2 million mentioned above, as well as the addition of \$5.2 million of software agreements as a result of the implementation of GASB Statement No. 96 Subscription-Based Information Technology Arrangements, offset by a depreciation and amortization of \$11.2 million.

Restricted net position increased \$2.2 million from \$233.0 million in fiscal year 2022 to \$235.3 million in fiscal year 2023. 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 \$20.5 million from \$431.1 million in fiscal year 2022 to \$451.6 million in fiscal year 2023. 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>2023</u>	<u>June 30,</u> <u>2022</u>	<u>Change</u> <u>\$</u>	<u>Change</u> <u>%</u>
Operating revenues				
Dwelling rental income	\$ 38,942	\$ 36,641	\$ 2,301	6%
Land lease and other rental income	4,025	4,553	(528)	-12%
Fee revenue	5,770	4,657	1,113	24%
Other revenue	9,963	10,829	(866)	-8%
Total operating revenues	58,700	56,680	2,020	4%
Operating expenses	401,655	537,427	(135,772)	-25%
Deficit before depreciation and other nonoperating income and expenses	(342,955)	(480,747)	137,792	-29%
Depreciation	11,180	10,683	497	5%
Deficit before other non- operating income and expenses	(354,135)	(491,430)	137,295	-28%
Other nonoperating income and expenses, net	397,982	511,034	(113,052)	-22%
Change in net position	43,847	19,604	24,243	124%
Net position beginning of year	823,413	803,809	19,604	2%
Net position end of year	<u>\$ 867,260</u>	<u>\$ 823,413</u>	<u>\$ 43,847</u>	<u>5%</u>

Total operating revenues increased by \$2.0 million from \$56.7 million in 2022 to \$58.7 million in fiscal year 2023. The increase was primarily related to an increase of \$2.3 million in dwelling rental income as a result of low vacancy rates and increases in subsidized portion of rent.

Operating expenses decreased \$135.7 million from \$537.4 million in fiscal year 2022 to \$401.7 million in fiscal year 2023. This decrease is primarily due to a decrease of \$141.7 million in housing assistance payments (HAP); of which \$179.7 million is related to the HSAP program that concluded early in the fiscal year 2023, offset by a \$36.0 million increase in HAP due to higher average HAP cost per voucher for Moving to Work (MTW), Family Unification Program (FUP), Veterans Affairs Supportive Housing (VASH) and Mainstream Vouchers, new vouchers awarded during the fiscal year, and increased utilization rate for Emergency Housing Vouchers (EHV).

Other nonoperating income and expenses (net) decreased \$113.0 million from \$511.0 million in fiscal year 2022 to \$398.0 million in fiscal year 2023. This decrease was mainly due to a decrease in grant revenue of \$119.8 million and offset by an increase of \$6.4 million in interest



income. The decrease in grant revenue is primarily related to a \$191.6 million revenue decrease for the HSAP program due to its conclusion early during the year, and a \$9.9 million decrease in the Affordable Housing Fund due to lower fee collections; this is offset by a \$68.8 million increase in MTW, EHV, and VASH due to additional revenues received to fund the higher average cost of vouchers, \$6.6 million dedicated to the comprehensive renovation of SDHC owned properties, additional VASH and EHV vouchers awarded and increased utilization rate of these vouchers, as well as an additional \$7.8 million for the State Homekey grant received.

The following summarizes SDHC's capital assets, net of accumulated depreciation, and changes therein (Table 3) as of June 30, 2023 and June 30, 2022:

TABLE 3
Net Capital Assets
(Dollars in Thousands)

	June 30, 2023	June 30, 2022	Change \$	Change %
Land and buildings	\$ 290,376	\$ 297,912	\$ (7,536)	-3%
Construction-in-progress	1,505	550	955	174%
Equipment	1,833	2,159	(326)	-15%
Subscription based IT arrangements	4,396	-	4,396	100%
Total	<u>\$ 298,110</u>	<u>\$ 300,621</u>	<u>\$ (2,511)</u>	<u>-1%</u>

Capital Assets

Capital assets, net, decreased \$2.5 million. The change is mainly due to an increase in building improvements (including construction-in-progress) of \$3.3 million and the addition of \$5.2 million of software arrangements as a result of the implementation of the new GASB 96 Statement on subscription-based technology arrangements, offset by a depreciation and amortization of \$11.2 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) decreased \$27.1 million from \$139.4 million in fiscal year 2022 to \$112.3 million in fiscal year 2023. The decrease in total liabilities is mainly related to the \$25.2 million repayment of loans, with the full retirement of the Greystone debt for Central FNMA, and partial pay down of two JP Morgan Chase loans for the Valley Vista and Kearny Vista properties. Of this \$112.3 million balance, \$63.4 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 \$28.3 million on June 30, 2023, 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 \$6.6 million on



June 30, 2023, 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, 2023 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, 2022 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 2023, SDHC received 76% 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 2023 and will have a balanced budget in fiscal year 2024.

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 2024 MTW Plan on July 11, 2023. 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/>.

Local employment is an indicator of the economy. According to a report issued on September 15, 2023 by the State of California Employment Development Department, the unemployment rate in San Diego County was 4.3 percent in August 2023, up from a revised 3.9 percent in July 2023, and below the year-ago estimate of 3.5 percent. This compares with an unadjusted unemployment rate of 5.1 percent for California and 3.9 percent for the nation during the same period. [https://www.labormarketinfo.edd.ca.gov/file/1fmonth/sand\\$pds.pdf](https://www.labormarketinfo.edd.ca.gov/file/1fmonth/sand$pds.pdf)

The high cost of living and affordability of homes continues to be a challenge in San Diego and contributes to the homelessness crisis. The San Diego Point-in-Time Count, known as #We All Count was conducted on January 16, 2023. HUD requires that cities receiving federal funding to combat homelessness complete the Point-In-Time Count each year and it was coordinated by the Regional Task Force on Homelessness. The count typically identifies both sheltered and unsheltered individuals. This year's count of homeless persons identified 10,264 individuals in the San Diego Region. This number is up 22 percent from the count in 2022 of 8,427. Their 2023 report is located here:

<https://www.rtfhsd.org/wp-content/uploads/2023-San-Diego-Region-corrected-6.27.2023.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 2024 budget of \$595 million, SDHC plans to:

- **Provide Rental Assistance to Households with Low-Income:**
 - Dedicate \$232.6 million to assist more than 17,000 households.
 - Assist 500 households by allocating more than \$10 million to the Emergency Housing Voucher Program.
 - Lease 449 new Project-Based Voucher units for households with low income or experiencing homelessness in Fiscal Year 2024.
 - Help families to become more financially self-reliant through the SDHC Achievement Academy, a learning and resource center.



▪ **Create and Preserve Affordable Housing:**

- Award up to \$29 million to developers to create 290 new permanent affordable housing units.
- Allocate \$14 million toward the acquisition of affordable housing properties.
- Continue to own and/or manage 4,120 affordable housing units in the City of San Diego.
- Invest \$7 million to rehabilitate up to 800 SDHC-owned units.
- Dedicate \$4.5 million to help up to 35 households become first-time homebuyers.
- Award \$2 million to San Diegans for the creation of up to 8 Accessory Dwelling Units.

▪ **Address Homelessness:**

- Further the goals of the Community Action Plan on Homelessness for the City of San Diego by allocating \$5.5 million in Rapid Rehousing, \$2.1 million for the Homeless Response Center, and \$3.4 million for other Supportive Services programs.
- Continue to grow HOUSING FIRST – SAN DIEGO with \$4.2 million toward Landlord Engagement, up to \$4 million toward Housing Instability Prevention Program (HIPP), and \$4.9 million for Prevention and Diversion.
- Administer \$15.9 million toward Bridge Shelters, \$14.7 million toward Interim Shelters, and \$4.4 million for Continuum of Care Permanent Supportive Housing.

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, 2023
(Dollars in Thousands)

	Primary Government	Component Units
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 15,518	\$ 21,931
Restricted cash and cash equivalents	3,500	764
Short-term investments	38,653	-
Accounts receivable - tenants, net	1,739	115
Accounts receivable - funding sources	41,952	61
Accounts receivable - other, net	5,770	384
Lease receivable - current	1,780	-
Notes and mortgages receivable, current portion	154	-
Accrued interest receivable - investments	492	-
Prepaid items and other assets	2,683	407
Total current assets	<u>112,241</u>	<u>23,662</u>
Noncurrent assets		
Restricted cash and cash equivalents	81	7,754
Lease receivable - noncurrent	91,153	-
Long-term investments	103,164	-
Accrued interest receivable - notes and mortgages receivable	74,762	-
Notes and mortgages receivable, net of allowance for loan losses	443,343	-
Investment in partnerships	-	72
Other assets	-	3,371
Capital assets not being depreciated	110,122	4,709
Capital assets, net of accumulated depreciation	187,988	129,373
Total noncurrent assets	<u>1,010,613</u>	<u>145,279</u>
Total assets	<u>\$ 1,122,854</u>	<u>\$ 168,941</u>
Deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>
Total assets and deferred outflows	<u><u>\$ 1,122,854</u></u>	<u><u>\$ 168,941</u></u>



San Diego Housing Commission
STATEMENT OF NET POSITION
June 30, 2023
(Dollars in Thousands)

	<u>Primary Government</u>	<u>Component Units</u>
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 21,376	\$ 1,820
Accounts payable - funding sources	41	57
Accrued payroll and benefits	2,774	40
Accrued compensated absences	4,331	-
Accrued interest payable	386	217
Notes payable, current portion	2,814	1,286
Subscriptions payable, current portion	1,268	-
Deposits payable	2,694	669
Unearned revenue	13,984	71
Other current liabilities	371	-
Total current liabilities	<u>50,039</u>	<u>4,160</u>
Noncurrent liabilities		
Accrued interest payable - noncurrent	1,814	12,478
Notes payable noncurrent, net	109,464	153,170
Subscriptions payable, noncurrent	2,517	-
Other liabilities	661	11,678
Total noncurrent liabilities	<u>114,456</u>	<u>177,326</u>
Total liabilities	<u>\$ 164,495</u>	<u>\$ 181,486</u>
Deferred inflows of resources	<u>\$ 91,099</u>	<u>\$ -</u>
Total liabilities and deferred inflows	<u>\$ 255,594</u>	<u>\$ 181,486</u>
<u>Net Position</u>		
Net investment in capital assets	<u>\$ 180,419</u>	<u>\$ -</u>
Restricted		
HOME notes receivable reserve	201,900	-
NSP notes receivable reserve	6,117	-
CDBG notes receivable reserve	23,824	-
Replacement reserves	2,678	-
Housing assistance reserves	758	-
Non-controlling interest - tax credit partnerships	-	46,251
Total restricted	<u>235,277</u>	<u>46,251</u>
Unrestricted	<u>451,564</u>	<u>(58,796)</u>
Total net position	<u>\$ 867,260</u>	<u>\$ (12,545)</u>
Total liabilities, deferred inflows and net position	<u>\$ 1,122,854</u>	<u>\$ 168,941</u>

See notes to financial statements



San Diego Housing Commission
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2023
(Dollars in Thousands)

	Primary Government	Component Units
Operating revenues		
Dwelling rental income	\$ 38,942	\$ 17,982
Land lease and other rental income	4,025	145
Fee revenue	5,770	-
Other revenue	9,963	616
Total operating revenues	<u>58,700</u>	<u>18,743</u>
Operating expenses		
Administrative expenses	55,826	4,087
Tenant services	2,097	319
Asset management	21,200	5,442
General expenses	4,661	1,534
Grant expense	57,562	-
Housing assistance	260,309	-
Depreciation and amortization	11,180	5,390
Total operating expenses	<u>412,835</u>	<u>16,772</u>
Operating (loss) income	<u>(354,135)</u>	<u>1,971</u>
Nonoperating revenues (expenses)		
Grant revenue	387,288	67
Interest income on investments and notes receivable	17,524	61
Interest expense and other expenses	(6,785)	(6,773)
Loss on sale of capital asset	(45)	-
Total nonoperating revenues (expenses)	<u>397,982</u>	<u>(6,645)</u>
Income (loss) before capital transactions	43,847	(4,674)
Contributions, net of distributions	-	20,047
Change in net position	<u>43,847</u>	<u>15,373</u>
Net position		
Beginning of year	<u>823,413</u>	<u>(27,918)</u>
End of year	<u>\$ 867,260</u>	<u>\$ (12,545)</u>

See notes to financial statements



San Diego Housing Commission
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2023
(Dollars in Thousands)

	<u>Primary Government</u>
Cash flows from operating activities	
Cash received from tenants and other revenue	\$ 56,130
Cash payments to suppliers for goods and services	(348,707)
Cash payments to employees for services	(61,267)
	<u>(353,844)</u>
Net cash used for operating activities	<u>(353,844)</u>
Cash flows from capital and related financing activities	
Principal paid on notes payable	(27,316)
Acquisition and construction of capital assets	(3,490)
Interest payments	(6,656)
	<u>(37,462)</u>
Net cash used for capital and related financing activities	<u>(37,462)</u>
Cash flows from noncapital financing activities	
Cash received from grants	373,062
	<u>373,062</u>
Net cash provided by noncapital financing activities	<u>373,062</u>
Cash flows from investing activities	
Interest on investments and notes receivable	11,715
Collection of notes receivable	7,119
Cash loaned on notes receivable	(18,035)
Purchases of investments	(44,382)
Proceeds from sale of investments	40,733
	<u>(2,850)</u>
Net cash used for investing activities	<u>(2,850)</u>
Net decrease in cash and cash equivalents	(21,094)
Cash and cash equivalents	
Beginning of year	40,193
End of year	<u>\$ 19,099</u>
Financial statement presentation	
Cash and cash equivalents	\$ 15,518
Restricted cash and cash equivalents	3,581
	<u>19,099</u>
Total cash and cash equivalents	<u>\$ 19,099</u>



San Diego Housing Commission
STATEMENT OF CASH FLOWS - CONTINUED
For the Year Ended June 30, 2023
(Dollars in Thousands)

	<u>Primary Government</u>
Reconciliation of operating loss to net cash used for operating activities	
Operating loss	\$ (354,135)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	11,180
Amortization of debt issuance costs	203
Allowance for accounts receivable	(1,331)
Provision for loan losses	954
Allowance for forgiveable loans	236
Changes in operating assets and liabilities:	
Decrease (increase) in tenant receivables	552
Decrease (increase) in other receivables	(7,621)
Decrease (increase) in prepaid items and other assets	1,737
Increase (decrease) in accounts payable	4,325
Increase (decrease) in accrued payroll and benefits	733
Increase (decrease) in deposits payable	626
Increase (decrease) in unearned revenue	(11,403)
Increase (decrease) in other liabilities	100
Net cash used for operating activities	<u>\$ (353,844)</u>
Supplemental disclosure of cash flow information:	
Noncash capital, noncapital and related financing activities :	
Increase in right to use software arrangements:	<u>\$ 5,225</u>
Total noncash capital and related financing activities	<u>\$ 5,225</u>

See notes to financial statements



San Diego Housing Commission
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2023
(Dollars in Thousands)

Assets		
Cash and investments:		
Mutual funds	\$	53,425
Common collective trust funds		6,316
Participant directed brokerage accounts		2,796
Pooled separate accounts, at fair value		24,099
Guaranteed interest accounts, at contract value		3,056
Guaranteed interest accounts, at fair value		466
Cash		14
Total cash and investments		<u>90,172</u>
Receivables:		
Employer contributions		14
Participant contributions		-
Notes receivable from participants		949
Total receivables		<u>963</u>
Total assets	\$	<u><u>91,135</u></u>
Liabilities	\$	<u>-</u>
Fiduciary net position	\$	<u><u>91,135</u></u>
Restricted for		
Pension	\$	61,544
Other employee benefit other than pension		29,591
	\$	<u><u>91,135</u></u>

See notes to financial statements



San Diego Housing Commission
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2023
(Dollars in Thousands)

Additions to net position	
Investment income:	
Interest and dividends	\$ 7,490
Net appreciation in fair value of investments	1,465
Total investment income	<u>8,955</u>
Interest on notes receivable from participants	47
Contributions:	
Employer contributions	5,401
Participant contributions	2,454
Rollover contributions	568
Total contributions	<u>8,423</u>
Total additions	17,425
Deductions from net position	
Benefits paid directly to participants or beneficiaries, including direct rollovers	7,435
Administrative fees and expenses	119
	<u>7,554</u>
Change in net position	9,871
Fiduciary net position	
Beginning of year	<u>81,264</u>
End of year	<u><u>\$ 91,135</u></u>

See notes to financial statements



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1 - The Financial Reporting Entity

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

Government-Wide Financial Statements

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

Primary Government

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

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

Component Units

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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, 2023 and pursuant to GASB Statement 80, it has been included in the financial



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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://hdppartners.org>.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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, 2023

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, 2023, SDHC has adopted the following new accounting standards issued by the GASB:

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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. The adoption of this Statement did not have a significant effect on the financial statements of SDHC.

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. The adoption of this Statement did not have a significant effect on the financial statements of SDHC.

Statement No. 96, "Subscription-Based Information Technology Arrangements". GASB Statement No. 96 establishes standards of accounting and financial reporting for subscription-based information technology arrangements (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. The adoption of this Statement had no significant effect on SDHC's beginning net position as of July 1, 2022 since the intangible right of use asset for subscription based arrangements equal the subscription liability and SDHC only had one insignificant SBITA agreement effective at the beginning of the year for \$7.

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

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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, 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.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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:

	<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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

magnitude and outside of the normal life cycle of the capital asset being evaluated. As of June 30, 2023, there has been no impairment of the capital assets.

Accrued Compensated Absences

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

In accordance with GASB standards, vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees, if the leave is attributable to past service and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means such as cash payments at termination or retirement. The liability for compensated absences was approximately \$4,331 at June 30, 2023.

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

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

Notes Payable and Interest Payable

Notes payable consists of notes from banks, the City, State 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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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, 2023.

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:

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.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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.

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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, 2023 consist of the following:

Deposits and petty cash	\$	15,518
Local Agency Investment Fund		16,237
San Diego County Investment Pool		17,774
Agency Bonds		107,806
Total investments		<u>141,817</u>
Restricted cash and cash equivalents		<u>3,581</u>
Total	\$	<u><u>160,916</u></u>

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 \$19,099 at June 30, 2023. 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. \$33,877 is collateralized as of June 30, 2023 and the remaining \$15 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



San Diego Housing Commission

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June 30, 2023

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 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, 2023, was approximately \$177,045,533. 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 260 days as of June 30, 2023.

As of June 30, 2023, SDHC had \$16,237 invested in LAIF. At that date, LAIF fair value factor of .984828499 was used to calculate the fair value of the investments in LAIF. More



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

information on LAIF investment pool can be found at: <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, 2023 was \$15,218,221 and had a weighted average yield to maturity of 3.50%, a weighted average days to maturity of 438 days and an effective duration of 1.02 years. In addition to voluntary participants such as SDHC, the pool is largely made up of mandatory participants such as the County of San Diego (30.79%), public schools (50.93%), community colleges (10.74%) and non-County funds (0.82%). Voluntary depositors make up only 6.72% of the invested funds as of June 30, 2023.

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

As of June 30, 2023, SDHC had \$17,774 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).



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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

Moody's rate FNMA, FHLMC and FRESB as AAA while Standard & Poor's rate FNMA, FHLMC and FRESB as AA+. At June 30, 2023, SDHC had \$107,806 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.

The following table summarized the valuation of SDHC's fair value measurements in accordance with authoritative guidance at June 30, 2023.

	Level 1	Level 2	Level 3	Total
MBS	\$ -	\$ 107,806	\$ -	\$ 107,806
Total	\$ -	\$ 107,806	\$ -	\$ 107,806

FIDUCIARY FUND

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

Cash, cash equivalents and investments at June 30, 2023 consist of the following:

Assets

Cash and investments:

Mutual funds	\$	53,425
Common collective trust funds		6,316
Participant-directed brokerage accounts		2,796
Pooled separate accounts, at fair value		24,099
Guaranteed interest accounts, at contract value		3,056
Guaranteed interest accounts, at fair value		466
Cash		14

Total cash and investments	\$	<u>90,172</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 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.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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, 2023:

Deferred Compensation Plan	Level 1	Level 2	Level 3	Total
Participant directed brokerage accounts:				
Money market funds	\$ 704	\$ -	\$ -	\$ 704
Equities	317	-	-	317
Guaranteed interest accounts	-	466	-	466
Total assets in the fair value hierarchy	1,021	466	-	1,487
Investments measured at net asset value	-	-	-	24,099
Investments at fair value	<u>\$ 1,021</u>	<u>\$ 466</u>	<u>\$ -</u>	<u>\$ 25,586</u>

Pension Trust	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 53,425	\$ -	\$ -	\$ 53,425
Participant directed brokerage accounts	1,775	-	-	1,775
Total assets in the fair value hierarchy	55,200	-	-	55,200
Investments measured at net asset value	-	-	-	6,316
Investments at fair value	<u>\$ 55,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,516</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

Note 4 - Investment Risk Factors (Dollars in Thousands)

GOVERNMENT-WIDE FUND

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

FIDUCIARY FUND

The plans within the Fiduciary 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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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.

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.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

SDHC's debt securities exposure to credit risk and custodial risk as of June 30, 2023 is as follows:

	Standard and Poor's Credit Rating				
	Total fair value	AA+	AA	A	Not Provided
Cash and cash equivalents					
Cash and cash equivalents	\$ 15,518	\$ -	\$ -	\$ -	\$ 15,518
Restricted cash and cash equivalents	3,581	-	-	-	3,581
Total cash and cash equivalents	<u>\$ 19,099</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,099</u>
Short-term investments					
Local Agency Investment Fund	\$ 16,237	\$ -	\$ -	\$ -	\$ 16,237
San Diego County Investment Pool	17,774	17,774	-	-	-
Agency Bonds					
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	1,658	1,658	-	-	-
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	1,010	1,010	-	-	-
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	1,501	1,501	-	-	-
Freddie Mac Small Balance Loans	473	473	-	-	-
Total short-term Investments	<u>\$ 38,653</u>	<u>\$ 22,416</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,237</u>
Long-term investments					
Agency Bonds					
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	\$ 46,783	\$ 46,783	\$ -	\$ -	\$ -
Fannie Mae Mortgage Backed Securities	9,903	9,903	-	-	-
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	21,186	21,186	-	-	-
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	23,958	23,958	-	-	-
Freddie Mac Small Balance Loans	1,334	1,334	-	-	-
Total long-term Investments	<u>\$ 103,164</u>	<u>\$ 103,164</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 Empower Annuity Insurance Company of America as Trustee of the plan assets with authority over management and investment of plan assets.

Concentration of Credit Risk

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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 \$107,806 invested in agency bonds and debentures as of June 30, 2023, 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.

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.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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, 2023

SDHC's exposure to market risk as of June 30, 2023, is as follows:

	Total fair value	Investment maturities		
		Less than 3 months	4 - 12 months	1 - 5 years
Cash and cash equivalents				
Deposits	\$ 15,503	\$ 15,503	\$ -	\$ -
Petty cash	15	15	-	-
Total cash and cash equivalents	<u>\$ 15,518</u>	<u>\$ 15,518</u>	<u>\$ -</u>	<u>\$ -</u>
Restricted cash and cash equivalents	<u>\$ 3,581</u>	<u>\$ 3,581</u>	<u>\$ -</u>	<u>\$ -</u>
Short-term investments				
Local Agency Investment Fund	\$ 16,237	\$ 16,237	\$ -	\$ -
San Diego County Investment Pool	17,774	17,774	-	-
Agency Bonds				
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	1,658	1,658	-	-
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	1,010	151	859	-
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	1,501	-	1,501	-
Freddie Mac Small Balance Loans	473	-	473	-
Total short-term investments	<u>\$ 38,653</u>	<u>\$ 35,820</u>	<u>\$ 2,833</u>	<u>\$ -</u>
Long-term investments:				
Agency Bonds				
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	\$ 46,783	\$ -	\$ -	\$ 46,783
Fannie Mae Mortgage Backed Securities	9,903	-	-	9,903
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	21,186	-	-	21,186
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	23,958	-	-	23,958
Freddie Mac Small Balance Loans	1,334	-	-	1,334
Total long-term Investments	<u>\$ 103,164</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,164</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, 2023

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

At June 30, 2023, amounts due from funding sources consist of the following:

Source / Program	Amount
Business	
City of San Diego	\$ 7,242
Total business	<u>7,242</u>
Federal	
Moving to Work (MTW)	5,776
HOME Investment Partnerships (HOME)	4,798
Community Development Block Grant (CDBG)	4,289
Continuum of Care	1,216
Emergency Solutions Grant	604
Capital Fund	231
Federal - Various	108
Operating Fund	100
5 Year Mainstream	78
Emergency Housing Voucher	51
Total federal	<u>17,251</u>
State	
Various - state	17,422
Total state	<u>17,422</u>
Local	
Various - local	37
Total local	<u>37</u>
Total	<u>\$ 41,952</u>

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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, 2023, 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	\$ 32,706
Town & Country Village Apts. HDP T&C	4015-409 Messina Dr. San Diego, CA 92113	6.80%	12/31/73	16,740
Arbor Terrace	3693-374 Florida St. San Diego, CA 92104	4.86%	07/01/62	14,317
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
Hilltop Family Hsg LP-The Orchard	922 - 944 Euclid Avenue, San Diego, CA 92114	4.00%	12/31/77	8,300
Delta Village Housing Assoc.	4316-436 Delta St. San Diego, CA 92113	3.00%	09/30/77	8,228
Twain Housing, L.P.(Stella)	4304 Twain Ave. San Diego, CA 92120	3.00%	12/31/74	7,500
Villa Encantada AMCAL	505-537 62nd; 504-528 63rd St, SD, CA 92114	4.00%	12/31/73	7,500
City Heights Ten, L.,	10 non-contiguous parcels San Diego, CA 92105	3.56%	03/31/69	7,411
Dawson Ave. Senior Apts. LP-Courtyard	4321-52nd St. San Diego, CA 92115	2.00%	11/12/63	7,018
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
Fairmount Senior Hsg, CIC LP (Eastblock)	4320 44th Stree, San Diego, CA 92101	4.00%	10/01/76	6,750
Ulric St. Hsg. Ass. LP - Ulric	2645-2685 Ulric Street, San Diego CA 92111	3.00%	09/30/77	6,300
14th & Commercial CIC, LP	1 14th Street, San Diego, CA 921010	3.00%	05/01/77	5,925
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
14th & Comm CIC-VHHP, LP (14C-VHHP)	1 14th Street, San Diego, CA 921010	3.00%	05/01/77	5,083
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
Market Square Manor Associates, LP	525 14th St. San Diego, CA 92113	5.60%	02/10/58	4,817
Talmadge Gateway, LP	4422 Euclid Ave. San Diego, CA 92115	3.00%	06/01/72	4,800
Villa Harvey Mandel, L.P.	72 17th Ave. San Diego, CA 92101	5.60%	02/12/57	4,722
Renaissance Sr Hsg.	4330 30th St. San Diego, CA 92104	4.65%	04/12/59	4,643
Creekside - Affirmed Hsg. Partners	2125-215 Coronado Ave. San Diego, CA 92154	5.20%	06/30/35	4,296
Radisson Hotel ,Tizon	11520 Bernardo Ct. San Diego, CA 92127	4.00%	07/31/78	4,275
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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

Borrower	Project Address	Interest Rate	Maturity Date	Principal Amount
Vista del Puente, L.P.	3934 Gamma St; 1510 S 40th St. San Diego, CA 92113	3.00%	12/31/75	4,100
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	3,800
Alabama Manor Hsg Associates	3822-383 Alabama St. San Diego, CA 92104	0.00%	12/31/63	3,741
HDP West Park, LP(West Park)	1830 Fourth Avenue, San Diego CA 92101	4.00%	06/30/75	3,593
Front & Beech SH, LP- The Helm	191 West Beech Street, San Diego CA 92101	4.00%	12/31/77	3,564
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
4132 Beyer, L.P.(Ventana al Sur)	4132 Beyer Boulevard San Diego, CA 92173	3.00%	08/31/79	3,300
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
Messina CIC, LP	5255 Mt. Etna San Diego, CA 92117	4.00%	12/31/81	2,963
Hacienda Townhomes,Ltd.	350 17th St. San Diego, CA 92101	4.50%	07/01/48	2,936
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
NCRC NSV LP, Nestor Senior	1120 Nestor Way San Diego, CA 92154	4.00%	12/31/78	2,831
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
Metro Villas Housing Partners	4031-408 39th St. San Diego, CA 92105	4.85%	02/01/58	2,473
HDP Mason Hsg. Corp./Mason Hotel	1337-134 Fifth Avenue, San Diego CA 92103	3.00%	02/28/68	2,434
Riverwalk Apartments, L.P.	1194 Hollister St. San Diego, CA 92154	3.00%	03/01/65	2,275
HDP ADU, LLC (Companion Units)	1144 Twining Avenue, San Diego CA 92154	3.00%	12/01/75	2,260
Modica Family Apartments CIC, LP	5255 Mt. Elena Drive San Diego, CA 92117	4.00%	12/31/81	2,250
Wakeland Village Green Apts LP	4140-415 Bonillo Dr. San Diego, CA 92115	3.00%	04/01/65	2,165
Post 310 , L.P.	465 North 47th Street San Diego, CA 92102	4.00%	08/01/79	2,162
Winona Gardens Hsg. Assoc.-Bandar	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
HDP Churchill, L.P./Hotel Churchill-Sub	827 C St. San Diego, CA 92101	3.00%	08/31/71	2,023
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
j Street Inn, LP J Street	222 J Street, San Diego, CA 92101	0.00%	12/31/27	1,890
St. Stephens Hsg. LP /Jean C.McKinney	5641 Imperial Ave. San Diego, CA 92114	4.79%	05/01/36	1,819
YWCA of SD County-Becky's House	2540-2550 Garnet Ave. San Diego, CA 92109	0.00%	11/10/62	1,786
Parkside SD Apts., LP (Formerly Bolt)	4010-4050 Parkhaven Ct. San Diego, CA 92113	3.00%	04/01/56	1,726
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
Island Inn, LP	202 Island Ave, San Diego, CA 92101	0.00%	12/31/27	1,528
Beech Street Housing, LP-Cortez Hill	1449 Ninth Avenue San Diego, CA 92101	3.00%	12/31/78	1,517
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	1,318
Chicano Federation Trojan Apts.	5222 Trojan Ave. San Diego, CA 92115	3.00%	07/01/53	1,145



San Diego Housing Commission

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June 30, 2023

Borrower	Project Address	Interest Rate	Maturity Date	Principal Amount
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	980
Casa Colina LP	5207 52nd Place, San Diego, CA 92105	3.00%	02/01/59	973
SD LGBT Community Center	1640 Broadway, San Diego, CA 92101	0.00%	11/01/60	934
Catholic Charities/Leah Residence-9th F	798 Ninth Ave. San Diego, CA 92101	0.00%	10/31/58	928
Carmel Valley Hsg./Torrey Del Mar	13875 Carmel Valley Rd. San Diego, CA 92130	3.00%	06/30/56	892
NCRC SYSV, LP/San Ysidro Sr. Village	517 West San Ysidro, San Ysidro, CA 92713	3.00%	12/31/75	760
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
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
Wakeland Trinity PI Trinity Place	6240 Mission Gorge Road, San Diego, CA 92120	4.00%	12/31/76	610
3137 El Cajon Blvd. LP-The Boulevard	3137 El Cajon Blvd. San Diego, CA 92104	3.00%	12/31/63	600
Chicano Federation Park Place	4033 33rd St. San Diego, CA 92104	3.00%	12/01/52	596
Housing Innovation P	1851-186 Titus St. San Diego, CA 92103	3.00%	10/20/58	573
Santaluz Family Apts. LP-Rancho del Nort	16775 Saintbury Glen, San Diego, CA 92130	3.00%	09/29/60	500
COMM 22 Family Hsg. LP/	Commercial & 22nd St. San Diego, CA 92113	3.00%	05/01/69	500
Total Major Loans				401,979
Home ownership loans (Under \$500)				45,640
Single-Family rehabilitation loans (Under \$500)				5,096
Rental Housing Finance loans with rehab / acquisition (under \$500)				4,511
Total Non-Major Loans as of June 30, 2023				55,247
Total Major Loans and Total Non-Major Loans as of June 30, 2023 (Not Including Deferred Loans)				457,226
Allowance for Loan Losses				(5,490)
Allowance for Forgivable Loans				(8,239)
Total notes receivable at June 30, 2023				443,497
Deferred cumulative interest receivable at June 30, 2023				74,762
Total notes and interest receivable at June 30, 2023				<u>\$ 518,259</u>

Notes and mortgages receivable due one year or less amounted to \$154 as of June 30, 2023. The change in allowance on notes receivable consists of the following:

Balance, July 1, 2022	Losses/ write-offs	Additions/ adjustments	Balance, June 30, 2023
\$ 12,538	\$ (708)	\$ 1,899	\$ 13,729

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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, 2023, total \$71,034.

Note 7 - Capital Assets (Dollars in Thousands)

A summary of changes in capital assets for the year ended June 30, 2023 is as follows:

	Balance, June 30, 2022	Additions	Transfers / Retirements	Balance, June 30, 2023
Capital assets, not being depreciated				
Land	\$ 108,617	\$ -	\$ -	\$ 108,617
Construction in progress	550	1,075	(120)	1,505
Total capital assets, not being depreciated	109,167	1,075	(120)	110,122
Capital assets, being depreciated				
Buildings	177,593	-	-	177,593
Building improvements	87,129	2,192	(32)	89,289
Office furniture and equipment	6,685	223	36	6,944
Intangible right to use software arrangements	-	5,225	-	5,225
Total capital assets, being depreciated	271,407	7,640	4	279,051
Less accumulated depreciation for:				
Buildings	(35,759)	(4,457)	-	(40,216)
Building improvements	(39,668)	(5,242)	3	(44,907)
Office furniture and equipment	(4,526)	(652)	67	(5,111)
Intangible right to use software arrangements	-	(829)	-	(829)
Total accumulated depreciation	(79,953)	(11,180)	70	(91,063)
Total capital assets, being depreciated, net	191,454	(3,540)	74	187,988
Total capital assets, net	\$ 300,621	\$ (2,465)	\$ (46)	\$ 298,110

In fiscal year 2023, capital assets totaled \$298,110. SDHC implemented Governmental Accounting Standards Board Statement No. 96 (GASB 96), Subscription-Based Information Technology Arrangements (SBITA). SDHC identified nine software arrangements that require recognition under GASB 96. The addition of \$5,225 is included in the above table as Intangible Right to Use Software Arrangements. These will be amortized over the term



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

of each SBITA. Additional details may be found in Note 10 – Leases and SBITA Agreements.

Additions of \$2,192 to building improvements include ADA accessibility upgrades at Kearny Vista, Georgia St and 33rd St, administrative equipment upgrades at Smart Corner and plumbing upgrades at 44th St., 45th St., Alaquinas and Juniper.

Depreciation and amortization expense for the year ended June 30, 2023 was \$10,351 and \$829 respectively.

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

As of June 30, 2023 prepaid and other current assets consisted of the following:

Prepaid software licenses	\$ 1,124
Prepaid grants	593
Escrow deposits - mortgage insurance premiums	451
Deposits - contracts	262
Prepaid insurance	158
Prepaid mortgage insurance	73
Prepaid appliances	13
Deposits other	9
Total prepaids and other	<u>\$ 2,683</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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

A summary of notes payable at June 30, 2023 is as follows:

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Balance, 6/30/2022	(Payments)/ Amortization/ Adjustments	Balance, 06/30/2023	Due Within One Year FY24	GASB 88 Disclosure Footnotes
Direct Borrowing Debts of the Commission							
Key Bank Real Estate Capital - Smart Corner	6.08%*	2027	\$ 923	\$ (139) **	\$ 784	\$ 54	A1, B1, C1, D2
* Note converts to variable interest rate after November 2021.							
** Payment includes optional annual payment of \$91							
City of San Diego - Hotel Sandford	1.00%	2065	5,843	-	5,843	-	A1, B2, C4, D4
Forgivable loan with accrued interest totaling \$715.							
State of California - Housing Loan Conv Program 12-HLCP-0004	3.00%	2068	1,405	-	1,405	-	A1, B3, C5, D3
State of California - Housing Loan Conv Program 12-HLCP-0003	3.00%	2068	3,150	-	3,150	-	A1, B4, C5, D3
Red Capital Mortgage, LLC - Courtyard Apartments	4.92%	2030	3,912	(73)	3,839	76	A1, B5, C2, D1
JP Morgan Chase - Valley Vista	3.29%	2030	31,874	(3,545)	28,329	628	A1, B11, C1, D1
JP Morgan Chase - Kearny Vista	3.39%	2030	16,922	(10,334)	6,588	144	A1, B12, C1, D1
Debts of the LLCs							
Greystone Servicing Corp, Inc. - Belden SDHC FNMA, LLC	7.32%	2040	10,028	(291)	9,737	313	A1, B6, C2, D1
Greystone Servicing Corp, Inc. - Northern SDHC FNMA, LLC	7.32%	2040	8,800	(255)	8,545	275	A1, B7, C2, D1
Greystone Servicing Corp, Inc. - Central SDHC FNMA, LLC	7.32%	2040	11,404	(11,404)	-	-	A1
PNC Bank, NA FHA - Southern SDHC FHA, LLC	3.76%	2046	19,919	(547)	19,372	568	A1, B8, C3, D1
PNC Bank, NA FHA - Northern SDHC FHA, LLC	3.76%	2046	13,934	(382)	13,552	397	A1, B9, C3, D1
PNC Bank, NA FHA - Central SDHC FHA, LLC	3.65%	2046	12,497	(346)	12,151	359	A1, B10, C3, D1
Subtotal			140,611	(27,316)	113,295	2,814	
Less amortized debt issuance costs			(1,220)	203	(1,017)	-	
Total			\$ 139,391	\$ (27,113)	\$ 112,278	\$ 2,814	

At June 30, 2023, the current portion of notes payable was \$2,814 and the noncurrent portion of notes payable, net was \$109,464.

Debt issuance costs associated with the LLC loans totaled \$2,120, less accumulated amortization of \$1,103 at June 30, 2023. For fiscal year 2023, amortization totaled \$203. 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 qualified direct subsidy BABs loans. SDHC received subsidy payments of \$637 in fiscal year 2023.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

The Central SDHC FNMA LLC note was paid off in its entirety in fiscal year 2023. Additionally, Kearny Vista and Valley Vista notes were partially retired in the amounts of \$10,000 and \$2,879, respectively.

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 \$715 as of June 30, 2023.

	Notes payable		
	Principal	Interest	Total
Year ending June 30, 2024	\$ 2,814	\$ 4,359	\$ 7,173
2025	2,950	4,224	7,174
2026	3,087	4,085	7,172
2027	3,759	3,929	7,688
2028	3,300	3,779	7,079
2029-2033	47,716	13,584	61,300
2034-2038	17,458	6,913	24,371
2039-2043	15,325	2,551	17,876
2044-2048	6,488	270	6,758
2049-2053	-	-	-
2054-2068	4,555	-	4,555
Subtotal	107,452	43,694	151,146
Forgivable loans	5,843	-	5,843
Total notes payable	<u>\$ 113,295</u>	<u>\$ 43,694</u>	<u>156,989</u>
Less: Unamortized debt issuance costs			(1,017)
Total notes payable, net			<u>\$ 155,972</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

GASB 88 Disclosure Footnotes

A. Amount of Unused Lines of Credit

A1 SDHC has no open lines of credit.

B. Assets Pledged as Collateral

B1 1122 Broadway, 92101

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

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

B4 605-695 Picador Blvd, 92154

B5 4395 El Cajon Boulevard, 92105

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

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

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

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

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

B11 5400 Kearny Mesa Road, 92111

B12 1865 Hotel Circle South, 92108



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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

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.
- 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, 2022	Additions (accruals)	Deductions (usage)	Balance, June 30, 2023	Due Within One Year FY23
\$ 3,887	\$ 4,001	\$ (3,557)	\$ 4,331	\$ 4,331



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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

SDHC, as a lessor, has entered into lease agreements for the use of certain SDHC land and commercial spaces. Terms of the agreements are listed below. As an interest rate implicit in SDHC's leases is not readily determinable, SDHC uses the state of California's incremental borrowing rate. For fiscal year 2023, SDHC held the following leases:

	Lease Receivable Current Portion	Lease Receivable Noncurrent Portion	Deferred Inflows	Lease Revenue	Lease Interest Revenue
Commercial leases					
7-Eleven	\$ 151	\$ 1,461	\$ 1,547	\$ 169	\$ 25
Barber College	9	-	9	139	-
BB's Deli	-	-	-	18	-
Family Justice Center	604	794	1,422	560	4
Latinos y Latinas	-	-	-	14	-
MetroPCS	73	448	502	78	5
T-Mobile Tower	-	-	-	28	-
Total commercial leases	837	2,703	3,480	1,006	34
Land leases					
<u>Land leases (non-related)</u>					
Arbor Village	17	1,234	1,234	49	19
Dawson Courtyard	20	1,652	1,650	34	25
Golden Villas	5	174	177	7	3
Mariner's Cove	460	52,900	52,060	790	804
Mercado	-	-	-	-	-
Mission	23	1,875	1,874	40	24
Riverwalk	15	1,080	1,081	30	17
Talmadge	41	2,691	2,696	59	41
Terramar	6	523	523	11	8
Think Dignity	-	-	-	-	-
Villa Merced	70	563	622	74	10
Vista Grande	-	-	-	-	-
Total land leases (non-related)	657	62,692	61,917	1,094	951
<u>Related party land leases</u>					
Casa Colina	12	754	744	23	12
Hotel Churchill	19	1,705	1,702	44	26
Mariner's Village	99	9,928	9,901	186	152
Parker Kier	-	-	-	28	-
Quality Inn	19	1,787	1,784	45	27
San Diego Square	98	7,982	7,976	155	123
Village North Senior	29	2,699	2,694	49	41
West Park	10	903	901	15	14
Total related party land leases	286	25,758	25,702	545	395
Total	<u>\$ 1,180</u>	<u>\$ 91,153</u>	<u>\$ 91,099</u>	<u>\$ 2,645</u>	<u>\$ 1,380</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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 15, 2013, SDHC entered into a five-year lease agreement with the Associated Barber College of San Diego for three commercial spaces located at the Project at 1315, 1325 and 1333 5th Avenue. On August 15, 2018, SDHC exercised the lease option extending the lease through August 14, 2023. The existing lease terminated on July 31, 2023 and a new lease commenced on August 1, 2023 for a term of 5 years with one 5 year renewal option.

On October 1, 2014, SDHC entered into a four-year lease agreement with the Associated Barber College of San Diego for a commercial space located at the Project at 1311 5th Avenue. On August 15, 2018, SDHC exercised the lease option extending the lease through August 14, 2023. The existing lease terminated on July 31, 2023 and a new lease commenced on August 1, 2023 for a term of 5 years with one 5 year renewal option. The San Diego Housing Commission received monthly payments through 2023.

BB's Deli – On August 5th 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 August 1st 2022, the San Diego Housing Commission entered into a 1 year lease agreement with a three year renewal option with Latinos y Latinas en Accion for the lease of real property located at 4395 El Cajon Boulevard, San Diego, CA. On July 31, 2023, the option to renew was exercised. The San Diego Housing Commission is receiving monthly payments through 2023.

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.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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 2023. The tenant has provided notice they will be terminating the lease early.

Land Leases (non-related)

Arbor Village – On April 1st 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. Variable payment of \$25 was received in FY23.

Dawson Courtyard – On November 12th 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 52nd 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. Variable payment of \$3.8 was received in FY23.

Golden Villas – On May 30th 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. Variable payment of \$1 was received in FY23.

Mariner's Cove – On December 30th 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. Variable payment of \$18.9 was received in FY23.

Mercado – On March 15th 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 FY23.

Mission – On May 1st 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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

annual rent payments through 2078 and there are no renewal options included in this agreement. Variable payment of \$5 was received in FY23.

Riverwalk – On April 26th 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. Variable payment of \$9.1 was received in FY23.

Talmadge – On November 8th 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. Variable payment of \$0.5 was received in FY23.

Terramar – On July 25th 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. Variable payment of \$1.4 was received in FY23.

Think Dignity – On May 1st 2014, the San Diego Housing Commission entered into a 2 year lease agreement with Think Dignity for the lease of real property at 252 16th 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. No variable payment was received in FY23.

Villa Merced – On December 30th 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 \$0.5 was received in FY23.

Vista Grande – On October 20th 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. No payments were received in FY23.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

Related Party Land Leases

Casa Colina – On February 18th 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 52nd 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. Variable payment of \$1.6 was received in FY23.

Hotel Churchill – On April 24th 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. Variable payment of \$14.9 was received in FY23.

Mariner's Village – On November 30th 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. Variable payment of \$26.2 was received in FY23.

Parker Kier – On September 1st 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. There were no variable payments in FY23.

Quality Inn – On December 15th 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 4th Avenue, San Diego, CA. The San Diego Housing Commission is receiving annual payments through 2083 and there are no options for renewal. Variable payment of \$14.1 was received in FY23.

San Diego Square – On February 28th 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 24th 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. Variable payment of \$7.5 was received in FY23.

Village North Senior – On December 15th 2017, the San Diego Housing Commission entered into a 65 year 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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

receiving annual payments through 2083 and there are no options for renewal. Variable payment of \$3.7 was received in FY23.

West Park – On December 14th 2017, the San Diego Housing Commission entered into a 65 year lease agreement with Housing Development Partners for the lease of real property located at 1830 4th Avenue, San Diego, CA. The San Diego Housing Commission is receiving annual payments through 2083 and there are no options for renewal. Variable payment of \$0.1 was received in FY23.

Minimum lease payments receivable are as follows:

	Lease Principal	Lease Interest
Year(s) ending June 30, 2024	\$ 1,780	\$ 1,367
2025	1,819	1,348
2026	1,367	1,330
2027	1,227	1,312
2028	1,269	1,294
2029-2033	6,054	6,283
2034-2038	5,222	5,858
2039-2043	5,627	5,459
2044-2048	6,063	5,030
2049-2112	62,505	20,949
	<u>\$ 92,933</u>	<u>\$ 50,230</u>

Subscription-Based Information Technology Arrangements

In fiscal year 2023 SDHC implemented GASB 96. SDHC identified nine software arrangements that require recognition under GASB 96. These SBITA are recorded as intangible right to use software arrangements in capital assets and subscription liability. As an interest rate implicit in SDHC's subscription arrangements are not readily determinable, SDHC uses the State of California incremental borrowing rate posted for GASB 96. For fiscal year 2022-2023 for leases 0 months to 60 months this rate was 2.40%. The terms in month are calculated to include option periods.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

In fiscal year 2023 SDHC had the following SBITA:

Software and contractor	Term in months	Net Present Value of Subscription Liability	Subscriptions Payable Balance, 06/30/2023	Subscriptions Payable Due Within One Year
Yardi - Yardi Systems Inc	60	\$ 2,842	\$ 2,293	\$ 554
OnBase - Hyland Software, Inc.	60	522	419	101
Microsoft Licensing - Insight Public Sector, Inc	36	583	387	190
Planetbids - Planetbids, Inc	60	393	239	77
8x8 Licensing - 8x8, Inc	24	349	130	130
Varonis - NTH Generation	36	175	118	58
Salesforce - CarahSoft Technology Corporation	36	122	81	40
Box - SoftChoice Corporation	24	130	65	65
Okta SSO - NTH Generation Computing, Inc	24	109	53	53
Total subscription liabilities		<u>\$ 5,225</u>	<u>\$ 3,785</u>	<u>\$ 1,268</u>

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

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

Microsoft – On May 1, 2023, SDHC entered into a one-year agreement with two additional option years with Insight Public Sector, Inc. Annual payments are due in the amount of \$199. There is no option to purchase this software.

Planetbids – On June 1, 2022, SDHC entered into a one-year agreement with four additional option years with Planetbids, Inc. The initial payment was \$80. Annual payments are due in the amounts of \$81, \$82, \$85 and \$85 for each of the option years, respectively. There is no option to purchase this software.

8x8 – On February 17, 2023, SDHC entered into a one-year agreement with one additional option year with 8x8 Inc. There was an initial implementation fee of \$89 and annual payments are due in the amount of \$131. There is no option to purchase this software.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

Varonis – On September 28, 2022, SDHC entered into a three-year agreement with NTH Generation. Annual payments are due in the amount of \$60. There is no option to purchase this software.

Salesforce – On May 1, 2023, SDHC entered into a one-year agreement with two additional option years with CarahSoft Technology Corp. Annual payments are due in the amount of \$42. There is no option to purchase this software.

Box – On October 30, 2022, SDHC entered into a one-year agreement with one additional option year with SoftChoice Corporation. Annual payments are due in the amount of \$65. There is no option to purchase this software.

Okta SSO – On June 12, 2023, SDHC entered into a one-year agreement with one additional option year with NTH Generation Computing, Inc. Annual payments are due in the amount of \$53. There is no option to purchase this software.

The future subscription payments under SBITA agreements are as follows:

	Subscriptions		
	Principal	Interest	Total
Year ending June 30, 2024	\$ 1,268	\$ 61	\$ 1,329
2025	1,047	44	1,091
2026	766	22	788
2027	704	2	706
Total	<u>\$ 3,785</u>	<u>\$ 129</u>	<u>\$ 3,914</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, 2023, covered payroll



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

was \$33,142. Pension expense related to SDHC's required contribution was \$4,593 and plan members contributed \$312 for the fiscal year ended June 30, 2023.

At June 30, 2023, there were 448 participants in the plan, including: 7 inactives receiving benefits, 107 inactives not receiving benefits and 334 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 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, 2023, SDHC's covered payroll was \$35,647. Deferred compensation expense related to SDHC's required contribution was \$809 and plan members contributed \$2,710 for the fiscal year ended June 30, 2023.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

At June 30, 2023, there were 826 participants in the plan, including: 18 inactives receiving benefits, 372 inactives not yet receiving benefits and 427 active participants and 9 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.

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

Empower Annuity Insurance Company of America (Empower) 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 \$28,642 at June 30, 2023. 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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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;
- 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, 2023. 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.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

Note 14 - Net Position (Dollars in Thousands)

SDHC's net position totaled \$867,260 for the period ending June 30, 2023 and is comprised of the following:

Net Investment in Capital Assets

SDHC's net investment in capital assets totaled \$180,419 for the period ending June 30, 2023. This relates to funds spent on capital assets being used for operations of SDHC.

Restricted Net Position

SDHC's restricted net position totaled \$235,277 for the period ending June 30, 2023. Of the total amount, \$201,900 is related to HOME - funded notes receivable, \$23,731 is related to CDBG Affordable Housing Revolving Loan Fund (CDBG AHRLF) – funded notes receivable, \$6,117 is related to Neighborhood Stabilization Program (NSP) - funded notes receivable, while \$93 is related to CDBG Loan Management and Homeownership – funded 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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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, \$2,678 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 \$758, is related to housing assistance reserves for Veterans Affairs Supportive Housing (VASH), Family Self Sufficiency (FSS), Family Reunification Program (FUP), Mainstream Vouchers and Emergency Housing Voucher (EHV). VASH, FUP, Mainstream, and EHV restricted balance is administered in accordance with Housing Choice Vouchers (HCV) requirements.

Unrestricted Net Position

SDHC's unrestricted net position totaled \$451,564 for the period ending June 30, 2023. 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, \$285,997 relates to notes receivable (money due to SDHC, not on-hand and net of allowance for loan loss), \$33,800 relates to loans and grants SDHC has committed to fund (also see Note 16), and the remaining \$131,767 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, 2023, SDHC's original budget included \$358,066 of estimated HUD funding. A reduction in funding from HUD could significantly change the services provided by SDHC.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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, 2023. The amount of loans and grants SDHC has committed to fund, but has not funded as of June 30, 2023, is \$33,800,000.

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.

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 closing deadline expires February 1, 2024.

On July 27, 2023, SDHC and ESA P Portfolio LLC entered into an amended purchase and sale agreement for certain real property commonly known as "Murphy Canyon Property" 3860 Murphy Canyon Road, San Diego, CA 92123 and "Hotel Circle Property" 2085-95 Hotel Circle South, San Diego, CA 92108 for a total purchase price of \$85,000,000. The closing deadline expires April 20, 2024.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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, 2023

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, 2023 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.

	Inclusionary Housing Fund	Housing Trust Fund
Operating Revenues		
Fee revenue	\$ 27	\$ -
Other revenue	4	-
	<u>31</u>	<u>-</u>
Operating Expenses		
Administrative expenses	2,276	332
Grant expense	3,702	433
Housing assistance	352	-
	<u>6,330</u>	<u>765</u>
Total operating expenses	<u>6,330</u>	<u>765</u>
Operating loss	<u>(6,299)</u>	<u>(765)</u>
Non- Operating Revenues		
Grant revenue	665	3,052
Interest income on investments and notes receivable	2,520	1,127
	<u>3,185</u>	<u>4,179</u>
Total non-operating revenues	<u>3,185</u>	<u>4,179</u>
Change in net position	<u>\$ (3,114)</u>	<u>\$ 3,414</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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, 2023, Building Opportunities recorded approximately \$181,000 in other revenue in the statement of revenues, expenses and changes in net position. As of June 30, 2023, there was no unearned revenue.

LLCs

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

A portion of SDHC's larger properties (33 properties) were leveraged with three loans from Fannie Mae under the conventional multifamily loan program and generated \$37,140,000 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, 2023:



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2023

San Diego Housing Commission - Blended Component Units
Balance Sheet
June 30, 2023
(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
<u>Assets</u>									
Current assets									
Operating cash	\$ 453	\$ 346	\$ 596	\$ 669	\$ 1,247	\$ 918	\$ -	\$ -	\$ 4,229
Security deposit account	119	101	150	117	220	167	-	-	874
Restricted cash	34	21	-	188	445	314	-	-	1,002
Accounts receivable	227	132	332	335	736	603	2	-	2,367
Allowance for doubtful accounts	(65)	(64)	(116)	(70)	(115)	(350)	-	-	(780)
Prepaid mortgage insurance	-	-	-	20	29	23	-	-	72
Escrow account - MIP	-	-	-	55	78	44	-	-	177
Total current assets	768	536	962	1,314	2,640	1,719	2	-	7,941
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	5,963	7,623	6,105	-	-	27,882
Office furniture and equipment	64	104	93	55	153	103	-	-	572
Accumulated depreciation	(976)	(2,405)	(4,944)	(5,625)	(5,696)	(4,500)	-	-	(24,146)
Work in progress - Bldg improvement	-	-	-	-	197	-	-	-	197
Total capital assets	3,446	6,370	7,735	9,182	9,861	9,417	30	-	46,041
Total assets	\$ 4,214	\$ 6,906	\$ 8,697	\$ 10,496	\$ 12,501	\$ 11,136	\$ 32	\$ -	\$ 53,982



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2023

San Diego Housing Commission - Blended Component Units
Balance Sheet
June 30, 2023
(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
<u>Liabilities</u>									
Current liabilities									
Accounts payable	\$ 305	\$ 187	\$ 142	\$ 203	\$ 853	\$ 454	\$ 2	\$ -	\$ 2,146
Related party payable	29	40	113	78	22	149	-	-	431
Accrued interest payable	59	52	-	43	61	37	-	-	252
First mortgage - current portion	313	275	-	397	568	359	-	-	1,912
Prepaid revenue	70	42	46	65	96	53	-	-	372
Tenant security deposits	119	101	149	116	221	167	-	-	873
Total current liabilities	895	697	450	902	1,821	1,219	2	-	5,986
Long-term liabilities									
First mortgage payable, net	9,351	8,203	-	12,887	18,438	11,548	-	-	60,427
Total liabilities	10,246	8,900	450	13,789	20,259	12,767	2	-	66,413
<u>Net Position</u>									
Net investment in capital assets	(6,289)	(2,174)	7,735	(4,369)	(9,512)	(2,735)	30	-	(17,314)
Restricted net position	34	21	-	188	445	315	-	-	1,003
Unrestricted net position	223	159	512	888	1,309	789	-	-	3,880
Total net position	(6,032)	(1,994)	8,247	(3,293)	(7,758)	(1,631)	30	-	(12,431)
Total liabilities and net position	\$ 4,214	\$ 6,906	\$ 8,697	\$ 10,496	\$ 12,501	\$ 11,136	\$ 32	\$ -	\$ 53,982



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2023San 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
<u>Operating income</u>									
Rental income	\$ 2,589	\$ 2,359	\$ 3,360	\$ 3,229	\$ 5,297	\$ 4,155	\$ -	\$ -	\$ 20,989
Other income	299	48	69	311	294	103	-	-	1,124
Total operating income	2,888	2,407	3,429	3,540	5,591	4,258	-	-	22,113
<u>Expenses</u>									
Operating expenses									
Salaries and benefits	280	245	501	311	568	559	-	-	2,464
Management fee	130	119	169	164	267	209	-	-	1,058
Other administration	97	64	73	62	113	94	2	4	509
Utilities	281	188	206	282	459	396	-	-	1,812
Repairs and maintenance	444	500	691	852	1,100	916	-	-	4,503
Protective services	37	36	-	-	72	69	-	-	214
Insurance	83	58	63	58	105	77	-	-	444
Depreciation	71	255	394	450	473	432	-	-	2,075
Bad debt expense	86	50	65	43	30	227	-	-	501
Total operating expenses	1,509	1,515	2,162	2,222	3,187	2,979	2	4	13,580
Operating income (loss)	1,379	892	1,267	1,318	2,404	1,279	(2)	(4)	8,533
Non-operating revenues (expenses)									
Grant revenue	-	-	-	-	-	-	-	181	181
Grant expense	-	-	-	-	-	-	-	(181)	(181)
Interest expense	(723)	(634)	(1,268)	(516)	(738)	(449)	-	-	(4,328)
Mortgage insurance	-	-	-	(62)	(88)	(56)	-	-	(206)
Amortized loan fees	(5)	(5)	(133)	(18)	(24)	(16)	-	-	(201)
Entity taxes and fees	(7)	(7)	(7)	(7)	(13)	(7)	(1)	-	(49)
Total non-operating revenues (expenses)	(735)	(646)	(1,408)	(603)	(863)	(528)	(1)	-	(4,784)
Net income (loss)	644	246	(141)	715	1,541	751	(3)	(4)	3,749
Net operating transfers in (out)	-	-	-	-	-	-	3	-	3
Net income (loss) net of financing sources	\$ 644	\$ 246	\$ (141)	\$ 715	\$ 1,541	\$ 751	\$ -	\$ (4)	\$ 3,752



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2023

San Diego Housing Commission - Blended Component Units
Statement of Cash Flows
For the Year Ended June 30, 2023
(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	\$ 2,795	\$ 2,384	\$ 3,295	\$ 3,440	\$ 5,533	\$ 4,090	\$ -	\$ 111	\$ 21,648
Operating expenses paid	(2,190)	(1,931)	(3,228)	(2,463)	(3,646)	(3,157)	(3)	(601)	(17,219)
Cash flows from operating activities	605	453	67	977	1,887	933	(3)	(490)	4,429
Net withdrawals	1	(12)	70	66	51	83	-	-	259
Net purchases	3	7	(6)	-	(1,184)	(873)	-	-	(2,053)
Cash flows from investing activities	4	(5)	64	66	(1,133)	(790)	-	-	(1,794)
Debt principal payments	(291)	(255)	(11,404)	(382)	(547)	(346)	-	-	(13,225)
Distribution	(215)	(205)	(146)	(931)	(1,341)	(756)	-	-	(3,594)
Contribution	-	75	11,699	220	1,242	1,040	3	-	14,279
Cash flows from capital and related financing activities	(506)	(385)	149	(1,093)	(646)	(62)	3	-	(2,540)
Net increase (decrease) in cash and restricted cash	103	63	280	(50)	108	81	-	(490)	95
Cash and restricted cash - beginning	469	384	466	836	1,359	1,004	-	490	5,008
Cash and restricted cash - end	\$ 572	\$ 447	\$ 746	\$ 786	\$ 1,467	\$ 1,085	\$ -	\$ -	\$ 5,103



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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://hdppartners.org>.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

**Reconciliation of HDP Discrete Component Unit Presentation
Statement of Net Position
As of December 31, 2022**

	Component Unit	HDP Audit Presentation	Variance
<u>Assets</u>			
Current assets			
Cash and cash equivalents	\$ 21,931	\$ 21,931	\$ -
Restricted cash and cash equivalents	764	764	-
Accounts receivable - tenants, net	115	115	-
Accounts receivable - funding sources	61	61	-
Accounts receivable - other	384	384	-
Prepaid items and other assets	407	407	-
Total current assets	<u>23,662</u>	<u>23,662</u>	<u>-</u>
Noncurrent assets			
Restricted cash and cash equivalents	7,754	7,754	-
Investment in partnerships	72	72	-
Other assets	3,371	3,371	-
Capital assets not being depreciated	4,709	4,709	-
Capital assets, net of accumulated depreciation	129,373	129,373	-
Total noncurrent assets	<u>145,279</u>	<u>145,279</u>	<u>-</u>
Total assets	<u>\$ 168,941</u>	<u>\$ 168,941</u>	<u>\$ -</u>
<u>Liabilities</u>			
Current liabilities			
Accounts payable	1,820	1,820	-
Accounts payable - funding sources	57	57	-
Accrued payroll and benefits	40	40	-
Accrued interest payable	217	217	-
Notes payable, current portion	1,286	1,286	-
Deposits payable	669	669	-
Unearned revenue	71	71	-
Total current liabilities	<u>4,160</u>	<u>4,160</u>	<u>-</u>
Noncurrent liabilities			
Accrued interest payable - noncurrent	12,478	5,920	(6,558)
Notes payable noncurrent, net	153,170	107,860	(45,310)
Other liabilities	11,678	11,678	-
Total noncurrent liabilities	<u>177,326</u>	<u>125,458</u>	<u>(51,868)</u>
Total liabilities	<u>\$ 181,486</u>	<u>\$ 129,618</u>	<u>\$ (51,868)</u>
<u>Net Position</u>			
Restricted			
Non-controlling interest - tax credit partnerships	46,251	(114)	(46,365)
Unrestricted	(58,796)	39,437	98,233
Total net position	<u>\$ (12,545)</u>	<u>\$ 39,323</u>	<u>\$ 51,868</u>
Total liabilities and net position	<u>\$ 168,941</u>	<u>\$ 168,941</u>	<u>\$ -</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

**Reconciliation of HDP Discrete Component Unit Presentation
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2022**

	Component Unit	HDP Audit Presentation	Variance
Operating revenues			
Dwelling rental income	\$ 17,982	\$ 17,982	\$ -
Land lease and other rental income	145	145	-
Fee revenue	-	-	-
Other revenue	616	262	(354)
Grant revenue	-	421	421
Interest income	-	61	61
Total operating revenues	<u>18,743</u>	<u>18,871</u>	<u>128</u>
Operating expenses			
Administrative expenses	4,087	-	(4,087)
Tenant services	319	-	(319)
Asset management	5,442	-	(5,442)
General expenses	1,534	-	(1,534)
Depreciation	5,390	5,509	119
Program services	-	8,707	8,707
Management and general	-	2,230	2,230
Interest expense	-	4,961	4,961
Total operating expenses	<u>16,772</u>	<u>21,407</u>	<u>4,635</u>
Operating income (loss)	<u>1,971</u>	<u>(2,535)</u>	<u>(4,507)</u>
Nonoperating revenues (expenses)			
Grant revenue	67	-	(67)
Interest income on investments and notes receivable	61	-	(61)
Interest expense	<u>(6,773)</u>	<u>-</u>	<u>6,773</u>
Total nonoperating revenues (expenses)	<u>(6,645)</u>	<u>-</u>	<u>6,645</u>
Change in net position before capital transactions	(4,674)	(2,535)	2,138
Contributions, net of distributions	20,047	20,018	(29)
Transfer of properties to component unit	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	15,373	17,483	2,110
Net position			
Beginning of year	<u>(27,918)</u>	<u>21,840</u>	<u>49,758</u>
End of year	<u>\$ (12,545)</u>	<u>\$ 39,323</u>	<u>\$ 51,868</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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

Type of Obligation		HDP Balance, 12/31/2022	Additions	Payments	SDHC Balance, 6/30/2023
SALARIES PAYABLE AND OTHER PAYABLES					
<u>Debts of Housing Development Partners of San Diego</u>					
San Diego Housing Commission		\$ 210	\$ 682	\$ (617)	\$ 275
ACCRUED INTEREST PAYABLE AND NOTES PAYABLE					
<u>Debts of HDP Mason Housing Corporation</u>					
San Diego Housing Commission	Principal	2,434	-	-	2,434
San Diego Housing Commission	Interest	793	37	-	830
<u>Debts of Casa Colina, LP</u>					
San Diego Housing Commission	Principal	1,060	-	(87)	973
San Diego Housing Commission	Interest	18	15	(29)	4
<u>Debts of Logan Development II, LP</u>					
San Diego Housing Commission	Principal	1,400	-	-	1,400
San Diego Housing Commission	Interest	1,506	42	(41)	1,507
<u>Debts of HDP Churchill, LP</u>					
San Diego Housing Commission	Principal	5,956	-	(133)	5,823
San Diego Housing Commission	Interest	780	89	(60)	809
<u>Debts of HDP New Palace, LP</u>					
San Diego Housing Commission	Principal	3,100	-	-	3,100
San Diego Housing Commission	Interest	408	62	(65)	405
<u>Debts of HDP Town & Country, LP</u>					
San Diego Housing Commission	Principal	13,250	-	-	13,250
San Diego Housing Commission	Interest	3,617	569	(155)	4,031
<u>Debts of HDP Quality Inn, LLC</u>					
San Diego Housing Commission	Principal	5,240	-	-	5,240
San Diego Housing Commission	Interest	497	105	(104)	498
<u>Debts of HDP West Park, LP</u>					
San Diego Housing Commission	Principal	3,593	-	-	3,593
San Diego Housing Commission	Interest	294	72	-	366
<u>Debts of HDP Mariner's Village, LP</u>					
San Diego Housing Commission	Principal	29,800	-	-	29,800
San Diego Housing Commission	Interest	2,831	513	-	3,344
<u>Debts of HDP ADU, LLC</u>					
San Diego Housing Commission	Principal	2,260	-	-	2,260
San Diego Housing Commission	Interest	111	34	(21)	124
		<u>\$ 79,158</u>	<u>\$ 2,220</u>	<u>\$ (1,312)</u>	<u>\$ 80,066</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

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 2, 2023, 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, 2023
(Dollars in Thousands)

	Business activities	Federal funds	State funds	Eliminations	Primary Government
<u>Assets and Deferred Outflows</u>					
Current assets					
Cash and cash equivalents	\$ 14,620	\$ 898	\$ -	\$ -	\$ 15,518
Restricted cash and cash equivalents	2,675	825	-	-	3,500
Short-term investments	21,268	16,761	624	-	38,653
Accounts receivable - tenants, net	891	848	-	-	1,739
Accounts receivable - funding sources	15,041	17,251	17,422	(7,762)	41,952
Accounts receivable - other, net	3,995	1,774	1	-	5,770
Lease receivable - current	1,739	41	-	-	1,780
Notes and mortgages receivable, current portion	24	130	-	-	154
Accrued interest receivable - investments	336	152	4	-	492
Prepaid items and other assets	2,683	-	-	-	2,683
Total current assets	63,272	38,680	18,051	(7,762)	112,241
Noncurrent assets					
Restricted cash and cash equivalents - noncurrent	81	-	-	-	81
Lease receivable - noncurrent	88,462	2,691	-	-	91,153
Long-term investments	76,900	24,600	1,664	-	103,164
Accrued interest receivable - notes and mortgages receivable	36,005	36,598	2,159	-	74,762
Notes and mortgages receivable, net of allowance for loan losses	211,453	218,371	13,519	-	443,343
Other assets	-	-	-	-	-
Capital assets not being depreciated	106,401	3,721	-	-	110,122
Capital assets, net of accumulated depreciation	173,292	14,696	-	-	187,988
Total noncurrent assets	692,594	300,677	17,342	-	1,010,613
Total assets	\$ 755,866	\$ 339,357	\$ 35,393	\$ (7,762)	\$ 1,122,854
Deferred outflows of resources	\$ -	\$ -	\$ -	\$ -	\$ -
Total assets and deferred outflows	\$ 755,866	\$ 339,357	\$ 35,393	\$ (7,762)	\$ 1,122,854



San Diego Housing Commission
COMBINING SCHEDULE OF NET POSITION - ENTERPRISE FUNDS - CONTINUED
June 30, 2023
(Dollars in Thousands)

	<u>Business activities</u>	<u>Federal funds</u>	<u>State funds</u>	<u>Eliminations</u>	<u>Primary Government</u>
<u>Liabilities and Deferred Inflows</u>					
Current liabilities					
Accounts payable	\$ 10,037	\$ 2,551	\$ 16,550	\$ (7,762)	\$ 21,376
Accounts payable - funding sources	(3,443)	2,991	493	-	41
Accrued payroll and benefits	2,003	771	-	-	2,774
Accrued compensated absences	4,253	78	-	-	4,331
Accrued interest payable	367	19	-	-	386
Notes payable, current portion	2,814	-	-	-	2,814
Subscriptions payable, current portion	1,268	-	-	-	1,268
Deposits payable	2,516	117	61	-	2,694
Unearned revenue	8,638	5,346	-	-	13,984
Other current liabilities	371	-	-	-	371
Total current liabilities	28,824	11,873	17,104	(7,762)	50,039
Noncurrent liabilities					
Accrued interest payable - noncurrent	714	1,100	-	-	1,814
Notes payable noncurrent, net	104,909	4,555	-	-	109,464
Subscriptions payable, noncurrent	2,517	-	-	-	2,517
Other liabilities	-	661	-	-	661
Total noncurrent liabilities	108,140	6,316	-	-	114,456
Total liabilities	\$ 136,964	\$ 18,189	\$ 17,104	\$ (7,762)	\$ 164,495
Deferred inflows of resources	\$ 88,403	\$ 2,696	\$ -	\$ -	\$ 91,099



San Diego Housing Commission
COMBINING SCHEDULE OF NET POSITION - ENTERPRISE FUNDS - CONTINUED
June 30, 2023
(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	\$ 166,556	\$ 13,863	\$ -	\$ -	\$ 180,419
Restricted					
HOME notes receivable reserve	-	201,900	-	-	201,900
NSP notes receivable reserve	-	6,117	-	-	6,117
CDBG notes receivable reserve	-	23,824	-	-	23,824
Replacement reserves	1,281	1,397	-	-	2,678
Housing assistance reserves	-	758	-	-	758
Total restricted	1,281	233,996	-	-	235,277
Unrestricted	362,662	70,613	18,289	-	451,564
Total net position	\$ 530,499	\$ 318,472	\$ 18,289	\$ -	\$ 867,260
Total liabilities, deferred inflows and net position	\$ 755,866	\$ 339,357	\$ 35,393	\$ (7,762)	\$ 1,122,854



San Diego Housing Commission
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUNDS
Year Ended June 30, 2023
(Dollars in Thousands)

	Business activities	Federal funds	State funds	Eliminations	Primary Government
Operating revenues					
Dwelling rental income	\$ 37,599	\$ 1,343	\$ -	\$ -	\$ 38,942
Land lease and other rental income	3,925	100	-	-	4,025
Fee revenue	6,841	1	1	(1,073)	5,770
Other revenue	4,805	5,168	-	(10)	9,963
Total operating revenues	<u>53,170</u>	<u>6,612</u>	<u>1</u>	<u>(1,083)</u>	<u>58,700</u>
Operating expenses					
Administrative expenses	25,701	29,799	1,404	(1,078)	55,826
Tenant services	505	1,592	-	-	2,097
Asset management	18,956	1,272	972	-	21,200
General expenses	4,270	537	(146)	-	4,661
Grant expense	15,647	15,576	26,344	(5)	57,562
Housing assistance	649	257,340	2,320	-	260,309
Depreciation	9,552	1,628	-	-	11,180
Total operating expenses	<u>75,280</u>	<u>307,744</u>	<u>30,894</u>	<u>(1,083)</u>	<u>412,835</u>
Operating loss	<u>(22,110)</u>	<u>(301,132)</u>	<u>(30,893)</u>	<u>-</u>	<u>(354,135)</u>



San Diego Housing Commission
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUNDS - CONTINUED
Year Ended June 30, 2023
(Dollars in Thousands)

	Business activities	Federal funds	State funds	Eliminations	Primary Government
Nonoperating revenues (expenses)					
Grant revenue	15,554	336,798	34,936	-	387,288
Interest income on investments and notes receivable	8,041	9,117	366	-	17,524
Interest expense and other expenses	(6,453)	(332)	-	-	(6,785)
Loss on sale of capital assets	(45)	-	-	-	(45)
Total nonoperating revenues (expenses)	<u>17,097</u>	<u>345,583</u>	<u>35,302</u>	<u>-</u>	<u>397,982</u>
Income (loss) before capital transactions	(5,013)	44,451	4,409	-	43,847
Income before operating transfers	<u>(5,013)</u>	<u>44,451</u>	<u>4,409</u>	<u>-</u>	<u>43,847</u>
Operating transfers in	39,896	291,313	1,567	-	332,776
Operating transfers out	<u>(8,874)</u>	<u>(322,335)</u>	<u>(1,567)</u>	<u>-</u>	<u>(332,776)</u>
Change in net position	26,009	13,429	4,409	-	43,847
Net position - beginning of year	<u>504,490</u>	<u>305,043</u>	<u>13,880</u>	<u>-</u>	<u>823,413</u>
Net position - end of year	<u>\$ 530,499</u>	<u>\$ 318,472</u>	<u>\$ 18,289</u>	<u>\$ -</u>	<u>\$ 867,260</u>



San Diego Housing Commission
COMBINING SCHEDULE OF CASH FLOWS - ENTERPRISE FUNDS
Year Ended June 30, 2023
(Dollars in Thousands)

	Business activities	Federal funds	State funds	Primary Government
Cash flows from operating activities				
Cash received from tenants and other revenue	\$ 50,360	\$ 5,709	\$ 61	\$ 56,130
Cash payments to suppliers for goods and services	(27,269)	(280,784)	(40,654)	(348,707)
Cash payments to employees for services	(29,675)	(30,336)	(1,256)	(61,267)
Net cash provided by (used for) operating activities	(6,584)	(305,411)	(41,849)	(353,844)
Cash flows from capital and related financing activities				
Principal paid on notes payable	(27,316)	-	-	(27,316)
Acquisition and construction of capital assets	(3,296)	(194)	-	(3,490)
Interest payments	(6,442)	(214)	-	(6,656)
Net cash provided by (used for) capital and related financing activities	(37,054)	(408)	-	(37,462)
Cash flows from noncapital financing activities				
Cash received from grants	18,294	330,818	23,950	373,062
Net cash provided by noncapital financing activities	18,294	330,818	23,950	373,062
Cash flows from investing activities				
Interest on investments and notes receivable	4,033	7,690	(8)	11,715
Collection of notes receivable	948	6,028	143	7,119
Cash loaned on notes receivable	(7,143)	(7,034)	(3,858)	(18,035)
Purchases of investments	(6,016)	(38,366)	-	(44,382)
Proceeds from sale of investments	10,022	7,462	23,249	40,733
Net cash provided by (used for) investing activities	1,844	(24,220)	19,526	(2,850)
Net increase (decrease) in cash and cash equivalents	(23,500)	779	1,627	(21,094)
Cash and cash equivalents				
Beginning of year	40,876	944	(1,627)	40,193
End of year	<u>\$ 17,376</u>	<u>\$ 1,723</u>	<u>\$ -</u>	<u>\$ 19,099</u>
Financial statement presentation				
Cash and cash equivalents				\$ 15,518
Restricted cash and cash equivalents				<u>3,581</u>
Total cash and cash equivalents				<u>\$ 19,099</u>



San Diego Housing Commission
COMBINING SCHEDULE OF CASH FLOWS - ENTERPRISE FUNDS - CONTINUED
Year Ended June 30, 2023
(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	\$ (22,110)	\$ (301,132)	\$ (30,893)	\$ (354,135)
Adjustments to reconcile operating loss to net cash used for operating activities:				
Depreciation	9,552	1,628	-	11,180
Amortization of debt issuance costs	203	-	-	203
Allowance for accounts receivable	(1,242)	(89)	-	(1,331)
Provision for loan losses	1,008	96	(150)	954
Allowance for forgivable loans	6	220	10	236
Changes in operating assets and liabilities:				
Decrease (increase) in tenant receivables	760	(208)	-	552
Decrease (increase) in other receivables	(3,350)	(4,270)	(1)	(7,621)
Decrease (increase) in prepaid items and other assets	1,737	-	-	1,737
Increase (decrease) in accounts payable	22	(1,638)	5,941	4,325
Increase (decrease) in accrued payroll and benefits	732	1	-	733
Increase (decrease) in deposits payable	552	13	61	626
Increase (decrease) in unearned revenue	5,546	(132)	(16,817)	(11,403)
Increase (decrease) in other liabilities	-	100	-	100
Net cash used for operating activities	<u>\$ (6,584)</u>	<u>\$ (305,411)</u>	<u>\$ (41,849)</u>	<u>\$ (353,844)</u>
Supplemental disclosure of cash flow information:				
Noncash capital, noncapital and related financing activities :				
Increase in right to use software arrangements:	<u>\$ 5,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,225</u>
Total noncash capital and related financing activities	<u>\$ 5,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,225</u>



San Diego Housing Commission
Combining Schedule of Fiduciary Net Position
June 30, 2023
(Dollars in Thousands)

	Pension Trust	Deferred Compensation Plan	Total
Assets			
Cash and Investments:			
Mutal funds	\$ 53,425	\$ -	\$ 53,425
Common collective trust funds	6,316	-	6,316
Participant directed brokerage accounts	1,775	1,021	2,796
Pooled separate accounts, at fair value	-	24,099	24,099
Guarnateed interest accounts, at contract value	-	3,056	3,056
Guaranteed interest accounts, at fair value	-	466	466
Cash	14	-	14
Total cash and investments	<u>61,530</u>	<u>28,642</u>	<u>90,172</u>
Receivables:			
Employer contributions	14	-	14
Participant contributions	-	-	-
Notes receivable from participants	-	949	949
Total receivables	<u>14</u>	<u>949</u>	<u>963</u>
Total assets	<u>\$ 61,544</u>	<u>\$ 29,591</u>	<u>\$ 91,135</u>
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fiduciary net position	<u>\$ 61,544</u>	<u>\$ 29,591</u>	<u>\$ 91,135</u>
Resticted for			
Pension	\$ 61,544	\$ -	\$ 61,544
Other employee benefit other than pension	-	29,591	29,591
	<u>\$ 61,544</u>	<u>\$ 29,591</u>	<u>\$ 91,135</u>



San Diego Housing Commission
Combining Schedule of Changes in Fiduciary Net Position
Year Ended June 30, 2023
(Dollars in Thousands)

	Pension Trust	Deferred Compensation Plan	Total
Additions to net position			
Investment Income:			
Interest and dividends	\$ 6,331	\$ 1,159	\$ 7,490
Net appreciation in fair value of investments	-	1,465	1,465
Total investment income	6,331	2,624	8,955
Interest on notes receivable from participants	-	47	47
Contributions:			
Employer contributions	4,592	809	5,401
Participant contributions	312	2,142	2,454
Rollover contributions	-	568	568
Total contributions	4,904	3,519	8,423
Total additions	11,235	6,190	17,425
Deductions from net position			
Benefits paid directly to participants or beneficiaries, including direct rollovers	3,952	3,483	7,435
Administrative fees and expenses	42	77	119
	3,994	3,560	7,554
Change in net position	7,241	2,630	9,871
Fiduciary net position			
Beginning of year	54,303	26,961	81,264
End of year	\$ 61,544	\$ 29,591	\$ 91,135

FINANCIAL DATA SCHEDULE

San Diego Housing Commission (CA063)
San Diego, CA
Entity Wide Balance Sheet Summary
Fiscal Year End: 06/30/2023

	Project Total	14.896 PIH Family Self-Sufficiency Program	93.268 Immunization Grants	14.EFA FSS Escrow Forfeiture Account	8 Other Federal Program 1	14.PHC Public Housing CARES Act Funding	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
111 Cash - Unrestricted									\$21,930,614	\$4,229,353		\$8,281,750
112 Cash - Restricted - Modernization and Development									\$0			
113 Cash - Other Restricted				\$149,447					\$7,826,954	\$1,002,342		\$2,468,527
114 Cash - Tenant Security Deposits									\$690,793	\$873,216		\$521,228
115 Cash - Restricted for Payment of Current Liabilities									\$0			
100 Total Cash	\$0	\$0	\$0	\$149,447	\$0	\$0	\$0	\$0	\$30,448,361	\$6,104,911	\$0	\$11,271,505
121 Accounts Receivable - PHA Projects									\$0			
122 Accounts Receivable - HUD Other Projects									\$60,676			
124 Accounts Receivable - Other Government	\$331,566	\$49,875	\$22,802		\$22,802		\$4,288,578		\$0			\$7,278,736
125 Accounts Receivable - Miscellaneous									\$384,815	\$997,834		\$5,283,855
126 Accounts Receivable - Tenants	\$38,340								\$565,258	\$634,531		\$866,195
126.1 Allowance for Doubtful Accounts - Tenants	-\$2,769								-\$450,116	-\$45,511		-\$564,264
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0		\$0		\$0		\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current									\$0			\$23,663
128 Fraud Recovery									\$0			\$2,472
128.1 Allowance for Doubtful Accounts - Fraud									\$0			-\$2,472
129 Accrued Interest Receivable	\$16,655						\$3,906,150		\$0			\$36,341,212
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$383,792	\$49,875	\$22,802	\$0	\$22,802	\$0	\$8,194,728	\$0	\$560,633	\$1,586,854	\$0	\$49,229,397
131 Investments - Unrestricted	\$10,373,232										\$4,989,636	\$98,168,104
132 Investments - Restricted									\$0			
135 Investments - Restricted for Payment of Current Liability									\$0			
142 Prepaid Expenses and Other Assets									\$407,474	\$247,346		\$2,435,256
143 Inventories												
143.1 Allowance for Obsolete Inventories												\$7,214,271
144 Inter Program Due From												
145 Assets Held for Sale												
150 Total Current Assets	\$10,757,024	\$49,875	\$22,802	\$149,447	\$22,802	\$0	\$8,194,728	\$0	\$31,416,468	\$7,939,111	\$4,989,636	\$168,318,533
161 Land	\$3,279,738								\$4,476,568	\$19,684,285		\$85,652,550
162 Buildings	\$22,592,667								\$150,052,959	\$49,732,236		\$189,306,078
163 Furniture, Equipment & Machinery - Dwellings	\$29,940								\$8,634,420	\$574,426		\$2,235,400
164 Furniture, Equipment & Machinery - Administration									\$0			\$4,104,233
165 Leasehold Improvements									\$10,863			\$5,225,357
166 Accumulated Depreciation	-\$11,397,293								-\$29,325,617	-\$24,145,294		-\$53,740,193
167 Construction in Progress									\$232,059	\$197,266		\$866,844
168 Infrastructure									\$0			
160 Total Capital Assets, Net of Accumulated Depreciation	\$14,505,052	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$134,081,252	\$46,042,919	\$0	\$233,650,269
171 Notes, Loans and Mortgages Receivable - Non-Current							\$26,862,770		\$0			\$211,453,052
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due									\$0			
173 Grants Receivable - Non Current												
174 Other Assets									\$3,370,957			\$88,462,267
176 Investments in Joint Ventures									\$72,240			\$7,194,307
180 Total Non-Current Assets	\$14,505,052	\$0	\$0	\$0	\$0	\$0	\$26,862,770	\$0	\$137,524,449	\$46,042,919	\$0	\$540,759,895
200 Deferred Outflow of Resources									\$0			
290 Total Assets and Deferred Outflow of Resources	\$25,262,076	\$49,875	\$22,802	\$149,447	\$22,802	\$0	\$35,057,498	\$0	\$168,940,917	\$53,982,030	\$4,989,636	\$709,078,428

San Diego Housing Commission (CA063)
San Diego, CA
Entity Wide Balance Sheet Summary
Fiscal Year End: 06/30/2023

	2 State/Local	91 Other Federal Program 3	9 Other Federal Program 2	14.239 HOME Investment Partnerships Program	14.267 Continuum of Care Program	14.CFP MTW Demonstration Program for Capital Fund	93.602 New Assets for Independence Demonstration Program	14.879 Mainstream Vouchers	14.OPS MTW Demonstration Program for Low Rent	14.231 Emergency Shelter Grants Program	14.CMT CARES Act Funding Transferred to MTW	14.HCC HCV CARES Act Funding
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	\$0	\$0	\$0	\$100	\$0	\$0	\$0	\$0
121 Accounts Receivable - PHA Projects												
122 Accounts Receivable - HUD Other Projects								\$78,093				
124 Accounts Receivable - Other Government	\$17,421,899	\$4,655		\$4,797,808	\$1,216,233			\$0		\$604,256		
125 Accounts Receivable - Miscellaneous	\$504			\$43,913				\$5,343				
126 Accounts Receivable - Tenants								\$38,524				
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				\$129,634								
128 Fraud Recovery												
128.1 Allowance for Doubtful Accounts - Fraud												
129 Accrued Interest Receivable	\$2,163,380			\$32,695,482				\$1,187				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$19,585,783	\$4,655	\$0	\$37,666,837	\$1,216,233	\$0	\$0	\$123,147	\$0	\$604,256	\$0	\$0
131 Investments - Unrestricted	\$2,287,985		\$21,625	\$13,641,745				\$457,889		\$52,544		
132 Investments - Restricted												
135 Investments - Restricted for Payment of Current Liability												
142 Prepaid Expenses and Other Assets								\$0				
143 Inventories												
143.1 Allowance for Obsolete Inventories												
144 Inter Program Due From												
145 Assets Held for Sale												
150 Total Current Assets	\$21,873,768	\$4,655	\$21,625	\$51,308,582	\$1,216,233	\$0	\$0	\$581,136	\$0	\$656,800	\$0	\$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	\$0	\$0
171 Notes, Loans and Mortgages Receivable - Non-Current	\$13,519,213			\$191,508,168								
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due												
173 Grants Receivable - Non Current												
174 Other Assets				\$2,690,914								
176 Investments in Joint Ventures												
180 Total Non-Current Assets	\$13,519,213	\$0	\$0	\$194,199,082	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
200 Deferred Outflow of Resources												
290 Total Assets and Deferred Outflow of Resources	\$35,392,981	\$4,655	\$21,625	\$245,507,664	\$1,216,233	\$0	\$0	\$581,136	\$0	\$656,800	\$0	\$0

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	14.EHV Emergency Housing Voucher	14.HCV MTW Demonstration Program for HCV program	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	14.870 Resident Opportunity and Supportive Services	14.238 Shelter Plus Care	14.856 Lower Income Housing Assistance Program, Section 8 Moderate	Subtotal	ELIM	Total
111 Cash - Unrestricted				\$888,190					\$0	\$35,339,907		\$35,339,907
112 Cash - Restricted - Modernization and Development									\$0	\$0		\$0
113 Cash - Other Restricted				\$675,689					\$0	\$12,123,059		\$12,123,059
114 Cash - Tenant Security Deposits									\$0	\$2,085,237		\$2,085,237
115 Cash - Restricted for Payment of Current Liabilities									\$0	\$0		\$0
100 Total Cash	\$0	\$0	\$0	\$1,573,879	\$0	\$0	\$0	\$0	\$0	\$49,548,203	\$0	\$49,548,203
121 Accounts Receivable - PHA Projects	\$6,021			\$932,111					\$0	\$938,132		\$938,132
122 Accounts Receivable - HUD Other Projects	\$51,212			\$5,775,786					\$0	\$5,965,767		\$5,965,767
124 Accounts Receivable - Other Government							\$7,425		\$0	\$36,046,635		\$36,046,635
125 Accounts Receivable - Miscellaneous	\$9,748			\$807,504	\$10,412	\$772,985			\$0	\$8,316,913	-\$548,006	\$7,768,907
126 Accounts Receivable - Tenants	\$21,249			\$726,549	\$25,609				\$0	\$2,916,255		\$2,916,255
126.1 Allowance for Doubtful Accounts - Tenants	\$0			\$0	\$0				\$0	-\$1,062,660		-\$1,062,660
126.2 Allowance for Doubtful Accounts - Other	\$0			\$0	\$0	-\$772,485	\$0		\$0	-\$772,485		-\$772,485
127 Notes, Loans, & Mortgages Receivable - Current									\$0	\$153,297		\$153,297
128 Fraud Recovery				\$97,261					\$0	\$99,733		\$99,733
128.1 Allowance for Doubtful Accounts - Fraud				-\$97,261					\$0	-\$99,733		-\$99,733
129 Accrued Interest Receivable	\$395			\$129,852	\$685				\$0	\$75,254,998		\$75,254,998
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$88,625	\$0	\$0	\$8,371,802	\$36,706	\$500	\$7,425	\$0	\$0	\$127,756,852	-\$548,006	\$127,208,846
131 Investments - Unrestricted	\$136,878			\$11,098,028	\$348,587	\$241,248			\$0	\$141,817,501		\$141,817,501
132 Investments - Restricted									\$0	\$0		\$0
135 Investments - Restricted for Payment of Current Liability									\$0	\$0		\$0
142 Prepaid Expenses and Other Assets						\$0			\$0	\$3,090,076		\$3,090,076
143 Inventories									\$0	\$0		\$0
143.1 Allowance for Obsolete Inventories									\$0	\$0		\$0
144 Inter Program Due From									\$0	\$7,214,271	-\$7,214,271	\$0
145 Assets Held for Sale									\$0	\$0		\$0
150 Total Current Assets	\$225,503	\$0	\$0	\$21,043,709	\$385,293	\$241,748	\$7,425	\$0	\$0	\$329,426,903	-\$7,762,277	\$321,664,626
161 Land									\$0	\$113,093,141		\$113,093,141
162 Buildings				\$5,250,178					\$0	\$416,934,118		\$416,934,118
163 Furniture, Equipment & Machinery - Dwellings									\$0	\$11,474,186		\$11,474,186
164 Furniture, Equipment & Machinery - Administration									\$0	\$4,104,233		\$4,104,233
165 Leasehold Improvements									\$0	\$5,236,220		\$5,236,220
166 Accumulated Depreciation				-\$1,779,227					\$0	-\$120,387,624		-\$120,387,624
167 Construction in Progress				\$441,348					\$0	\$1,737,517		\$1,737,517
168 Infrastructure									\$0	\$0		\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$0	\$3,912,299	\$0	\$0	\$0	\$0	\$0	\$432,191,791	\$0	\$432,191,791
171 Notes, Loans and Mortgages Receivable - Non-Current									\$0	\$443,343,203		\$443,343,203
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due									\$0	\$0		\$0
173 Grants Receivable - Non Current									\$0	\$0		\$0
174 Other Assets									\$0	\$94,524,138		\$94,524,138
176 Investments in Joint Ventures									\$0	\$7,266,547	-\$7,194,307	\$72,240
180 Total Non-Current Assets	\$0	\$0	\$0	\$3,912,299	\$0	\$0	\$0	\$0	\$0	\$977,325,679	-\$7,194,307	\$970,131,372
200 Deferred Outflow of Resources									\$0	\$0		\$0
290 Total Assets and Deferred Outflow of Resources	\$225,503	\$0	\$0	\$24,956,008	\$385,293	\$241,748	\$7,425	\$0	\$0	\$1,306,752,582	-\$14,956,584	\$1,291,796,998

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	Project Total	14.896 PIH Family Self-Sufficiency Program	93.268 Immunization Grants	14.EFA FSS Escrow Forfeiture Account	8 Other Federal Program 1	14.PHC Public Housing CARES Act Funding	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
311 Bank Overdraft									\$0			
312 Accounts Payable <= 90 Days	\$219,404						\$476,902		\$1,819,656	\$2,422,742		\$4,167,667
313 Accounts Payable >90 Days Past Due									\$0			
321 Accrued Wage/Payroll Taxes Payable	\$21,004		\$3,953		\$1,399		\$2,322		\$40,355	\$140,879		\$1,861,897
322 Accrued Compensated Absences - Current Portion	\$2,799		\$93		\$92		\$385		\$0	\$11,409		\$4,241,879
324 Accrued Contingency Liability									\$0			
325 Accrued Interest Payable	\$1,119,648								\$12,694,367	\$251,640		\$830,149
331 Accounts Payable - HUD PHA Programs									\$0			
332 Account Payable - PHA Projects									\$0			
333 Accounts Payable - Other Government	\$137,791	\$49,875	\$18,756		\$21,311		\$1,983,261		\$57,269	\$3,296		
341 Tenant Security Deposits	\$100,822								\$668,845	\$872,510		\$829,228
342 Unearned Revenue	\$55,652								\$71,483	\$371,678	\$4,989,636	\$8,266,367
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue									\$1,285,740	\$1,911,549		\$902,613
344 Current Portion of Long-term Debt - Operating Borrowings									\$0			
345 Other Current Liabilities									\$0			\$2,453,031
346 Accrued Liabilities - Other									\$0			
347 Inter Program - Due To									\$0			
348 Loan Liability - Current									\$0			
310 Total Current Liabilities	\$1,657,120	\$49,875	\$22,802	\$0	\$22,802	\$0	\$2,462,870	\$0	\$16,637,715	\$5,985,703	\$4,989,636	\$23,552,831
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$4,554,849								\$153,170,209	\$60,428,010		\$44,480,724
352 Long-term Debt, Net of Current - Operating Borrowings									\$0			
353 Non-current Liabilities - Other									\$11,677,717			\$2,516,835
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	\$4,554,849	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$164,847,926	\$60,428,010	\$0	\$46,997,559
300 Total Liabilities	\$6,211,969	\$49,875	\$22,802	\$0	\$22,802	\$0	\$2,462,870	\$0	\$181,485,641	\$66,413,713	\$4,989,636	\$70,550,390
400 Deferred Inflow of Resources									\$0			\$88,402,832
508.3 Nonspendable Fund Balance												
508.4 Net Investment in Capital Assets	\$9,950,205								\$0	-\$16,296,640		\$183,870,268
509.3 Restricted Fund Balance												
510.3 Committed Fund Balance												
511.3 Assigned Fund Balance												
511.4 Restricted Net Position	\$1,397,069			\$149,447			\$29,941,480		\$46,250,908	\$1,002,342		\$278,484
512.3 Unassigned Fund Balance												
512.4 Unrestricted Net Position	\$7,702,833	\$0	\$0	\$0	\$0	\$0	\$2,653,148	\$0	-\$58,795,632	\$2,862,615	\$0	\$365,976,454
513 Total Equity - Net Assets / Position	\$19,050,107	\$0	\$0	\$149,447	\$0	\$0	\$32,594,628	\$0	-\$12,544,724	-\$12,431,683	\$0	\$550,125,206
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$25,262,076	\$49,875	\$22,802	\$149,447	\$22,802	\$0	\$35,057,498	\$0	\$168,940,917	\$53,982,030	\$4,989,636	\$709,078,428

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	2 State/Local	91 Other Federal Program 3	9 Other Federal Program 2	14.239 HOME Investment Partnerships Program	14.267 Continuum of Care Program	14.CFP MTW Demonstration Program for Capital Fund	93.602 New Assets for Independence Demonstration Program	14.879 Mainstream Vouchers	14.OPS MTW Demonstration Program for Low Rent	14.231 Emergency Shelter Grants Program	14.CMT CARES Act Funding Transferred to MTW	14.HCC HCV CARES Act Funding
311 Bank Overdraft												
312 Accounts Payable <= 90 Days	\$9,388,635	\$77		\$200	\$736,305					\$286,151		
313 Accounts Payable >90 Days Past Due												
321 Accrued Wage/Payroll Taxes Payable		\$4,578		\$31,361				\$2,579				
322 Accrued Compensated Absences - Current Portion				\$5,951				\$428				
324 Accrued Contingency Liability												
325 Accrued Interest Payable												
331 Accounts Payable - HUD PHA Programs					\$10,392			\$1,038				
332 Account Payable - PHA Projects												
333 Accounts Payable - Other Government	\$492,843				\$469,536					\$265,561		
341 Tenant Security Deposits												
342 Unearned Revenue				\$0				\$184		\$52,544		
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue												
344 Current Portion of Long-term Debt - Operating Borrowings												
345 Other Current Liabilities	\$60,561											
346 Accrued Liabilities - Other												
347 Inter Program - Due To	\$7,161,727									\$52,544		
348 Loan Liability - Current												
310 Total Current Liabilities	\$17,103,766	\$4,655	\$0	\$37,512	\$1,216,233	\$0	\$0	\$4,229	\$0	\$656,800	\$0	\$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	\$0	\$0	\$0	\$100	\$0	\$0	\$0	\$0
300 Total Liabilities	\$17,103,766	\$4,655	\$0	\$37,512	\$1,216,233	\$0	\$0	\$4,329	\$0	\$656,800	\$0	\$0
400 Deferred Inflow of Resources				\$2,696,042								
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				\$201,899,949				\$29,431				
512.3 Unassigned Fund Balance												
512.4 Unrestricted Net Position	\$18,289,215	\$0	\$21,625	\$40,874,161	\$0	\$0	\$0	\$547,376	\$0	\$0	\$0	\$0
513 Total Equity - Net Assets / Position	\$18,289,215	\$0	\$21,625	\$242,774,110	\$0	\$0	\$0	\$576,807	\$0	\$0	\$0	\$0
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$35,392,981	\$4,655	\$21,625	\$245,507,664	\$1,216,233	\$0	\$0	\$581,136	\$0	\$656,800	\$0	\$0

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Entity Wide Balance Sheet Summary
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	14.EHV Emergency Housing Voucher	14.HCV MTW Demonstration Program for HCV program	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	14.870 Resident Opportunity and Supportive Services	14.238 Shelter Plus Care	14.856 Lower Income Housing Assistance Program, Section 8 Moderate	Subtotal	ELIM	Total
311 Bank Overdraft									\$0	\$0		\$0
312 Accounts Payable <= 90 Days	\$6,021			\$772,592	\$500	\$500	\$85		\$0	\$20,297,437	-\$548,006	\$19,749,431
313 Accounts Payable >90 Days Past Due									\$0	\$0		\$0
321 Accrued Wage/Payroll Taxes Payable	\$8,377			\$691,356	\$3,896				\$0	\$2,813,956		\$2,813,956
322 Accrued Compensated Absences - Current Portion	\$2,573			\$65,234	\$665				\$0	\$4,331,508		\$4,331,508
324 Accrued Contingency Liability									\$0	\$0		\$0
325 Accrued Interest Payable									\$0	\$14,895,804		\$14,895,804
331 Accounts Payable - HUD PHA Programs				\$25,474	\$854				\$0	\$37,758		\$37,758
332 Account Payable - PHA Projects									\$0	\$0		\$0
333 Accounts Payable - Other Government							\$7,340		\$0	\$3,506,839		\$3,506,839
341 Tenant Security Deposits				\$16,625					\$0	\$2,488,030		\$2,488,030
342 Unearned Revenue				\$7,192		\$241,248			\$0	\$14,055,984		\$14,055,984
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue									\$0	\$4,099,902		\$4,099,902
344 Current Portion of Long-term Debt - Operating Borrowings									\$0	\$0		\$0
345 Other Current Liabilities									\$0	\$2,513,592		\$2,513,592
346 Accrued Liabilities - Other									\$0	\$0		\$0
347 Inter Program - Due To									\$0	\$7,214,271	-\$7,214,271	\$0
348 Loan Liability - Current									\$0	\$0		\$0
310 Total Current Liabilities	\$16,971	\$0	\$0	\$1,578,473	\$5,915	\$241,748	\$7,425	\$0	\$0	\$76,255,081	-\$7,762,277	\$68,492,804
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue									\$0	\$262,633,792		\$262,633,792
352 Long-term Debt, Net of Current - Operating Borrowings									\$0	\$0		\$0
353 Non-current Liabilities - Other				\$634,255	\$26,170				\$0	\$14,855,077		\$14,855,077
354 Accrued Compensated Absences - Non Current									\$0	\$0		\$0
355 Loan Liability - Non Current									\$0	\$0		\$0
356 FASB 5 Liabilities									\$0	\$0		\$0
357 Accrued Pension and OPEB Liabilities									\$0	\$0		\$0
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$634,255	\$26,170	\$0	\$0	\$0	\$0	\$277,488,869	\$0	\$277,488,869
300 Total Liabilities	\$16,971	\$0	\$0	\$2,212,728	\$32,085	\$241,748	\$7,425	\$0	\$0	\$353,743,950	-\$7,762,277	\$345,981,673
400 Deferred Inflow of Resources									\$0	\$91,098,874		\$91,098,874
508.3 Nonspendable Fund Balance									\$0			
508.4 Net Investment in Capital Assets				\$3,912,299					\$0	\$181,436,132		\$181,436,132
509.3 Restricted Fund Balance									\$0			
510.3 Committed Fund Balance									\$0			
511.3 Assigned Fund Balance									\$0			
511.4 Restricted Net Position	\$24,781			\$539,567	\$14,846				\$0	\$281,528,304		\$281,528,304
512.3 Unassigned Fund Balance									\$0			
512.4 Unrestricted Net Position	\$183,751	\$0	\$0	\$18,291,414	\$338,362	\$0	\$0	\$0	\$0	\$398,945,322	-\$7,194,307	\$391,751,015
513 Total Equity - Net Assets / Position	\$208,532	\$0	\$0	\$22,743,280	\$353,208	\$0	\$0	\$0	\$0	\$861,909,758	-\$7,194,307	\$854,715,451
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$225,503	\$0	\$0	\$24,956,008	\$385,293	\$241,748	\$7,425	\$0	\$0	\$1,306,752,582	-\$14,956,584	\$1,291,796,998

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Entity Wide Revenue and Expense Summary
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	Project Total	14.896 PIH Family Self-Sufficiency Program	93.268 Immunization Grants	14.EFA FSS Escrow Forfeiture Account	8 Other Federal Program 1	14.PHC Public Housing CARES Act Funding	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
70300 Net Tenant Rental Revenue	\$1,327,694								\$17,835,472	\$20,845,391		\$16,501,466
70400 Tenant Revenue - Other	\$15,000								\$147,021	\$143,776		\$340,413
70500 Total Tenant Revenue	\$1,342,694	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17,982,493	\$20,989,167	\$0	\$16,841,879
70600 HUD PHA Operating Grants		\$571,796	\$22,802		\$22,802		\$5,697,817		\$0		\$6,835,364	
70610 Capital Grants	\$0								\$0			
70710 Management Fee												
70720 Asset Management Fee												
70730 Book Keeping Fee												
70740 Front Line Service Fee												
70750 Other Fees												\$6,840,880
70700 Total Fee Revenue												
70800 Other Government Grants									\$420,591			\$15,554,433
71100 Investment Income - Unrestricted	\$223,493						\$49,142		\$53,098	\$5,383	\$146,318	\$82,447
71200 Mortgage Interest Income							\$914,470		\$0			\$7,946,754
71300 Proceeds from Disposition of Assets Held for Sale									\$0			
71310 Cost of Sale of Assets									\$0			
71400 Fraud Recovery									\$0			
71500 Other Revenue	\$46,586			\$149,447					\$407,437	\$1,299,052		\$7,199,236
71600 Gain or Loss on Sale of Capital Assets									\$0			\$45,229
72000 Investment Income - Restricted	\$8,160								\$8,287	\$625		\$5,538
70000 Total Revenue	\$1,173,947	\$571,796	\$22,802	\$149,447	\$22,802	\$0	\$6,563,145	\$0	\$18,871,906	\$22,294,227	\$6,689,046	\$54,425,938
91100 Administrative Salaries	\$232,850		\$8,558		\$8,558		\$335,798		\$838,729	\$741,116		\$20,064,561
91200 Auditing Fees	\$15,000								\$198,091	\$60,400		\$164,615
91300 Management Fee									\$0			
91310 Book-keeping Fee									\$0			
91400 Advertising and Marketing									\$7,802			\$33,838
91500 Employee Benefit contributions - Administrative	\$85,661	\$13	\$2,366		\$2,366		\$24,336		\$198,699	\$279,112		\$6,215,778
91600 Office Expenses	\$26,983	\$1,132					\$66		\$273,293	\$154,091		\$3,568,000
91700 Legal Expense	\$9,416								\$90,543	\$98,662		\$1,359,458
91800 Travel									\$0			\$56,478
91810 Allocated Overhead	\$304,443	\$560,540	\$11,472		\$11,472		\$357,224		\$0			\$13,720,794
91900 Other	\$28,117	\$5,431					\$172		\$2,415,229	\$1,168,234		\$4,347,239
91000 Total Operating - Administrative	\$702,470	\$6,576	\$22,396	\$0	\$22,396	\$0	\$717,596	\$0	\$4,022,386	\$2,501,615	\$0	\$22,089,173
92000 Asset Management Fee									\$0			
92100 Tenant Services - Salaries		\$416,717							\$74,632			\$77,879
92200 Relocation Costs	\$690								\$65,896	\$67,162		\$84,508
92300 Employee Benefit Contributions - Tenant Services		\$143,823							\$0			\$22,537
92400 Tenant Services - Other									\$178,892	\$61,405		\$174,463
92500 Total Tenant Services					\$0				\$319,420	\$128,567		\$359,387
93100 Water	\$122,371								\$376,266	\$872,153		\$503,151
93200 Electricity	\$34,475						\$15		\$553,689	\$179,285		\$1,551,361
93300 Gas	\$52,558								\$206,168	\$248,144		\$181,139
93400 Fuel									\$0			
93500 Labor									\$0			
93600 Sewer	\$62,055								\$211,747	\$511,662		\$313,866
93700 Employee Benefit Contributions - Utilities									\$0			
93800 Other Utilities Expense									\$2,870			\$47,773
93000 Total Utilities	\$271,459	\$0	\$0	\$0	\$0	\$0	\$15	\$0	\$1,350,740	\$1,811,244	\$0	\$2,597,290

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	2 State/Local	91 Other Federal Program 3	9 Other Federal Program 2	14.239 HOME Investment Partnerships Program	14.267 Continuum of Care Program	14.CFP MTW Demonstration Program for Capital Fund	93.602 New Assets for Independence Demonstration Program	14.879 Mainstream Vouchers	14.OPS MTW Demonstration Program for Low Rent	14.231 Emergency Shelter Grants Program	14.CMT CARES Act Funding Transferred to MTW	14.HCC HCV CARES Act Funding
70300 Net Tenant Rental Revenue												
70400 Tenant Revenue - Other								\$51				
70500 Total Tenant Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$51	\$0	\$0	\$0	\$0
70600 HUD PHA Operating Grants		\$4,655		\$6,076,497	\$5,095,199	\$749,224		\$3,867,635	\$515,044	\$1,388,566		
70610 Capital Grants						\$0						
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	\$34,935,559											
71100 Investment Income - Unrestricted	\$55,254		\$0	-\$101				-\$19,843		\$0		
71200 Mortgage Interest Income	\$421,070			\$6,637,050								
71300 Proceeds from Disposition of Assets Held for Sale												
71310 Cost of Sale of Assets												
71400 Fraud Recovery												
71500 Other Revenue	\$740			\$187,614								
71600 Gain or Loss on Sale of Capital Assets												
72000 Investment Income - Restricted												
70000 Total Revenue	\$35,302,115	\$4,655	\$0	\$12,901,060	\$5,095,199	\$749,224	\$0	\$3,847,843	\$515,044	\$1,388,566	\$0	\$0
91100 Administrative Salaries	\$200,529	\$4,278		\$742,580	\$283,172			\$43,175				
91200 Auditing Fees												
91300 Management Fee												
91310 Book-keeping Fee												
91400 Advertising and Marketing												
91500 Employee Benefit contributions - Administrative	\$51,045	\$222		\$236,485	\$15,358			\$15,041				
91600 Office Expenses	\$29,633			\$2,367								
91700 Legal Expense				\$11,626				\$4				
91800 Travel				\$593								
91810 Allocated Overhead	\$1,110,724			\$620,604				\$42,956		\$152,078		
91900 Other	\$5,101	\$77		\$22,024				\$769				
91000 Total Operating - Administrative	\$1,397,032	\$4,577	\$0	\$1,636,279	\$298,530	\$0	\$0	\$101,945	\$0	\$152,078	\$0	\$0
92000 Asset Management Fee												
92100 Tenant Services - Salaries												
92200 Relocation Costs												
92300 Employee Benefit Contributions - Tenant Services												
92400 Tenant Services - Other												
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
93100 Water	\$233,941											
93200 Electricity	\$737,248											
93300 Gas												
93400 Fuel												
93500 Labor												
93600 Sewer	\$595											
93700 Employee Benefit Contributions - Utilities												
93800 Other Utilities Expense												
93000 Total Utilities	\$971,784	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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	14.EHV Emergency Housing Voucher	14.HCV MTW Demonstration Program for HCV program	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	14.870 Resident Opportunity and Supportive Services	14.238 Shelter Plus Care	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue									\$0	\$56,510,023		\$56,510,023
70400 Tenant Revenue - Other				\$744					\$0	\$647,005		\$647,005
70500 Total Tenant Revenue	\$0	\$0	\$0	\$744	\$0	\$0	\$0	\$0	\$0	\$57,157,028	\$0	\$57,157,028
70600 HUD PHA Operating Grants	\$11,808,799	\$288,415,483			\$3,070,684	\$2,574,335	\$81,062		\$0	\$336,797,764		\$336,797,764
70610 Capital Grants									\$0	\$0		\$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	\$6,840,880	-\$1,072,809	\$5,768,071
70700 Total Fee Revenue									\$0	\$0	-\$1,072,809	-\$1,072,809
70800 Other Government Grants									\$0	\$50,910,583		\$50,910,583
71100 Investment Income - Unrestricted	-\$4,398			\$2,009,405	-\$8,766	\$0			\$0	\$1,643,018		\$1,643,018
71200 Mortgage Interest Income									\$0	\$15,919,344		\$15,919,344
71300 Proceeds from Disposition of Assets Held for Sale									\$0	\$0		\$0
71310 Cost of Sale of Assets									\$0	\$0		\$0
71400 Fraud Recovery									\$0	\$0		\$0
71500 Other Revenue	\$246,638			\$4,639,453					\$0	\$14,176,203	-\$10,022	\$14,166,181
71600 Gain or Loss on Sale of Capital Assets									\$0	-\$45,229		-\$45,229
72000 Investment Income - Restricted									\$0	\$22,610		\$22,610
70000 Total Revenue	\$12,051,039	\$288,415,483	\$0	\$6,649,602	\$3,061,918	\$2,574,335	\$81,062	\$0	\$0	\$483,422,201	-\$1,082,831	\$482,339,370
91100 Administrative Salaries	\$176,882			\$8,334,239	\$98,266	\$857,992			\$0	\$32,971,283		\$32,971,283
91200 Auditing Fees									\$0	\$438,106		\$438,106
91300 Management Fee									\$0	\$0		\$0
91310 Book-keeping Fee									\$0	\$0		\$0
91400 Advertising and Marketing				\$3,784					\$0	\$45,424		\$45,424
91500 Employee Benefit contributions - Administrative	\$66,541			\$2,937,791	\$34,983	\$100,165	\$3		\$0	\$10,265,965		\$10,265,965
91600 Office Expenses	\$640			\$229,479		\$85,175	\$180		\$0	\$4,371,039		\$4,371,039
91700 Legal Expense	\$12			\$218,832	\$7	\$9,274			\$0	\$1,797,834		\$1,797,834
91800 Travel				\$14,608					\$0	\$71,679		\$71,679
91810 Allocated Overhead	\$319,543			\$9,692,691	\$108,205	\$989,382			\$0	\$0		\$0
91900 Other	\$754			\$643,765	\$1,520	\$418,109			\$0	\$9,056,541	-\$1,077,935	\$7,978,606
91000 Total Operating - Administrative	\$564,372	\$0	\$0	\$22,075,189	\$242,981	\$2,460,097	\$183	\$0	\$0	\$59,017,871	-\$1,077,935	\$57,939,936
92000 Asset Management Fee									\$0	\$0		\$0
92100 Tenant Services - Salaries	\$238,784			\$633,820		\$60,132	\$54,543		\$0	\$1,556,507		\$1,556,507
92200 Relocation Costs									\$0	\$218,256		\$218,256
92300 Employee Benefit Contributions - Tenant Services	\$82,722			\$200,763		\$8,184	\$18,786		\$0	\$476,815		\$476,815
92400 Tenant Services - Other	\$414,122			\$18,973					\$0	\$847,855		\$847,855
92500 Total Tenant Services	\$735,628	\$0	\$0	\$853,556	\$0	\$68,316	\$73,329	\$0	\$0	\$3,099,433		\$3,099,433
93100 Water						\$86			\$0	\$2,107,968		\$2,107,968
93200 Electricity				\$6		-\$8,511			\$0	\$3,047,568		\$3,047,568
93300 Gas									\$0	\$688,009		\$688,009
93400 Fuel									\$0	\$0		\$0
93500 Labor									\$0	\$0		\$0
93600 Sewer									\$0	\$1,099,925		\$1,099,925
93700 Employee Benefit Contributions - Utilities									\$0	\$0		\$0
93800 Other Utilities Expense									\$0	\$50,643		\$50,643
93000 Total Utilities	\$0	\$0	\$0	\$6	\$0	-\$8,425	\$0	\$0	\$0	\$6,994,113	\$0	\$6,994,113

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	Project Total	14.896 PIH Family Self-Sufficiency Program	93.268 Immunization Grants	14.EFA FSS Escrow Forfeiture Account	8 Other Federal Program 1	14.PHC Public Housing CARES Act Funding	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
94100 Ordinary Maintenance and Operations - Labor	\$124,189								\$844,581	\$911,664		\$406,847
94200 Ordinary Maintenance and Operations - Materials and Other	\$37,216								\$79,518	\$240,214		\$453,192
94300 Ordinary Maintenance and Operations Contracts	\$698,910								\$1,406,137	\$3,648,080		\$4,845,343
94500 Employee Benefit Contributions - Ordinary Maintenance	\$59,730								\$0	\$383,067		\$176,381
94000 Total Maintenance	\$920,045	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,330,236	\$5,163,025	\$0	\$5,881,763
95100 Protective Services - Labor									\$4,548			\$0
95200 Protective Services - Other Contract Costs	\$69,844								\$489,888	\$214,616		\$1,862,464
95300 Protective Services - Other									\$86,522			\$1,441
95500 Employee Benefit Contributions - Protective Services									\$0			
95000 Total Protective Services	\$69,844	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$580,958	\$214,616	\$0	\$1,863,905
96110 Property Insurance	\$28,249						\$583		\$0	\$242,336		\$395,080
96120 Liability Insurance	\$13,862								\$485,950	\$90,966		\$288,125
96130 Workmen's Compensation	\$13,061	\$3,780	\$113		\$113		-\$759		\$230,061	\$82,634		\$265,590
96140 All Other Insurance	\$24,644						\$27		\$15,815	\$105,962		\$372,531
96100 Total Insurance Premiums		\$3,780	\$113		\$113		-\$149		\$731,828	\$521,918		\$1,321,326
96200 Other General Expenses	\$259,729	\$900					\$5,391,433		\$1,426,324	\$384,066	\$6,689,046	\$16,522,351
96210 Compensated Absences			\$293		\$293				\$0	\$21,794		\$936,249
96300 Payments in Lieu of Taxes	\$87								\$43,905	\$54,250		\$56,491
96400 Bad debt - Tenant Rents	-\$1,609								\$295,910	\$442,010		\$673,362
96500 Bad debt - Mortgages							\$24,885		\$0			\$1,008,026
96600 Bad debt - Other	\$1,094								\$37,178	\$58,901		\$52,257
96800 Severance Expense									\$0			
96000 Total Other General Expenses	\$260,533	\$900	\$293	\$0	\$293	\$0	\$5,416,318	\$0	\$1,803,317	\$961,021	\$6,689,046	\$19,248,736
96710 Interest of Mortgage (or Bonds) Payable	\$136,645						\$167,508		\$6,773,373	\$4,533,934		\$1,918,631
96720 Interest on Notes Payable (Short and Long Term)									\$0			
96730 Amortization of Bond Issue Costs									\$0			
96700 Total Interest Expense and Amortization Cost	\$136,645	\$0	\$0	\$0	\$0	\$0	\$167,508	\$0	\$6,773,373	\$4,533,934	\$0	\$1,918,631
96900 Total Operating Expenses	\$2,441,502	\$571,796	\$22,802	\$0	\$22,802	\$0	\$6,301,288	\$0	\$17,912,256	\$15,855,940	\$6,689,046	\$55,280,211
97000 Excess of Operating Revenue over Operating Expenses	-\$1,267,555	\$0	\$0	\$149,447	\$0	\$0	\$261,857	\$0	\$959,650	\$6,438,287	\$0	-\$854,273
97100 Extraordinary Maintenance									\$243,490	\$614,235		\$610,873
97200 Casualty Losses - Non-capitalized									\$0			
97300 Housing Assistance Payments									\$0			\$649,253
97350 HAP Portability-In									\$0			
97400 Depreciation Expense	\$1,278,322								\$5,390,071	\$2,074,998		\$6,647,977
97500 Fraud Losses									\$0			
97600 Capital Outlays - Governmental Funds												
97700 Debt Principal Payment - Governmental Funds												
97800 Dwelling Units Rent Expense									\$0			
90000 Total Expenses	\$3,719,824	\$571,796	\$22,802	\$0	\$22,802	\$0	\$6,301,288	\$0	\$23,545,817	\$18,545,173	\$6,689,046	\$63,188,314

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	2 State/Local	91 Other Federal Program 3	9 Other Federal Program 2	14.239 HOME Investment Partnerships Program	14.267 Continuum of Care Program	14.CFP MTW Demonstration Program for Capital Fund	93.602 New Assets for Independence Demonstration Program	14.879 Mainstream Vouchers	14.OPS MTW Demonstration Program for Low Rent	14.231 Emergency Shelter Grants Program	14.CMT CARES Act Funding Transferred to MTW	14.HCC HCV CARES Act Funding
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	\$0	\$0
95100 Protective Services - Labor												
95200 Protective Services - Other Contract Costs												
95300 Protective Services - Other												
95500 Employee Benefit Contributions - Protective Services												
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance												
96120 Liability Insurance				\$288				\$556				
96130 Workmen's Compensation	\$1,793	\$78		\$8,446				\$505				
96140 All Other Insurance				\$20				\$33				
96100 Total Insurance Premiums	\$1,793	\$78	\$0	\$8,754	\$0	\$0	\$0	\$1,094	\$0	\$0	\$0	\$0
96200 Other General Expenses	\$26,346,125			\$111,833	\$540,461			\$28,134		\$1,177,788		
96210 Compensated Absences	\$5,331			\$21,282				\$1,735				
96300 Payments in Lieu of Taxes												
96400 Bad debt - Tenant Rents												
96500 Bad debt - Mortgages	-\$149,291			\$71,419								
96600 Bad debt - Other												
96800 Severance Expense												
96000 Total Other General Expenses	\$26,202,165	\$0	\$0	\$204,534	\$540,461	\$0	\$0	\$29,869	\$0	\$1,177,788	\$0	\$0
96710 Interest of Mortgage (or Bonds) Payable								\$1,038				
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	\$1,038	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$28,572,774	\$4,655	\$0	\$1,849,567	\$538,991	\$0	\$0	\$133,946	\$0	\$1,329,866	\$0	\$0
97000 Excess of Operating Revenue over Operating Expenses	\$6,729,341	\$0	\$0	\$11,051,493	\$4,256,208	\$749,224	\$0	\$3,713,897	\$515,044	\$58,700	\$0	\$0
97100 Extraordinary Maintenance												
97200 Casualty Losses - Non-capitalized												
97300 Housing Assistance Payments	\$2,320,121				\$4,256,208			\$3,484,444		\$58,700		
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	\$30,892,895	\$4,655	\$0	\$1,849,567	\$5,095,199	\$0	\$0	\$3,618,390	\$0	\$1,388,566	\$0	\$0

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	14.EHV Emergency Housing Voucher	14.HCV MTW Demonstration Program for HCV program	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	14.870 Resident Opportunity and Supportive Services	14.238 Shelter Plus Care	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
94100 Ordinary Maintenance and Operations - Labor									\$0	\$2,287,281		\$2,287,281
94200 Ordinary Maintenance and Operations - Materials and Other									\$0	\$510,140		\$510,140
94300 Ordinary Maintenance and Operations Contracts				\$450					\$0	\$10,598,920		\$10,598,920
94500 Employee Benefit Contributions - Ordinary Maintenance									\$0	\$619,178		\$619,178
94000 Total Maintenance	\$0	\$0	\$0	\$450	\$0	\$0	\$0	\$0	\$0	\$14,315,519	\$0	\$14,315,519
95100 Protective Services - Labor									\$0	\$4,548		\$4,548
95200 Protective Services - Other Contract Costs									\$0	\$2,636,812		\$2,636,812
95300 Protective Services - Other									\$0	\$87,963		\$87,963
95500 Employee Benefit Contributions - Protective Services									\$0	\$0		\$0
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,729,323	\$0	\$2,729,323
96110 Property Insurance									\$0	\$666,248		\$666,248
96120 Liability Insurance	\$2,474			\$120,480	\$1,530	\$16,819			\$0	\$1,021,070		\$1,021,070
96130 Workmen's Compensation	\$2,293			\$106,633	\$1,230	\$20,100	\$550		\$0	\$736,221		\$736,221
96140 All Other Insurance	\$144			\$8,457	\$90	\$1,244			\$0	\$528,967		\$528,967
96100 Total Insurance Premiums	\$4,911	\$0	\$0	\$235,570	\$2,850	\$38,163	\$550	\$0	\$0	\$2,962,506	\$0	\$2,962,506
96200 Other General Expenses	\$2,120			\$1,263,167			\$7,000		\$0	\$60,150,477	-\$4,896	\$60,145,581
96210 Compensated Absences	\$8,970			\$336,178	\$2,435	-\$3,865			\$0	\$1,331,927		\$1,331,927
96300 Payments in Lieu of Taxes									\$0	\$154,733		\$154,733
96400 Bad debt - Tenant Rents									\$0	\$1,409,673		\$1,409,673
96500 Bad debt - Mortgages									\$0	\$955,039		\$955,039
96600 Bad debt - Other				-\$88,619					\$0	\$60,811		\$60,811
96800 Severance Expense									\$0	\$0		\$0
96000 Total Other General Expenses	\$11,090	\$0	\$0	\$1,510,726	\$2,435	-\$3,865	\$7,000	\$0	\$0	\$64,062,660	-\$4,896	\$64,057,764
96710 Interest of Mortgage (or Bonds) Payable				\$25,474	\$854				\$0	\$13,557,457		\$13,557,457
96720 Interest on Notes Payable (Short and Long Term)									\$0	\$0		\$0
96730 Amortization of Bond Issue Costs									\$0	\$0		\$0
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$25,474	\$854	\$0	\$0	\$0	\$0	\$13,557,457	\$0	\$13,557,457
96900 Total Operating Expenses	\$1,316,001	\$0	\$0	\$24,700,971	\$249,120	\$2,554,286	\$81,062	\$0	\$0	\$166,728,882	-\$1,082,831	\$165,646,051
97000 Excess of Operating Revenue over Operating Expenses	\$10,735,038	\$288,415,483	\$0	-\$18,051,369	\$2,812,798	\$20,049	\$0	\$0	\$0	\$316,693,319	\$0	\$316,693,319
97100 Extraordinary Maintenance									\$0	\$1,468,598		\$1,468,598
97200 Casualty Losses - Non-capitalized									\$0	\$0		\$0
97300 Housing Assistance Payments	\$10,526,506			\$231,756,089	\$2,967,187	\$20,049			\$0	\$256,038,557		\$256,038,557
97350 HAP Portability-In				\$4,271,124					\$0	\$4,271,124		\$4,271,124
97400 Depreciation Expense				\$350,012					\$0	\$15,741,380		\$15,741,380
97500 Fraud Losses									\$0	\$0		\$0
97600 Capital Outlays - Governmental Funds									\$0			
97700 Debt Principal Payment - Governmental Funds									\$0			
97800 Dwelling Units Rent Expense									\$0	\$0		\$0
90000 Total Expenses	\$11,842,507	\$0	\$0	\$261,078,196	\$3,216,307	\$2,574,335	\$81,062	\$0	\$0	\$444,248,541	-\$1,082,831	\$443,165,710

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	Project Total	14.896 PIH Family Self-Sufficiency Program	93.268 Immunization Grants	14.EFA FSS Escrow Forfeiture Account	8 Other Federal Program 1	14.PHC Public Housing CARES Act Funding	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
10010 Operating Transfer In									\$0	\$3,310		\$39,893,003
10020 Operating transfer Out									\$0			-\$8,743,131
10030 Operating Transfers from/to Primary Government									\$0			
10040 Operating Transfers from/to Component Unit									\$0			
10050 Proceeds from Notes, Loans and Bonds												
10060 Proceeds from Property Sales												
10070 Extraordinary Items, Net Gain/Loss									\$0			
10080 Special Items (Net Gain/Loss)									\$20,046,963	\$10,681,050		
10091 Inter Project Excess Cash Transfer In												
10092 Inter Project Excess Cash Transfer Out												
10093 Transfers between Program and Project - In	\$1,468,106								\$0			
10094 Transfers between Project and Program - Out									\$0			-\$203,837
10100 Total Other financing Sources (Uses)	\$1,468,106	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20,046,963	\$10,684,360	\$0	\$30,946,035
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$1,077,771	\$0	\$0	\$149,447	\$0	\$0	\$261,857	\$0	\$15,373,052	\$14,433,414	\$0	\$22,183,659
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,244,203	\$2,124,297	\$0	\$1,118,837
11030 Beginning Equity	\$20,127,878	\$0	\$0	\$0	\$0	\$0	\$32,332,771	\$0	-\$27,917,776	-\$26,865,097	\$0	\$527,941,547
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	2268								12768	15060		11412
11210 Number of Unit Months Leased	2249								12325	14711		10790
11270 Excess Cash	\$8,945,661											
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, CA
Entity Wide Revenue and Expense Summary
Fiscal Year End: 06/30/2023

	2 State/Local	91 Other Federal Program 3	9 Other Federal Program 2	14.239 HOME Investment Partnerships Program	14.267 Continuum of Care Program	14.CFP MTW Demonstration Program for Capital Fund	93.602 New Assets for Independence Demonstration Program	14.879 Mainstream Vouchers	14.OPS MTW Demonstration Program for Low Rent	14.231 Emergency Shelter Grants Program	14.CMT CARES Act Funding Transferred to MTW	14.HCC HCV CARES Act Funding
10010 Operating Transfer In	\$73,266											
10020 Operating transfer Out												
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 Program and Project - Out												
10100 Total Other financing Sources (Uses)	\$73,266	\$0	\$0	\$0	\$0	-\$749,224	\$0	\$0	-\$515,044	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$4,482,486	\$0	\$0	\$11,051,493	\$0	\$0	\$0	\$229,453	\$0	\$0	\$0	\$0
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$13,806,729	\$0	\$21,625	\$231,722,617	\$0	\$0	\$0	\$347,354	\$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								2896				
11210 Number of Unit Months Leased								2398				
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, CA
Entity Wide Revenue and Expense Summary
Fiscal Year End: 06/30/2023

	14.EHV Emergency Housing Voucher	14.HCV MTW Demonstration Program for HCV program	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	14.870 Resident Opportunity and Supportive Services	14.238 Shelter Plus Care	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
10010 Operating Transfer In				\$288,562,195					\$0	\$328,531,774	-\$328,531,774	\$0
10020 Operating transfer Out		-\$288,415,483		-\$29,869,387					-\$239,505	-\$328,531,774	\$328,531,774	\$0
10030 Operating Transfers from/to Primary Government									\$0	\$0		\$0
10040 Operating Transfers from/to Component Unit									\$0	\$0		\$0
10050 Proceeds from Notes, Loans and Bonds									\$0			
10060 Proceeds from Property Sales									\$0			
10070 Extraordinary Items, Net Gain/Loss									\$0	\$0		\$0
10080 Special Items (Net Gain/Loss)									\$0	\$30,728,013	-\$10,681,050	\$20,046,963
10091 Inter Project Excess Cash Transfer In									\$0			
10092 Inter Project Excess Cash Transfer Out									\$0			
10093 Transfers between Program and Project - In									\$0	\$1,468,106	-\$1,468,106	\$0
10094 Transfers between Project and Program - Out				-\$1,264,269					\$0	-\$1,468,106	\$1,468,106	\$0
10100 Total Other financing Sources (Uses)	\$0	-\$288,415,483	\$0	\$257,428,539	\$0	\$0	\$0	\$0	-\$239,505	\$30,728,013	-\$10,681,050	\$20,046,963
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$208,532	\$0	\$0	\$2,999,945	-\$154,389	\$0	\$0	\$0	-\$239,505	\$69,901,673	-\$10,681,050	\$59,220,623
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,487,337		\$4,487,337
11030 Beginning Equity	\$0	\$0	\$0	\$19,743,335	\$507,597	\$0	\$0	\$0	\$239,505	\$792,008,085		\$792,008,085
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors				\$0	\$0				\$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	5844			187028	2100				0	239376		239376
11210 Number of Unit Months Leased	5641			186788	1976				0	236878		236878
11270 Excess Cash									\$0	\$8,945,661		\$8,945,661
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 133 to 135.

Revenue Capacity

This schedule contains information to help the reader assess SDHC's most significant revenue source. This schedule can be viewed on page 137.

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 139.

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 141 to 145.

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 147 to 152.

FINANCIAL TRENDS



San Diego Housing Commission

Net Position by Component (Unaudited)

Ten Years Ending June 30, 2023

Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
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
2023	180,418,826	235,277,397	451,563,953	867,260,176

Source: Annual Financial Statements



San Diego Housing Commission

Revenue, Expenses and Changes in Net Position (Unaudited)

Last Ten Years Ending June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Operating revenues										
Dwelling rental income	\$ 38,942,457	\$ 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
Land lease and other rental income	4,025,445	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
Fee revenue	5,770,105	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
Other revenue	9,963,343	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
Total operating revenues	58,701,350	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
Operating expenses										
Administrative expenses	55,826,198	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
Tenant services	2,097,738	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
Asset management	21,199,719	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
General expenses	4,660,339	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
Grant expense	57,562,134	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
Housing assistance	260,309,681	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
Depreciation and amortization	11,179,998	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
Total operating expenses	412,835,807	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
Operating loss	(354,134,457)	(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)
Nonoperating revenues (expenses):										
Grant revenue	387,287,755	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
Investment income	17,523,586	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
Gain/loss on sale of capital assets	(45,229)	(27,582)	(11,094)	-	(21,936)	2,376	-	3,844,578	-	-
Interest expense	(6,784,086)	(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)
Net nonoperating revenues	397,982,026	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
Income before capital transactions	43,847,569	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
Transfer of properties to component unit	-	-	33,163,970	-	-	13,681,464	-	-	-	-
Total revenues and expenses	43,847,569	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
Change in net position	\$ 43,847,569	\$ 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



San Diego Housing Commission
Capital Assets by Category (Unaudited)
Last Ten Years Ending June 30, 2023

CATEGORY	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Land	\$ 108,616,573	\$ 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
Construction in progress	1,505,459	550,253	757,855	3,093,157	532,390	879,290	2,772,651	8,296,759	2,267,262	751,305
Buildings	177,592,756	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
Building improvements	89,288,404	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
Furniture and equipment	6,943,999	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
Intangible - RTU - software arrangements	5,225,357	-	-	-	-	-	-	-	-	-
Total capital assets	389,172,548	380,572,781	376,843,388	257,169,381	272,490,677	261,149,730	242,226,173	215,349,955	207,033,176	190,436,097
Less accumulated depreciation and amortization										
Buildings	40,215,802	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
Building improvements	44,906,441	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
Furniture and equipment	5,111,073	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
RTU - software arrangements	828,690	-	-	-	-	-	-	-	-	-
Total accumulated depreciation	91,062,007	79,952,270	69,309,286	60,120,955	56,856,420	49,343,788	42,856,305	37,214,947	32,215,575	27,298,766
Net capital assets	298,110,541	300,620,511	307,534,102	197,048,426	215,634,257	211,805,942	199,369,868	178,135,008	174,817,601	163,137,331
Related debt	117,691,715	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
Net investment in capital assets	\$ 180,418,826	\$ 159,314,269	\$ 167,437,313	\$ 98,905,349	\$ 114,531,527	\$ 107,299,446	\$ 95,953,834	\$ 73,122,616	\$ 68,871,666	\$ 54,862,209

REVENUE CAPACITY



San Diego Housing Commission
Revenue on a Gross Basis (Unaudited)
Last Ten Years Ending June 30, 2023

DESCRIPTION	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues (gross):										
Operating revenues	\$ 58,701,350	\$ 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
Subsidies and grants	387,287,755	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
Investment income	17,523,586	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
Gain/(loss) on sale of capital assets	(45,229)	(27,582)	(11,094)	-	(21,936)	2,376	-	3,844,578	-	-
Total revenues	<u>\$463,467,461</u>	<u>\$574,798,310</u>	<u>\$467,197,458</u>	<u>\$311,823,119</u>	<u>\$274,681,776</u>	<u>\$295,665,613</u>	<u>\$268,078,904</u>	<u>\$252,241,283</u>	<u>\$235,856,852</u>	<u>\$229,343,911</u>

Source: Annual Financial Statements

DEBT CAPACITY



San Diego Housing Commission

Ratios of Outstanding Debt (Unaudited)

Last Ten Years Ending June 30, 2023

Fiscal year	Outstanding Debt¹	Capital Assets Less Accumulated Depreciation¹	Ratio of outstanding debt to capital assets	Ratio of outstanding debt to total personal income²
2014	\$ 112,993,522	(1) \$ 163,137,331	69.26%	0.0008%
2015	109,913,912	(2) 174,814,601	62.87%	0.0007%
2016	106,884,501	(3) 178,135,008	60.00%	0.0007%
2017	103,813,347	(4) 199,369,868	52.07%	0.0006%
2018	103,369,851	(5) 211,805,942	48.80%	0.0006%
2019	100,054,425	(6) 215,634,258	46.40%	0.0005%
2020	96,949,826	(7) 197,048,425	49.20%	0.0005%
2021	143,591,386	(8) 307,534,101	46.69%	0.0007%
2022	139,390,632	(9) 300,620,511	46.37%	0.0007%
2023	112,277,744	(10) 298,110,542	37.66%	0.0005%

¹Source: Annual Financial Statements

²Source: The Bureau of Economic Analysis - U.S. Department of Commerce

- (1) The outstanding debt of \$113 million includes \$5 million of unspent loan proceeds.
- (2) The outstanding debt of \$110 million includes \$4 million of unspent loan proceeds.
- (3) The outstanding debt of \$107 million includes \$2 million of unspent loan proceeds.
- (4) The outstanding debt of \$103 million includes \$398,000 of unspent loan proceeds, and \$1.6 million of unamortized debt issuance costs.
- (5) The outstanding debt of \$103 million includes \$400,000 of unspent loan proceeds, and \$1.6 million of unamortized debt issuance costs.
- (6) The outstanding debt of \$100 million includes \$407,000 of unspent loan proceeds, and \$1.5 million of unamortized debt issuance costs.
- (7) The outstanding debt of \$97 million includes \$183,000 of unspent loan proceeds, and \$1.4 million of unamortized debt issuance costs.
- (8) The outstanding debt of \$144 million includes \$5 million of unspent loan proceeds, and \$1.3 million of unamortized debt issuance costs.
- (9) The outstanding debt of \$139 million includes \$1.2 million of unamortized debt issuance costs.
- (10) The outstanding debt of \$112 million includes \$1 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
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	0.90%	1,374,790	-3.89%
2022-23	Not available	-	-	-

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, 2023**

Population and Personal Income - City of San Diego

Year	Population¹	Personal Income² (1,000s)	Per Capita Personal Income	Unemployment Rate³(%)
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
2022-23	Not available	-	-	-

Footnotes:

¹Population projections are provided by the California Department of Financial Projections

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

³Unemployment 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

Employer	Number of Employees	Percentage of Total Employment
For the Fiscal Year Ended June 30, 2022**		
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%
Total Top Employers	179,973	25.15%
Total City Employment (8)	715,500	
For the Fiscal Year Ended June 30, 2014		
United States Navy (1)	30,588	4.31%
University Of California San Diego (2)	28,672	4.04%
Sharp Healthcare (3)	16,446	2.32%
County of San Diego	16,215	2.28%
Qualcomm Inc	13,725	1.93%
San Diego Unified School District*	13,071	1.84%
City Of San Diego	10,872	1.53%
Kaiser Permanente	8,172	1.15%
UC San Diego Medical Center	6,302	0.89%
San Diego Gas & Electric (7)	4,457	0.63%
Total Top Employers	148,520	20.92%
Total City Employment (8)	709,800	

Source: MuniServices, LLC / Avenu Insights & Analytics

Source: 2014 data from previously published ACFR

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

(1) Includes Navy, Marine and Civic Services personnel

(2) Includes full and part time, academic and support staff

(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) Does not include Sempra Energy or other affiliate companies

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

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

**6/30/2023 data not available as of 11/2/2023



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

Resident Members Per Household

<u>Categories</u>	<u>Households</u>	<u>Percent</u>
1 Member	9,394	51.3%
2 Members	3,942	21.6%
3 Members	1,953	10.7%
4 Members	1,363	7.5%
5 Members	783	4.3%
6 Members	400	2.2%
7 Members	196	1.1%
8 Members	101	0.6%
9 Members	65	0.4%
10 + Members	57	0.3%
Total	<u>18,254</u>	<u>100.0%</u>

Number Bedrooms Per Household

<u>Categories</u>	<u>Households</u>	<u>Percent</u>
Studio	3,026	16.5%
1 Bedroom	5,398	29.6%
2 Bedrooms	5,599	30.7%
3 Bedrooms	3,127	17.1%
4 Bedrooms	914	5.0%
5 Bedrooms	177	1.0%
6 Bedrooms	13	0.1%
7 Bedrooms	-	0.0%
8 Bedrooms	-	0.0%
9 Bedrooms	-	0.0%
Total	<u>18,254</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	1,318	7.2%
\$ 100-9,999	1,371	7.5%
\$ 10,000-19,999	8,496	46.5%
\$ 20,000-29,999	2,914	16.0%
\$ 30,000-39,999	1,629	8.9%
\$ 40,000-49,999	1,181	6.5%
\$ 50,000 +	1,345	7.4%
Total	<u>18,254</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	Percentage
<1	369	1.9%
1	1,417	7.8%
2	1,206	6.6%
3	1,403	7.7%
4	1,615	8.8%
5	810	4.4%
6	890	4.9%
7	589	3.2%
8	890	4.9%
9	692	3.8%
10	173	0.9%
11	577	3.2%
12	521	2.9%
13	243	1.3%
14	351	1.9%
15	285	1.6%
16	1,357	7.4%
17	287	1.6%
18	667	3.7%
19	341	1.9%
20+	3,571	19.6%
Total	18,254	100.0%

Source: San Diego Housing Commission Statistics

OPERATING INFORMATION

Statistical Section (Unaudited)



San Diego Housing Commission Operating Information Property Characteristics and Dwelling Units

San Diego Housing Commission Owned

Address		No. Units	Year Built
4720 - 4722	34th Street	3	1982
4756 - 4758	35th Street	4	1982
3010 #A - B	39th Street	2	1975
3617 - 3619	42nd Street	4	1984
2716 - 2718	44th Street	4	1983
2734 - 2736	44th Street	4	1983
4078 #A - D	47th Street	4	1964
4286 - 4292	48th Street	4	1960
3280	A Street	2	1982
4207 - 4209	Altadena Avenue	2	1984
4123	Arey Drive	1	1970
4080	Arizona Street	4	1987
2766	Cardinal Road	2	1982
7410-7412	Cuvier Street	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		No. Units	Year Built
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
Total SDHC Owned		957	

Belden SDHC FNMA, LLC

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

Northern SDHC FNMA, LLC

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

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
Total Central SDHC FNMA, LLC		185	

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
Total Northern SDHC FHA, LLC		154	

Southern SDHC FHA, LLC

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

Central SDHC FHA, LLC

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

Statistical Section (Unaudited)



Public Housing Units

Address	No. Units	Year Built
2420 #A - H	8	1982
3222 - 24	12	1982
3919 #1 - 8	8	1982
5385 - 5389	3	1982
4095 #A - D	4	1982
605 - 695	78	1984
325-415	40	1999
2055 - 2095	36	1984
Total Public Housing	189	

Housing Development Partners (HDP)

Address	No. Units	Year Built
5207	75	1978
1345	17	1913
4754	54	1996
2170-2172	34	1913
827	73	1910
1055	156	1980
4066	145	1981/85
1814	80	1912
7720-7780	120	1986
1830	92	1990
1840	47	1989
6847	172	1989
1232	1	1970
1506	1	1970
4233	1	1970
1144	1	1970
1250	1	1970
1234	1	2021
4095	1	2021
1070	1	2021
4127	1	2021
4124	1	2021
Total Housing Development Partners	1,075	

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

Other Program Housing Units - Partnerships

Address	No. Units	Development/Partner
1245	281	Island Village/HDP
1475	275	Studio 15/HDP/Affirmed
4321	88	Dawson/HDP/Chelsea
4914-98	112	Arbor Village/LINC Housing
1194	50	Riverwalk Apts/Affirmed Housing Group
5391 & 5411-25	49	Vista Grande/Wakeland
1985	92	Estrella del Mercado/Chelsea
1815-1874	85	Mission Apts/AMCAL Multi Housing Inc.
13481-13483	21	Park Terramar/Chelsea
Total Partnership Units	1,053	

Combined Total Units **4,529**

* SDHC retains ownership in the land



**San Diego Housing Commission
Employee Demographics - Unaudited
As of June 30, 2023**

Seniority of Employees			Racial Composition		
Categories	Number	Percent	Categories	Number	Percent
Less than 3 years	80	24.46%	American Indian or Alaska Native, White	3	0.92%
3 to 5 years	69	21.10%	Asian	21	6.42%
6 to 9 years	75	22.94%	Black or African American	36	11.01%
10 to 19 years	59	18.04%	Hispanic or Latino	127	38.84%
20 to 29 years	28	8.56%	Native Hawaiian or Other Pacific Islander	13	3.98%
30 years and over	<u>16</u>	4.89%	Two or More Races	11	3.36%
Grand Total	<u><u>327</u></u>		White	102	31.19%
			Other	<u>14</u>	4.28%
			Grand Total	<u><u>327</u></u>	

Source: Information provided by San Diego Housing Commission HR Department



San Diego Housing Commission Number of Employees by Department

Department:	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Board & Executive Functions	8	4	6	6	9	8	9	7	6	8
Business Services	42	47	46	39	38	37	40	44	41	37
Community Relations & Communications	7	6	6	7	7	7	7	8	6	7
External Affairs	0	0	0	0	0	0	0	0	0	12
Financial Services	27	24	28	25	25	26	26	22	24	25
Housing Finance	16	16	15	15	16	16	16	12	0	0
Housing Innovations	34	35	33	31	32	25	20	12	6	0
Housing Development Partners	6	9	9	8	8	5	5	4	3	3
Policy & Public Affairs	5	4	4	5	0	0	0	0	0	0
Real Estate Development	69	71	72	67	74	77	77	70	75	75
Rental Assistance Program	113	115	100	112	114	114	106	115	105	107
	327	331	319	315	323	315	306	294	266	274

San Diego Housing Commission

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

June 30, 2023

November 2, 2023

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, 2023, and have issued our report thereon dated November 2, 2023. 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 23, 2023, 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, SDHC adopted Governmental Accounting Standards Board (GASB) Statement No. 96 Subscription-Based Information Technology Arrangements (SBITA). The adoption of GASB 96 resulted in significant changes to the financial statements of SDHC as June 30, 2023 including the recording of SBITA intangible assets and liabilities. Accordingly, there were no cumulative effect of the accounting change as of the beginning of the year. 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

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

Financial Statement Disclosures

Certain financial statement disclosures 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 2, 2023.

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



Independent Member of Nexia International

cohnreznick.com

**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, 2023 and 2022

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

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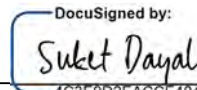
**Otay Villas Housing Development
Project No. 12-HLCP-0003
A Project of San Diego Housing Commission**

June 30, 2023

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, 2023 and, to the best of my knowledge and belief, these financial statements and supplementary information are complete and accurate.

San Diego Housing Commission

DocuSigned by:


Suket Dayal, E. Vice President of Business
Administration and 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, 2023

Managing Agent's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary data of Otay Villas Housing Development as of and for the year ended June 30, 2023, to the best of my knowledge and belief, the same are complete and accurate.

DocuSigned by:
Suket Dayal
403E9D2EACCE404

San Diego Housing Commission
Suket Dayal, E. Vice President of Business
Administration and 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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 GAAS. In our opinion, the financial data templates as required by the RHCP are fairly stated in all material respects in relation to the financial statements as whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2023, 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 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.



Sacramento, California
September 26, 2023

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

**Statements of Net Position
June 30, 2023 and 2022**

	<u>Assets</u>	
	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 256,591	\$ 341,459
Tenants' accounts receivable, net	12,852	4,554
Accounts receivable - other	68,086	23,216
	<u>337,529</u>	<u>369,229</u>
Total current assets		
Other assets		
Investments - operations	560,002	431,418
Restricted deposits and funded reserves	1,067,442	1,012,852
	<u>1,627,444</u>	<u>1,444,270</u>
Total other assets		
Capital assets		
Buildings and improvements	6,285,947	6,285,947
Accumulated depreciation	(4,485,090)	(4,149,811)
	<u>1,800,857</u>	<u>2,136,136</u>
Land	<u>1,087,727</u>	<u>1,087,727</u>
Total capital assets	<u>2,888,584</u>	<u>3,223,863</u>
Total assets	<u>\$ 4,853,557</u>	<u>\$ 5,037,362</u>

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

**Statements of Net Position
June 30, 2023 and 2022**

Liabilities and Net Position

	<u>2023</u>	<u>2022</u>
Current liabilities		
Accounts payable - operations	\$ 46,931	\$ 64,257
Accrued expenses	6,937	7,404
Accrued interest payable - first mortgage, current	13,230	13,230
Prepaid rent	19,219	11,120
	<u>86,317</u>	<u>96,011</u>
Total current liabilities		
Deposits and prepaid liability		
Tenants' security deposits liability	41,913	40,113
	<u>41,913</u>	<u>40,113</u>
Total deposits and prepaid liability		
Long-term liabilities		
Mortgage payable - first mortgage	3,150,000	3,150,000
Accrued interest payable - first mortgage, net of current portion	785,907	704,637
	<u>3,935,907</u>	<u>3,854,637</u>
Total long-term liabilities		
Total liabilities	<u>4,064,137</u>	<u>3,990,761</u>
Net Position		
Net investment in capital assets	(261,416)	73,863
Restricted for operating and replacement reserves	1,025,529	972,739
Unrestricted	25,307	(1)
	<u>789,420</u>	<u>1,046,601</u>
Total net position		
Total liabilities and net position	<u>\$ 4,853,557</u>	<u>\$ 5,037,362</u>

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenue		
Rental income	\$ 543,588	\$ 468,074
Subsidy income	279,699	254,063
Other operating income	<u>35,105</u>	<u>8,570</u>
Total operating revenue	<u>858,392</u>	<u>730,707</u>
Operating expenses		
Administrative	176,096	192,715
Utilities	129,351	163,046
Operating and maintenance	262,097	356,514
Taxes and insurance	77,496	67,948
Depreciation	<u>335,279</u>	<u>333,734</u>
Total operating expenses	<u>980,319</u>	<u>1,113,957</u>
Net operating loss	<u>(121,927)</u>	<u>(383,250)</u>
Nonoperating revenue (expense)		
Financial revenue - investments	31,317	17,690
Realized and unrealized loss on investments	(72,071)	-
Interest expense - first mortgage	<u>(94,500)</u>	<u>(94,500)</u>
Total nonoperating revenue (expense)	<u>(135,254)</u>	<u>(76,810)</u>
Change in net position before capital transactions	(257,181)	(460,060)
Contributions	<u>-</u>	<u>220,612</u>
Change in net position	(257,181)	(239,448)
Net position		
Beginning of year	<u>1,046,601</u>	<u>1,286,049</u>
End of year	<u><u>\$ 789,420</u></u>	<u><u>\$ 1,046,601</u></u>

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, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Cash received from tenants and operations	\$ 805,875	\$ 710,466
Less cash payments for operations and administration		
Administrative expenses paid	(34,413)	(32,416)
Management fee and sponsor overhead paid	(73,008)	(73,010)
Utilities paid	(144,725)	(129,562)
Salaries and wages paid	(149,044)	(130,524)
Operating and maintenance paid	(173,641)	(275,975)
Property insurance paid	(23,414)	(19,503)
Other operating expenses paid	(52,282)	(47,319)
	<u>(650,527)</u>	<u>(708,309)</u>
Cash payments for operations and administration		
Net cash provided by operating activities	<u>155,348</u>	<u>2,157</u>
Cash flows from capital and related financing activities		
Contributions from owner	-	220,612
Interest paid	(13,230)	(36,726)
	<u>(13,230)</u>	<u>183,886</u>
Net cash (used in) provided by capital and related financing activities		
Cash flows from investing activities		
Net deposits to replacement reserve	(51,490)	(62,938)
Net deposits to operating reserve	(1,300)	(442)
Interest on investments	28,259	19,613
Net (purchases) sales of investments	(202,455)	203,666
Net purchase of fixed assets	-	(30,907)
	<u>(226,986)</u>	<u>128,992</u>
Net cash (used in) provided by investing activities		
Net (decrease) increase in cash and cash equivalents	(84,868)	315,035
Cash and cash equivalents, beginning	<u>341,459</u>	<u>26,424</u>
Cash and cash equivalents, end	<u>\$ 256,591</u>	<u>\$ 341,459</u>

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

**Statements of Cash Flows
Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Reconciliation of net operating loss to net cash provided by (used in) operating activities		
Net operating loss	\$ (121,927)	\$ (383,250)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities		
Depreciation	335,279	333,734
Bad debt	(4,722)	18,629
Changes in		
Tenants' accounts receivable	(3,576)	(20,219)
Accounts receivable - other	(40,012)	12,770
Prepaid revenue	8,099	3,562
Accounts payable - operations	(17,326)	34,216
Accrued expenses	(467)	2,715
Net cash provided by (used in) operating activities	<u>\$ 155,348</u>	<u>\$ 2,157</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, 2023 and 2022**

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 statement 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 \$9,334,904 and \$29,418,653 of which \$256,591 and \$341,459 belongs to the Project as of June 30, 2023 and 2022 respectively.

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

**Notes to Financial Statements
June 30, 2023 and 2022**

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 \$1,004 and \$224 as of June 30, 2023 and 2022, respectively.

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

**Notes to Financial Statements
June 30, 2023 and 2022**

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

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, 2023 and 2022.

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 \$279,699 and \$254,063 of operating subsidy income which is included in the statements of revenue, expenses and changes in net position for the years ended June 30, 2023 and 2022, 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, 2023 and 2022**

Note 3 - Restricted deposits and funded reserves

As of June 30, 2023 and 2022, 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 \$41,913 and \$40,113 as of June 30, 2023 and 2022, 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 \$802,880 and \$751,390 as of June 30, 2023 and 2022, respectively. During the years ended June 30, 2023 and 2022, the replacement reserve activity was as follows:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 751,390	\$ 688,452
Deposits (\$600 x 78 units)	46,800	46,800
Deposits of prior year surplus cash	-	14,638
Interest earned	<u>4,690</u>	<u>1,500</u>
Ending Balance	<u><u>\$ 802,880</u></u>	<u><u>\$ 751,390</u></u>

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 \$222,649 and \$221,349 as of June 30, 2023 and 2022, respectively.

Other investments

The Project has other investments with a balance of \$560,002 and \$431,418 as of June 30, 2023 and 2022, 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
A Project of San Diego Housing Commission**

**Notes to Financial Statements
June 30, 2023 and 2022**

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, 2023 and 2022, respectively. Outstanding principal and accrued interest is \$3,150,000 and \$799,137, respectively, as of June 30, 2023 and \$3,150,000 and \$717,867, respectively, as of June 30, 2022.

Note 5 - Management fee and sponsor overhead

The Project incurs management fees and overhead costs from SDHC for central office services which includes but is not limited to clerical and management overhead expenses, such as salaries and benefits, office supplies and equipment, data processing or computer services, postage, training and telephone services. This does not include the salary of the project manager whether onsite or offsite. SDHC allocated to the Project management fees and overhead expenses in the amount of \$73,008 and \$73,010 for the years ended June 30, 2023 and 2022, 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, 2023.

Note 7 - Current vulnerability due to certain concentrations

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

Note 8 - Subsequent events

Events that occur after the date of the statement of net position but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the statement of net position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the statement of net position require disclosure in the accompanying notes. Management evaluated the activity of the Project through September 26, 2023, 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, 2023 and 2022**

Schedules of Operating Revenue

<u>Account No.</u>	<u>2023</u>	<u>2022</u>
Rental revenue		
5120 Rent revenue - gross potential	\$ 543,588	\$ 468,074
5121 Tenant assistance payments	279,699	254,063
	<hr/>	<hr/>
5100T Total rental revenue	823,287	722,137
	<hr/>	<hr/>
5152N Net rental revenue	823,287	722,137
	<hr/>	<hr/>
Financial revenue		
5410 Financial revenue - project operations	25,327	15,748
5440 Revenue from investments - replacement reserve	4,690	1,500
5490 Revenue from investments - miscellaneous	(70,771)	442
	<hr/>	<hr/>
5400T Total financial revenue	(40,754)	17,690
	<hr/>	<hr/>
Other revenue		
5910 Laundry and vending	4,551	5,520
5920 Tenant charges	5,375	3,050
5990 Miscellaneous revenue	25,179	-
	<hr/>	<hr/>
5900T Total other revenue	35,105	8,570
	<hr/>	<hr/>
5000T Total revenue	817,638	748,397
	<hr/>	<hr/>

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

**Supplementary Information
Years Ended June 30, 2023 and 2022**

Schedules of Operating Expenses

<u>Account No.</u>	<u>2023</u>	<u>2022</u>
Administrative expenses		
6250 Other renting expenses	1,344	3,150
6310 Office salaries	60,121	52,700
6311 Office expenses	9,562	7,437
6320 Management fee	73,008	73,010
6331 Administrative rent free unit	15,228	15,228
6340 Legal expense - project	2,757	3,478
6350 Auditing expense	7,500	7,350
6351 Bookkeeping fees/accounting services	8,892	8,892
6370 Bad debts	(4,722)	18,629
6390 Miscellaneous administrative expenses	2,406	2,841
6263T Total administrative expenses	<u>176,096</u>	<u>192,715</u>
Utilities expense		
6450 Electricity	21,029	22,334
6451 Water	63,228	82,622
6452 Gas	20,051	16,019
6453 Sewer	25,043	42,071
6400T Total utilities expense	<u>129,351</u>	<u>163,046</u>
Operating and maintenance expenses		
6510 Payroll	58,545	52,099
6515 Supplies	17,055	32,283
6520 Contracts	129,722	225,565
6525 Garbage and trash removal	23,453	17,887
6530 Security payroll/contract	29,911	28,440
6570 Vehicle and maintenance equipment operation and repairs	3,411	240
6500T Total operating and maintenance expenses	<u>262,097</u>	<u>356,514</u>

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

**Supplementary Information
Years Ended June 30, 2023 and 2022**

Account No.	<u>2023</u>	<u>2022</u>
Taxes and insurance		
6710 Real estate taxes	-	47
6720 Property and liability insurance	23,414	19,503
6722 Workmen's compensation	5,567	7,841
6723 Health insurance and other employee benefits	<u>48,515</u>	<u>40,557</u>
6700T Total taxes and insurance	77,496	67,948
Financial expenses		
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>739,540</u>	<u>874,723</u>
5060T Income (loss) before depreciation	<u>78,098</u>	<u>(126,326)</u>
Depreciation		
6600 Depreciation expense	<u>335,279</u>	<u>333,734</u>
Total depreciation	<u>335,279</u>	<u>333,734</u>
5060N Operating income (loss)	<u>(257,181)</u>	<u>(460,060)</u>
Total expenses	<u>1,074,819</u>	<u>1,208,457</u>
3250 Change in net assets	<u><u>\$ (257,181)</u></u>	<u><u>\$ (460,060)</u></u>

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

**Supplementary Information
Years Ended June 30, 2023 and 2022**

Detail of Accounts - Statements of Activities

	<u>2023</u>	<u>2022</u>
Revenue from Investments - Miscellaneous (Account No. 5490)		
Interest from investments - operating reserve	\$ 1,300	\$ 442
Realized loss on investments	(1,243)	-
Unrealized loss on investments	(70,828)	-
	<u>\$ (70,771)</u>	<u>\$ 442</u>
Miscellaneous Other Revenue (Account No. 5990)		
Insurance proceeds	\$ 25,132	\$ -
Tax refund	47	-
	<u>\$ 25,179</u>	<u>\$ -</u>
Miscellaneous Administrative Expenses (Account No. 6390)		
Professional consultants	\$ 1,599	\$ 2,422
Business expense	534	105
Mileage reimbursement	146	44
Parking fees and permits	-	(10)
Training - local	(126)	159
Education and training classes	(3)	13
Parking garage	256	108
	<u>\$ 2,406</u>	<u>\$ 2,841</u>

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

**Supplementary Information
June 30, 2023**

Cash on Hand and in Banks

Unrestricted cash operating accounts	
Operating account	\$ 256,591
	<u>\$ 256,591</u>
Restricted cash accounts	
Tenant security deposits - checking	\$ 41,913
Replacement reserve	802,880
Operating reserve	222,649
	<u>\$ 1,067,442</u>

Mortgage Impound Accounts

None.

Reserves for Replacement and Operating Expenses

	Replacement reserve	Operating Reserve
Beginning balance	\$ 751,390	\$ 221,349
Deposits (\$600 x 78 units)	46,800	-
Interest earned	4,690	1,300
	<u>\$ 802,880</u>	<u>\$ 222,649</u>

Property, Equipment and Improvements

Following are the details of property, equipment and improvements:

	Property, equipment and improvements			
	Balance 6/30/22	Additions	Deletions	Balance 6/30/23
Land	\$ 1,087,727	\$ -	\$ -	\$ 1,087,727
Buildings	6,285,947	-	-	6,285,947
	<u>\$ 7,373,674</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,373,674</u>

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

**Supplementary Information
June 30, 2023**

Accounts Payable and Accrued Expenses

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

Current	\$ 46,931
Total	<u>\$ 46,931</u>

Gross Potential Rents

Gross potential rents includes the following:

Tenant rental payments	\$ 543,588
Tenant assistance payments	<u>279,699</u>
Total gross potential rents	<u>\$ 823,287</u>

Management Fee

The management fee and sponsor overhead authorized by RHCP totals \$73,008 for the year ended June 30, 2023.

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

**Supplementary Information
Year Ended June 30, 2023**

Operating Cash Flow/Surplus Cash Computation

Operating income	
Total income	\$ 817,638
Interest earned on restricted reserve accounts	(5,990)
	<hr/>
Adjusted operating income	811,648
Operating expenses	(645,040)
	<hr/>
Adjusted net income	166,608
Other activity	
Deposits into replacement reserve account	(46,800)
HCD required annual payment	(13,230)
	<hr/>
Total other activity	(60,030)
	<hr/>
Operating cash flow/surplus cash	106,578
	<hr/>
Total cash available for distributions (net cash flow)	\$ 106,578
	<hr/> <hr/>

Reconciliation to RHCP Form 181

Total operating revenue	\$ 858,392
Interest income	31,317
Less interest on reserves	(5,990)
Less tax refund	(47)
	<hr/>
Effective gross rent per RHCP Form 181	\$ 883,672
	<hr/> <hr/>

Reconciliation to RHCP Form 180

Total operating expenses	\$ 980,319
Less depreciation	(335,279)
Less tax refund and other differences	(44)
	<hr/>
	\$ 644,996
	<hr/> <hr/>

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

**Supplementary Information
Year Ended June 30, 2023**

Rental Housing Construction Program -- Original

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

Contract No: 80-RHC-026

Reporting Period: 7/1/22 to 6/30/23

Project Name: Otay Villas

Prepared by:

Date Prepared:

Rev 9/28/16

ACCOUNT NAME	ACCOUNT CODES	UNIT EXPENSES					
		Approved Assisted (A)	Actual Assisted	Approved Non-Assisted	Actual Non-Assisted	Proposed Commercial	Actual Commercial
MANAGEMENT FEE: 6200/6300							
1 Management Fee or Sponsor Overhead	6320	14,976	14,976	58,032	58,032	0	0
ADMINISTRATIVE EXPENSES: 6200/6300							
2 Advertising	6210	0	0	0	0	0	0
3 Apartment Resale Expense (Cooperatives)	6235	0	0	0	0	0	0
4 Other Renting Expenses	6250	471	355	1,827	1,377	0	0
5 Office Salaries	6310	9,656	12,276	37,418	47,570	0	0
6 Office Supplies	6311	1,050	1,961	4,068	7,600	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	3,124	3,124	12,104	12,104	0	0
10 Legal Expense - Project	6340	1,171	566	4,536	2,192	0	0
11 Audit Expense - Project	6350	1,508	1,538	5,842	5,962	0	0
12 Bookkeeping Fees/Accounting Services	6351	1,824	1,824	7,068	7,068	0	0
13 Telephone and Answering Service Expenses	6360	0	0	0	0	0	0
14 Bad Debt Expense	6370	0	0	10,470	(4,722)	0	0
15 Miscellaneous Administrative Expenses (specify)	6390	244	563	945	2,184	0	0
16 TOTAL ADMINISTRATIVE EXPENSES 6200/6300T	6200/6300T	19,047	22,207	84,279	81,335	0	0
UTILITIES EXPENSES: 6400							
17 Fuel Oil/Coal	6420	0	0	0	0	0	0
18 Electricity	6450	3,710	4,314	14,376	16,715	0	0
19 Water	6451	18,579	12,970	71,994	50,258	0	0
20 Gas	6452	3,303	4,113	12,798	15,938	0	0
21 Sewer	6453	13,245	5,137	51,324	19,906	0	0
22 TOTAL UTILITIES EXPENSES 6400T	6400T	38,837	26,534	150,492	102,817	0	0
OPERATING AND MAINTENANCE EXPENSES: 6500							
23 Janitor and Cleaning Payroll	6510	9,933	12,009	38,492	46,536	0	0
24 Janitor and Cleaning Supplies	6515	4,226	3,465	16,377	13,428	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	21,586	31,304	83,647	121,304	0	0
28 Garbage and Trash Removal	6525	3,145	0	12,187	0	0	0
29 Security Payroll/Contract	6530	5,960	6,136	23,094	23,775	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	205	700	795	2,711	0	0
43 Misc. Operating and Maintenance Expenses (specify)	6590	0	0	0	0	0	0
44 TOTAL OPERATING & MAINTENANCE EXPENSES 6500T	6500T	45,056	53,614	174,592	207,754	0	0
TAXES AND INSURANCE: 6700							
45 Real Estate Taxes	6710	0	(10)	0	(37)	0	0
46 Payroll Taxes (Project's Share)	6711	0	0	0	0	0	0
47 Misc. Taxes, Licenses and Permits	6719	0	0	0	0	0	0
48 Property and Liability Insurance (Hazard)	6720	4,239	4,803	16,427	18,612	0	0
49 Fidelity Bond Insurance	6721	0	0	0	0	0	0
50 Worker's Compensation	6722	1,641	1,143	6,359	4,430	0	0
51 Health Insurance and Other Employee Benefits	6723	8,003	10,007	31,012	38,779	0	0
52 Other Insurance	6729	0	0	0	0	0	0
53 TOTAL TAXES AND INSURANCE 6700T	6700T	13,883	15,943	53,797	61,784	0	0
ASSISTED LIVING/BOARD & CARE EXPENSES: 6900							
54 Food	6932	0	0	0	0	0	0
55 Recreation and Rehabilitation	6980	0	0	0	0	0	0
56 Rehabilitation Salaries	6983	0	0	0	0	0	0
57 Other Service Expenses	6990	0	0	0	0	0	0
58 TOTAL ASSISTED LIVING EXPENSES 6900T	6900T	0	0	0	0	0	0
61 TOTAL OPERATING COSTS		131,799	133,274	521,192	511,722	0	0

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

Supplementary Information
Year Ended June 30, 2023

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:
Date Prepared:

Reporting Period: 7/1/22 to 6/30/23

Units/Sq. Ft. - Assisted: 16
Units/Sq. Ft. - Total: 78

Rev 9/28/16

Unit Months: 936

ACCOUNT NAME		ASSISTED UNITS		NON-ASSISTED UNITS		COMMERCIAL		TOTAL PROJECT		PROJECT VARIANCE
	Account Codes	Approved Cashflow (A)	Actual Cashflow (B)	Approved Cashflow (C)	Actual Cashflow (D)	Proposed Cashflow (E)	Actual Cashflow (F)	Approved Cashflow (G)	Actual Cashflow (H)	Cashflow Variance (I)
REVENUE ACCOUNTS/RENT REVENUE: 5100										
1 Rent Revenue	5120	88,440	111,505	407,448	432,083	0	0	495,888	543,588	47,700
2 Tenant Assistance Payments	5121	48,975	57,374	186,718	222,325	0	0	235,693	279,699	44,006
3 Rent revenue - Stores and Commercial	5140	0	0	0	0	0	0	0	0	0
4 Garage and Parking Spaces	5170	0	0	0	0	0	0	0	0	0
5 Flexible Subsidy Revenue	5185	0	0	0	0	0	0	0	0	0
6 Miscellaneous Rent Revenue	5190	0	0	0	0	0	0	0	0	0
7 Excess Rent	5191	0	0	0	0	0	0	0	0	0
8 Rent Revenue/Insurance	5192	0	0	0	0	0	0	0	0	0
9 Special Claims Revenue	5193	0	0	0	0	0	0	0	0	0
10 Retained Excess Income	5194	0	0	0	0	0	0	0	0	0
11 GROSS RENT REVENUE	5100T	137,415	168,879	594,166	654,408	0	0	731,581	823,287	91,706
VACANCIES: 5200										
Vacancy Percentage:										
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
Total Vacancies (HCD Use Only)	5200T	0	0	0	0	0	0	0	0	0
ASSISTED LIVING/BOARD & CARE REVENUES: 5300										
17 Food	5332	0	0	0	0	0	0	0	0	0
18 Recreation (Activities) and Rehabilitation	5380	0	0	0	0	0	0	0	0	0
19 Rehabilitation	5385	0	0	0	0	0	0	0	0	0
20 Other Service Revenue	5390	0	0	0	0	0	0	0	0	0
Total Living Revenue	6300T	0	0	0	0	0	0	0	0	0
FINANCIAL REVENUE: 5400										
21 Financial Revenue - Project Operations	5410	3,012	5,195	11,484	20,132	0	0	14,496	25,327	10,831
Total Financial Revenue	5400T	3,012	5,195	11,484	20,132	0	0	14,496	25,327	10,831
OTHER REVENUE: 5900										
22 Laundry and Vending Revenue	5910	1,228	933	4,681	3,618	0	0	5,909	4,551	(1,358)
23 NSF and Late Charges	5920	0	1,103	0	4,272	0	0	0	5,375	5,375
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	5,155	0	19,977	0	0	0	25,132	25,132
Total Other Revenue	5900T	1,228	7,191	4,681	27,867	0	0	5,909	35,058	29,149
27 EFFECTIVE GROSS RENT (EGR)	5152T	141,655	181,265	610,331	702,407	0	0	751,986	883,672	131,686
28 TOTAL OPERATING EXPENSES	6000T	135,753	133,274	536,828	511,722	0	0	672,581	644,996	27,585
29 NET OPERATING INCOME (NOI)	5000T	5,902	47,991	73,503	190,685	0	0	79,405	238,676	159,271
FINANCIAL EXPENSES: 6800										
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
Total Financial Expenses	6800T	0	0	13,230	13,230	0	0	13,230	13,230	0
FUNDED RESERVES:										
34 Escrow Deposits	1300	0	0	0	0	0	0	0	0	0
35 Replacement Reserve-Deposit	1320	9,599	9,600	37,201	37,200	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
Total Reserve Deposits		9,599	9,600	37,201	37,200	0	0	46,800	46,800	0
38 PROJECT CASH FLOW (CF)		(3,697)	38,391	23,072	140,255	0	0	19,375	178,646	159,271
ADDITIONAL REVENUE:										
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
Total Additional Revenue		0	0	0	0	0	0	0	0	0
USE OF CASH FLOW:										
43 HCD Interest Payments		0	0	0	0	0	0	0	0	0
44 Asset Mgmt Fee (CHRP-R/SUHRP & HOME-pre-UMR Only)		0	0	0	0	0	0	0	0	0
45 Asset Mgmt Fee/Prtshp Costs (MHP/HOME under UMR)		0	0	0	0	0	0	0	0	0
46 Borrower Distributions		0	0	0	0	0	0	0	0	0
47 Residual Receipt Loan Payments		0	0	0	0	0	0	0	0	0
48 Other (specify)		0	0	0	0	0	0	0	0	0
Total Use of Cash Flow		0	0	0	0	0	0	0	0	0

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Commissioners
San Diego Housing Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003, which comprise the statement of net position as of June 30, 2023, 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 26, 2023 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 26, 2023



Independent Member of Nexia International

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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, 2023 and 2022

**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 30,2023

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, 2023 and, to the best of my knowledge and belief, these financial statements and supplementary information are complete and accurate.

San Diego Housing Commission

DocuSigned by:

Suket Dayal

4C3E9D2EACCE404
Suket Dayal, E. Vice President of Business
Administration and Chief Financial Officer

Employer Identification Number: 95-3390896

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

June 30,2023

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, 2023, to the best of my knowledge and belief, the same is complete and accurate.

DocuSigned by:

Suket Dayal

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San Diego Housing Commission
Suket Dayal, E. Vice President of Business
Administration and 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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 relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the financial data templates as required by the RHCP are fairly stated in all material respects in relation to the financial statements as whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2023, 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 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, 2023

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

**Statements of Net Position
June 30, 2023 and 2022**

	<u>Assets</u>	
	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 123,979	\$ 124,821
Tenants' accounts receivable, net	4,376	2,543
Accounts receivable - grants	14,406	6,677
Accounts receivable - other	1,144	-
	<u>143,905</u>	<u>134,041</u>
Total current assets		
Other assets		
Investments	219,762	194,955
Restricted deposits and funded reserves	389,027	365,785
	<u>608,789</u>	<u>560,740</u>
Total other assets		
Capital assets		
Buildings and improvements	6,802,810	6,802,810
Accumulated depreciation	(3,301,434)	(2,887,095)
	<u>3,501,376</u>	<u>3,915,715</u>
Land	484,372	484,372
	<u>3,985,748</u>	<u>4,400,087</u>
Total capital assets		
Total assets	<u>\$ 4,738,442</u>	<u>\$ 5,094,868</u>

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

**Statements of Net Position
June 30, 2023 and 2022**

	<u>Liabilities and Net Position</u>	
	2023	2022
Current liabilities		
Accounts payable - operations	\$ 29,685	\$ 34,870
Accrued expenses	5,343	4,909
Accrued interest payable - first mortgage, current	5,900	5,900
Prepaid rent	8,127	4,953
	<hr/>	<hr/>
Total current liabilities	49,055	50,632
	<hr/>	<hr/>
Deposits and prepaid liability		
Tenants' security deposits liability	17,486	17,414
	<hr/>	<hr/>
Total deposits and prepaid liability	17,486	17,414
	<hr/>	<hr/>
Long-term liabilities		
Mortgage payable - first mortgage	1,404,849	1,404,849
Accrued interest payable - first mortgage, net of current portion	314,611	278,366
	<hr/>	<hr/>
Total long-term liabilities	1,719,460	1,683,215
	<hr/>	<hr/>
Total liabilities	1,786,001	1,751,261
	<hr/>	<hr/>
Net Position		
Net investment in capital assets	2,580,899	2,995,238
Restricted for operating and replacement reserves	371,541	348,371
Unrestricted	1	(2)
	<hr/>	<hr/>
Total net position	2,952,441	3,343,607
	<hr/>	<hr/>
Total liabilities and net position	<u>\$ 4,738,442</u>	<u>\$ 5,094,868</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, 2023 and 2022**

	2023	2022
Operating revenue		
Rental income	\$ 261,074	\$ 218,378
Subsidy income	92,739	109,167
Other operating income	6,722	9,945
	<u>360,535</u>	<u>337,490</u>
Total operating revenue		
Operating expenses		
Administrative	88,414	85,440
Utilities	70,009	59,952
Operating and maintenance	142,767	145,765
Taxes and insurance	37,871	39,568
Depreciation	414,339	416,228
	<u>753,400</u>	<u>746,953</u>
Total operating expenses		
Net operating loss	<u>(392,865)</u>	<u>(409,463)</u>
Nonoperating revenue (expense)		
Financial revenue - investments	11,821	6,675
Realized and unrealized loss on investments	(26,960)	-
Interest expense - first mortgage	(42,145)	(42,145)
	<u>(57,284)</u>	<u>(35,470)</u>
Total nonoperating expense		
Change in net position before capital transactions	(450,149)	(444,933)
Contributions	58,983	62,713
	<u>(391,166)</u>	<u>(382,220)</u>
Change in net position		
Net position		
Beginning of year	<u>3,343,607</u>	<u>3,725,827</u>
End of year	<u>\$ 2,952,441</u>	<u>\$ 3,343,607</u>

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, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Cash received from tenants and operations	\$ 357,669	\$ 336,942
Less cash payments for operations and administration		
Administrative expenses paid	(24,448)	(10,645)
Management fee and sponsor overhead paid	(32,762)	(32,758)
Utilities paid	(63,172)	(60,070)
Salaries and wages paid	(52,322)	(64,127)
Operating and maintenance paid	(136,759)	(102,347)
Property insurance paid	(8,612)	(7,345)
Net tenant security deposits received	72	1,137
Other operating expenses paid	(29,259)	(32,223)
	<u>(347,262)</u>	<u>(308,378)</u>
Net cash provided by operating activities	<u>10,407</u>	<u>28,564</u>
Cash flows from capital and related financing activities		
Contributions from owner	58,983	62,713
Interest paid	(5,900)	(7,595)
	<u>53,083</u>	<u>55,118</u>
Net cash provided by capital and related financing activities		
Cash flows from investing activities		
Net deposits to replacement reserve	(22,705)	(33,852)
Net deposits to operating reserve	(465)	(158)
Interest on investments	11,356	7,372
Net (purchases) sales of investments	(52,518)	47,888
	<u>(64,332)</u>	<u>21,250</u>
Net cash (used in) provided by investing activities		
Net (decrease) increase in cash and cash equivalents	(842)	104,932
Cash and cash equivalents, beginning	<u>124,821</u>	<u>19,889</u>
Cash and cash equivalents, end	<u><u>\$ 123,979</u></u>	<u><u>\$ 124,821</u></u>

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

**Statements of Cash Flows
Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Reconciliation of net operating loss to net cash provided by operating activities		
Net operating loss	\$ (392,865)	\$ (409,463)
Adjustments to reconcile net operating loss to net cash provided by operating activities		
Depreciation	414,339	416,228
Bad debt	4,207	324
Changes in:		
Tenants' accounts receivable	(6,040)	(1,273)
Accounts receivable - grants	(7,729)	10,298
Prepaid revenue	3,174	725
Accounts payable - operations	(5,185)	10,223
Accrued expenses	434	365
Tenants' security deposits liability	<u>72</u>	<u>1,137</u>
Net cash provided by operating activities	<u>\$ 10,407</u>	<u>\$ 28,564</u>

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, 2023 and 2022**

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 statement 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, 2023 and 2022, the reconciled balance of SDHC's general cash account is \$9,334,904 and \$29,418,653, respectively, of which \$123,979 and \$124,821 belong to the Project as of June 30, 2023 and 2022, respectively.

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

**Notes to Financial Statements
June 30, 2023 and 2022**

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 \$336 and \$127 as of June 30, 2023 and 2022, respectively.

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

**Notes to Financial Statements
June 30, 2023 and 2022**

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, 2023 and 2022.

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 \$92,739 and \$109,167 of operating subsidy income during the years ended June 30, 2023 and 2022, respectively, of which \$14,406 and \$6,677 is receivable as of June 30, 2023 and 2022, 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, 2023 and 2022**

Note 3 - Restricted deposits and funded reserves

As of June 30, 2023 and 2022, 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 \$17,486 and \$17,414 as of June 30, 2023 and 2022, 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 \$291,919 and \$269,214 as of June 30, 2023 and 2022, respectively. During the years ended June 30, 2023 and 2022, the replacement reserve activity was as follows:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 269,214	\$ 235,362
Deposits (\$600 x 35 units)	21,000	21,000
Interest earned	1,705	537
Deposits of prior year surplus cash	<u>-</u>	<u>12,315</u>
Ending balance	<u><u>\$ 291,919</u></u>	<u><u>\$ 269,214</u></u>

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 \$79,622 and \$79,157 as of June 30, 2023 and 2022, respectively.

Other investments

The Project has other investments with a balance of \$219,762 and \$194,955 as of June 30, 2023 and 2022, 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, 2023 and 2022**

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, 2023 and 2022, respectively. Outstanding principal and accrued interest is \$1,404,849 and \$320,511, respectively, as of June 30, 2023, and \$1,404,849 and \$284,266, respectively, as of June 30, 2022.

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 \$32,762 and \$32,758 for the years ended of June 30, 2023 and 2022, 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, 2023.

Note 7 - Current vulnerability due to certain concentrations

The Project's principal assets consist of 35 units within various apartment projects. The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations of governmental agencies, including, but not limited to HUD or RHCP. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD or RHCP. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 8 - Subsequent events

Events that occur after the date of the statement of net position but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the statement of net position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the statement of net position require disclosure in the accompanying notes. Management evaluated the activity of the Project through September 28, 2023, 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, 2023 and 2022**

Schedules of Operating Revenue

<u>Account No.</u>	<u>2023</u>	<u>2022</u>
Rental revenue		
5120 Rent revenue - gross potential	\$ 261,074	\$ 218,378
5121 Tenant assistance payments	92,739	109,167
	<hr/>	<hr/>
5100T Total rental revenue	353,813	327,545
	<hr/>	<hr/>
5152N Net rental revenue	353,813	327,545
	<hr/>	<hr/>
Financial revenue		
5410 Financial revenue - project operations	9,651	5,980
5440 Revenue from investments - replacement reserve	1,705	537
5490 Revenue from investments - miscellaneous	(26,495)	158
	<hr/>	<hr/>
5400T Total financial revenue	(15,139)	6,675
	<hr/>	<hr/>
Other revenue		
5910 Laundry and vending	4,372	4,649
5920 Tenant charges	2,350	5,296
	<hr/>	<hr/>
5900T Total other revenue	6,722	9,945
	<hr/>	<hr/>
5000T Total revenue	345,396	344,165
	<hr/>	<hr/>

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

**Supplementary Information
Years Ended June 30, 2023 and 2022**

Schedules of Operating Expenses

<u>Account No.</u>	<u>2023</u>	<u>2022</u>
Administrative expenses		
6250 Other renting expenses	476	1,556
6310 Office salaries	35,183	31,415
6311 Office expenses	2,565	2,094
6320 Management fee	32,762	32,758
6340 Legal expense - project	1,119	2,163
6350 Auditing expense	7,500	7,350
6351 Bookkeeping fees/accounting services	3,990	3,990
6370 Bad debts	4,207	324
6390 Miscellaneous administrative expenses	612	3,790
6263T Total administrative expenses	<u>88,414</u>	<u>85,440</u>
Utilities expense		
6450 Electricity	3,684	4,532
6451 Water	21,375	18,049
6452 Gas	30,199	24,370
6453 Sewer	14,751	13,001
6400T Total utilities expense	<u>70,009</u>	<u>59,952</u>
Operating and maintenance expenses		
6510 Payroll	17,573	33,021
6515 Supplies	8,881	5,071
6520 Contracts	116,197	107,590
6530 Security payroll/contract	-	56
6570 Vehicle and maintenance equipment operation and repairs	116	27
6500T Total operating and maintenance expenses	<u>142,767</u>	<u>145,765</u>

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

**Supplementary Information
Years Ended June 30, 2023 and 2022**

Account No.	2023	2022
Taxes and insurance		
6710 Real estate taxes	14	55
6720 Property and liability insurance	8,612	7,345
6722 Workmen's compensation	2,024	4,717
6723 Health insurance and other employee benefits	27,221	27,451
	<hr/>	<hr/>
6700T Total taxes and insurance	37,871	39,568
Financial expenses		
6820 Interest on first mortgage payable	42,145	42,145
	<hr/>	<hr/>
6800T Total financial expenses	42,145	42,145
	<hr/>	<hr/>
6000T Total cost of operations before depreciation	381,206	372,870
	<hr/>	<hr/>
5060T Income (loss) before depreciation	(35,810)	(28,705)
	<hr/>	<hr/>
Depreciation		
6600 Depreciation expense	414,339	416,228
	<hr/>	<hr/>
Total depreciation	414,339	416,228
	<hr/>	<hr/>
5060N Operating income (loss)	(450,149)	(444,933)
	<hr/>	<hr/>
Total expenses	795,545	789,098
	<hr/>	<hr/>
3250 Change in net assets	<u>\$ (450,149)</u>	<u>\$ (444,933)</u>

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

**Supplementary Information
Years Ended June 30, 2023 and 2022**

Detail of Accounts - Statements of Activities

	<u>2023</u>	<u>2022</u>
Revenue from Investments - Miscellaneous (Account No. 5490)		
Unrealized loss	\$ (26,495)	\$ -
Realized loss	(465)	-
Interest on investments	465	158
	<u>\$ (26,495)</u>	<u>\$ 158</u>
Miscellaneous Administrative Expenses (Account No. 6390)		
Professional consultants	\$ 717	\$ 3,160
Business expense	237	31
Mileage reimbursement	11	19
Parking fees and permits	150	45
Training	(55)	71
Employee bilingual testing	(1)	6
Translation Service	-	1
Tenant relocation due to maintenance	(447)	457
	<u>\$ 612</u>	<u>\$ 3,790</u>

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

**Supplementary Information
June 30, 2023**

Cash on Hand and in Banks

Unrestricted cash operating accounts	
Operating account	\$ 123,979
	<u>\$ 123,979</u>
Restricted cash accounts	
Tenant security deposits	\$ 17,486
Replacement reserve	291,919
Operating reserve	79,622
Investments	219,762
	<u>\$ 608,789</u>

Mortgage Impound Accounts

None.

Reserves for Replacements and Operating Expenses

	Reserve for replacements	Operating expense reserve
Balance, June 30, 2022	\$ 269,214	\$ 79,157
Deposits (\$1,750 x 12 months)	21,000	-
Interest earned	1,705	465
	<u>\$ 291,919</u>	<u>\$ 79,622</u>
Balance, June 30, 2023	<u>\$ 291,919</u>	<u>\$ 79,622</u>

Property, Equipment and Improvements

Following are the details of property, equipment and improvements:

	Property, equipment and improvements		
	Balance 6/30/22	Additions	Deletions
Land	\$ 484,372	\$ -	\$ -
Buildings	6,802,810	-	-
	<u>\$ 7,287,182</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ 7,287,182</u>		<u>\$ 7,287,182</u>

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

**Supplementary Information
June 30, 2023**

Accounts Payable and Accrued Expenses

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

Current	\$ 29,685
Total	<u>\$ 29,685</u>

Gross Potential Rents

Gross potential rents includes the following:

Tenant rental payments	\$ 261,074
Tenant assistance payments	<u>92,739</u>
Total gross potential rents	<u>\$ 353,813</u>

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

**Supplementary Information
Year Ended June 30, 2023**

Management Fee

The management fee and sponsor overhead authorized by RHCP totals \$32,762 for the year ended June 30, 2023.

Operating Cash Flow/Surplus Cash Computation

Operating income	
Total income	\$ 345,396
Interest earned on restricted reserve accounts	<u>(2,170)</u>
Adjusted operating income	343,226
Operating expenses	<u>(339,061)</u>
Adjusted net income	4,165
Other activity	
Mandatory debt service	(5,900)
Deposits into replacement reserve account	<u>(21,000)</u>
Total other activity	<u>(26,900)</u>
Operating cash flow/surplus cash	<u>(22,735)</u>
Total cash available for distributions (net cash flow)	<u><u>\$ (22,735)</u></u>

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

**Supplementary Information
Year Ended June 30, 2023**

Reconciliation to RHCP Form 181

Total operating revenue	\$ 360,535
Interest income	11,821
Less interest on reserves	<u>(2,170)</u>
Effective gross rent per RHCP Form 181	<u><u>\$ 370,186</u></u>

Reconciliation to RHCP Form 180

Total operating expenses	\$ 753,400
Less depreciation	(414,339)
Other difference	<u>2</u>
Total operating costs per RHCP Form 180	<u><u>\$ 339,063</u></u>

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

**Supplementary Information
Year Ended June 30, 2023**

Rental Housing Construction Program -- Original

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

Contract No: 80-HRC-002

Reporting Period: 7/1/22 to 6/30/23

Project Name: Adaptable Housing

Prepared by: Maria Gimutao

Date Prepared: 8/7/23

Rev 9/28/16

ACCOUNT NAME		UNIT EXPENSES					
	ACCOUNT CODES	Approved Assisted (A)	Actual Assisted	Approved Non-Assisted	Actual Non-Assisted	Proposed Commercial	Actual Commercial
MANAGEMENT FEE: 6200/6300							
1 Management Fee or Sponsor Overhead	6320	12,168	12,168	20,592	20,592	0	0
ADMINISTRATIVE EXPENSES: 6200/6300							
2 Advertising	6210	0	0	0	0	0	0
3 Apartment Resale Expense (Cooperatives)	6235	0	0	0	0	0	0
4 Other Renting Expenses	6250	355	150	600	255	0	0
5 Office Salaries	6310	11,855	13,022	20,062	22,037	0	0
6 Office Supplies	6311	590	952	998	1,610	0	0
7 Office or Model Apartment Rent	6312	0	0	0	0	0	0
8 Manager and Superintendent Salaries	6330	0	0	0	0	0	0
9 Manager's or Superintendent's Rent Free Unit	6331	0	0	0	0	0	0
10 Legal Expense - Project	6340	1,131	416	1,914	703	0	0
11 Audit Expense - Project	6350	2,730	2,786	4,620	4,714	0	0
12 Bookkeeping Fees/Accounting Services	6351	1,482	1,482	2,508	2,508	0	0
13 Telephone and Answering Service Expenses	6360	0	0	0	0	0	0
14 Bad Debt Expense	6370	0	0	3,159	4,207	0	0
15 Miscellaneous Administrative Expenses (specify)	6390	186	449	314	760	0	0
16 TOTAL ADMINISTRATIVE EXPENSES	6200/6300T	18,328	19,257	34,175	36,794	0	0
UTILITIES EXPENSES: 6400							
17 Fuel Oil/Coal	6420	0	0	0	0	0	0
18 Electricity	6450	1,280	1,369	2,167	2,316	0	0
19 Water	6451	7,302	7,939	12,357	13,436	0	0
20 Gas	6452	7,405	11,217	12,532	18,981	0	0
21 Sewer	6453	5,360	5,479	9,070	9,272	0	0
22 TOTAL UTILITIES EXPENSES	6400T	21,347	26,004	36,125	44,005	0	0
OPERATING AND MAINTENANCE EXPENSES: 6500							
23 Janitor and Cleaning Payroll	6510	11,177	6,527	18,914	11,046	0	0
24 Janitor and Cleaning Supplies	6515	1,658	3,272	2,806	5,536	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	22,288	42,993	37,719	72,759	0	0
28 Garbage and Trash Removal	6525	1,350	0	2,284	0	0	0
29 Security Payroll/Contract	6530	0	0	0	0	0	0
30 Grounds Payroll	6535	0	0	0	0	0	0
31 Grounds Supplies	6536	0	0	0	0	0	0
32 Grounds Contract	6537	0	0	0	0	0	0
33 Repairs Payroll	6540	0	0	0	0	0	0
34 Repairs Material	6541	0	0	0	0	0	0
35 Repairs Contract	6542	0	0	0	0	0	0
36 Elevator Maintenance/Contract	6545	0	0	0	0	0	0
37 Heating/Cooling Repairs and Maintenance	6546	0	0	0	0	0	0
38 Swimming Pool Maintenance/Contract	6547	0	0	0	0	0	0
39 Snow Removal	6548	0	0	0	0	0	0
40 Decorating/Payroll Contract	6560	0	0	0	0	0	0
41 Decorating Supplies	6561	0	0	0	0	0	0
42 Vehicle and Maint. Equipment Operation/Repairs	6570	141	43	239	73	0	0
43 Misc. Operating and Maintenance Expenses (specify)	6590	0	0	0	0	0	0
44 TOTAL OPERATING & MAINTENANCE EXPENSES	6500T	36,614	52,835	61,962	89,414	0	0
TAXES AND INSURANCE: 6700							
45 Real Estate Taxes	6710	0	5	0	9	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	2,993	3,199	5,065	5,413	0	0
49 Fidelity Bond Insurance	6721	0	0	0	0	0	0
50 Worker's Compensation	6722	1,859	787	3,146	1,332	0	0
51 Health Insurance and Other Employee Benefits	6723	9,966	10,121	16,865	17,128	0	0
52 Other Insurance	6729	0	0	0	0	0	0
53 TOTAL TAXES AND INSURANCE	6700T	14,818	14,112	25,077	23,882	0	0
ASSISTED LIVING/BOARD & CARE EXPENSES: 6900							
54 Food	6932	0	0	0	0	0	0
55 Recreation and Rehabilitation	6980	0	0	0	0	0	0
56 Rehabilitation Salaries	6983	0	0	0	0	0	0
57 Other Service Expenses	6990	0	0	0	0	0	0
58 TOTAL ASSISTED LIVING EXPENSES	6900T	0	0	0	0	0	0
61 TOTAL OPERATING COSTS		103,275	124,376	177,932	214,687	0	0

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

Supplementary Information
Year Ended June 30, 2023

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

Contract No: 80-HRC-002
 Project Name: Adaptable Housing
 Prepared by: Maria Gimutao
 Date Prepared: 8/7/23

Reporting Period: 7/1/22 to 6/30/23

Units/Sq. Ft. - Assisted: 13
 Units/Sq. Ft. - Total: 35

Rev 9/28/16

Unit Months: 420

ACCOUNT NAME		ASSISTED UNITS		NON-ASSISTED UNITS		COMMERCIAL		TOTAL PROJECT		PROJECT VARIANCE
	Account Codes	Approved Cashflow (A)	Actual Cashflow (B)	Approved Cashflow (C)	Actual Cashflow (D)	Proposed Cashflow (E)	Actual Cashflow (F)	Approved Cashflow (G)	Actual Cashflow (H)	Cashflow Variance (I)
REVENUE ACCOUNTS/RENT REVENUE: 5100										
1 Rent Revenue	5120	76,404	96,970	162,312	164,104	0	0	238,716	261,074	22,358
2 Tenant Assistance Payments	5121	32,280	34,446	54,627	58,293	0	0	86,907	92,739	5,832
3 Rent revenue - Stores and Commercial	5140	0	0	0	0	0	0	0	0	0
4 Garage and Parking Spaces	5170	0	0	0	0	0	0	0	0	0
5 Flexible Subsidy Revenue	5185	0	0	0	0	0	0	0	0	0
6 Miscellaneous Rent Revenue	5190	0	0	0	0	0	0	0	0	0
7 Excess Rent	5191	0	0	0	0	0	0	0	0	0
8 Rent Revenue/Insurance	5192	0	0	0	0	0	0	0	0	0
9 Special Claims Revenue	5193	0	0	0	0	0	0	0	0	0
10 Retained Excess Income	5194	0	0	0	0	0	0	0	0	0
11 GROSS RENT REVENUE	5100T	108,684	131,416	216,939	222,397	0	0	325,623	353,813	28,190
VACANCIES: 5200										
Vacancy Percentage:										
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
Total Vacancies (HCD Use Only)	5200T	0	0	0	0	0	0	0	0	0
ASSISTED LIVING/BOARD & CARE REVENUES: 5300										
17 Food	5332	0	0	0	0	0	0	0	0	0
18 Recreation (Activities) and Rehabilitation	5380	0	0	0	0	0	0	0	0	0
19 Rehabilitation	5385	0	0	0	0	0	0	0	0	0
20 Other Service Revenue	5390	0	0	0	0	0	0	0	0	0
Total Living Revenue	6300T	0	0	0	0	0	0	0	0	0
FINANCIAL REVENUE: 5400										
21 Financial Revenue - Project Operations	5410	2,022	3,585	3,423	6,066	0	0	5,445	9,651	4,206
Total Financial Revenue	5400T	2,022	3,585	3,423	6,066	0	0	5,445	9,651	4,206
OTHER REVENUE: 5900										
22 Laundry and Vending Revenue	5910	1,731	1,624	2,929	2,748	0	0	4,660	4,372	(288)
23 NSF and Late Charges	5920	0	873	0	1,477	0	0	0	2,350	2,350
24 Damages and Cleaning Fees	5930	0	0	0	0	0	0	0	0	0
25 Forfeited Tenant Security Deposits	5940	0	0	0	0	0	0	0	0	0
26 Other Revenue	5990	0	0	0	0	0	0	0	0	0
Total Other Revenue	5900T	1,731	2,497	2,929	4,225	0	0	4,660	6,722	2,062
27 EFFECTIVE GROSS RENT (EGR)	5152T	112,437	137,498	223,291	232,688	0	0	335,728	370,186	34,458
28 TOTAL OPERATING EXPENSES	6000T	106,373	124,376	183,270	214,687	0	0	289,643	339,063	(49,420)
29 NET OPERATING INCOME (NOI)	5000T	6,064	13,122	40,021	18,001	0	0	46,085	31,123	(14,962)
FINANCIAL EXPENSES: 6800										
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
Total Financial Expenses	6800T	0	0	5,900	5,900	0	0	5,900	5,900	0
FUNDED RESERVES:										
34 Escrow Deposits	1300	0	0	0	0	0	0	0	0	0
35 Replacement Reserve-Deposit	1310	0	0	0	0	0	0	0	0	0
36 Operating Reserve-Deposit	1320	7,800	7,800	13,200	13,200	0	0	21,000	21,000	0
37 Other Reserves (specify)	1300	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
Total Reserve Deposits		7,800	7,800	13,200	13,200	0	0	21,000	21,000	0
38 PROJECT CASH FLOW (CF)		(1,736)	5,322	20,921	(1,099)	0	0	19,185	4,223	(14,962)
ADDITIONAL REVENUE:										
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
Total Additional Revenue		0	0	0	0	0	0	0	0	0
USE OF CASH FLOW:										
43 HCD Interest Payments		0	0	0	0	0	0	0	0	0
44 Asset Mgmt Fee (CHRP-R/SUHRP & HOME-pre-UMR Only)		0	0	0	0	0	0	0	0	0
45 Asset Mgmt Fee/Pttrshp Costs (MHP/HOME under UMR)		0	0	0	0	0	0	0	0	0
46 Borrower Distributions		0	0	0	0	0	0	0	0	0
47 Residual Receipt Loan Payments		0	0	0	0	0	0	0	0	0
48 Other (specify)		0	0	0	0	0	0	0	0	0
Total Use of Cash Flow		0	0	0	0	0	0	0	0	0

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Commissioners
San Diego Housing Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of San Diego Housing Commission's Adaptable Housing Development Project No. 12-HLCP-0004, which comprise the statement of net position as of June 30, 2023, 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, 2023 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.

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

Sacramento, California
September 28, 2023



Independent Member of Nexia International

cohnreznick.com

**Northern SDHC FHA LLC
HUD Project No.: 129-11053**

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

June 30, 2023

Northern SDHC FHA LLC
HUD Project No.: 129-11053

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Northern SDHC FHA LLC
HUD Project No.: 129-11053

June 30, 2023

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

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

**Northern SDHC FHA LLC
HUD Project No.: 129-11053**

June 30, 2023

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

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, 2023, 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, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northern SDHC FHA LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern SDHC FHA LLC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The HUD-required financial data templates are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the HUD-required financial data templates are fairly stated in all material respects in relation to the financial statements as a whole.

Other Matters

The Schedule of the Status of Prior Audit Findings, Questioned Costs and Recommendations has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2023 on our consideration of Northern SDHC FHA LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northern SDHC FHA LLC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northern SDHC FHA LLC's internal control over financial reporting and compliance.



Sacramento, California
September 20, 2023

Taxpayer Identification Number:
22-1478099

Lead Auditor: Ahamadou Alainchar Bocar, CPA

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Balance Sheet
June 30, 2023

Assets

Current assets

Cash - operations	\$ 669,531
Tenant accounts receivable	22,245
Allowance for doubtful accounts	(1,649)
Accounts and notes receivable - operations	244,165
Prepaid expenses	<u>20,448</u>

Total current assets	<u>954,740</u>
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Deposits held in trust - funded

Tenant deposits	<u>116,536</u>
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Restricted deposits and funded reserves

Escrow deposits	54,513
Reserve for replacements	<u>188,041</u>

Total restricted deposits and funded reserves	<u>242,554</u>
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Rental property

Land	3,690,974
Buildings and improvements	11,060,209
Dwelling equipment	<u>55,380</u>

	14,806,563
Less accumulated depreciation	<u>(5,624,529)</u>

Total rental property	<u>9,182,034</u>
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Total assets	<u><u>\$ 10,495,864</u></u>
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Northern SDHC FHA LLC
HUD Project No.: 129-11053

Balance Sheet
June 30, 2023

Liabilities and Member's Equity (Deficit)

Current liabilities	
Accounts payable - operations	\$ 182,110
Accounts payable - entity	64,672
Accrued wages payable	21,023
Accrued management fee payable	13,574
Accrued interest payable - first mortgage	42,462
Mortgage payable - first mortgage (short-term)	397,105
Prepaid revenue	<u>65,249</u>
Total current liabilities	<u>786,195</u>
Deposits liability	
Tenant deposits held in trust (contra)	<u>115,921</u>
Long-term liabilities	
Mortgage payable - first mortgage, net	<u>12,886,995</u>
Total long-term liabilities	<u>12,886,995</u>
Total liabilities	<u>13,789,111</u>
Member's equity (deficit)	<u>(3,293,247)</u>
Total liabilities and member's equity (deficit)	<u><u>\$ 10,495,864</u></u>

See Notes to Financial Statements.

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Statement of Operations
Year Ended June 30, 2023

Rental revenue	
Rent revenue - gross potential	\$ 2,423,858
Tenant assistance payments	<u>848,289</u>
Total rental revenue	<u>3,272,147</u>
Vacancies	
Apartment	<u>(30,930)</u>
Total vacancies	<u>(30,930)</u>
Net rental revenue	<u>3,241,217</u>
Financial revenue	
Financial revenue - project operations	1,097
Revenue from investments - replacement reserve	<u>96</u>
Total financial revenue	<u>1,193</u>
Other revenue	
Laundry and vending	44,635
Tenant charges	13,250
Miscellaneous revenue	<u>170,420</u>
Total other revenue	<u>228,305</u>
Total revenue	<u>3,470,715</u>

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Statement of Operations
Year Ended June 30, 2023

Administrative expenses	
Other renting expenses	929
Office salaries	115,502
Office expenses	17,463
Management fee	163,685
Administrative rent free unit	25,392
Legal expense - project	20,003
Auditing expense	13,400
Bad debts	42,718
Miscellaneous administrative expenses	<u>2,499</u>
Total administrative expenses	<u>401,591</u>
Utilities expense	
Electricity	48,436
Water	114,761
Gas	42,662
Sewer	<u>76,110</u>
Total utilities expense	<u>281,969</u>
Operating and maintenance expenses	
Payroll	89,143
Supplies	22,871
Contracts	698,457
Garbage and trash removal	41,258
Vehicle and maintenance equipment operation and repairs	<u>2,320</u>
Total operating and maintenance expenses	<u>854,049</u>

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Statement of Operations
Year Ended June 30, 2023

Taxes and insurance	
Real estate taxes	2,292
Property and liability insurance	56,103
Workmen's compensation	9,229
Health insurance and other employee benefits	97,271
Miscellaneous taxes, licenses, permits and insurance	<u>6,800</u>
Total taxes and insurance	<u>171,695</u>
Financial expenses	
Interest on first mortgage payable	533,959
Mortgage insurance premium/service charge	<u>61,913</u>
Total financial expenses	<u>595,872</u>
Total cost of operations before depreciation	<u>2,305,176</u>
Income (loss) before depreciation	<u>1,165,539</u>
Depreciation	
Depreciation expense	<u>450,340</u>
Total depreciation	<u>450,340</u>
Total expenses	<u>2,755,516</u>
Net income (loss)	<u><u>\$ 715,199</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, 2023

Member's equity (deficit), June 30, 2022	\$ (3,297,365)
Distributions	(931,080)
Contributions	219,999
Net income (loss)	<u>715,199</u>
Member's equity (deficit), June 30, 2023	<u><u>\$ (3,293,247)</u></u>

See Notes to Financial Statements.

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Statement of Cash Flows
Year Ended June 30, 2023

Cash flows from operating activities	
Rental receipts	\$ 3,197,181
Interest receipts	1,193
Other operating receipts	<u>200,571</u>
Total receipts	<u>3,398,945</u>
Administrative expenses paid	(54,294)
Management fees paid	(163,851)
Utilities paid	(281,969)
Salaries and wages paid	(202,112)
Operating and maintenance paid	(968,188)
Real estate taxes paid	(2,292)
Property insurance paid	(56,103)
Miscellaneous taxes and insurance paid	(6,800)
Tenant security deposits received	(1,963)
Other operating expenses paid	(106,500)
Interest paid on first mortgage	(517,376)
Mortgage insurance premium paid	<u>(61,344)</u>
Total disbursements	<u>(2,422,792)</u>
Net cash provided by operating activities	<u>976,153</u>
Cash flows from investing activities	
Net withdrawals from mortgage escrows	1,299
Net withdrawals from reserve for replacements	<u>66,366</u>
Net cash provided by investing activities	<u>67,665</u>
Cash flows from financing activities	
Mortgage principal payments - first mortgage	(382,472)
Distributions to sole member	(931,080)
Contributions by sole member	<u>219,999</u>
Net cash used in financing activities	<u>(1,093,553)</u>
Net decrease in cash and restricted cash	(49,735)
Cash and restricted cash, beginning	<u>835,802</u>
Cash and restricted cash, end	<u><u>\$ 786,067</u></u>

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Statement of Cash Flows
Year Ended June 30, 2023

Reconciliation of net income (loss) to net cash provided by operating activities	
Net income (loss)	<u>\$ 715,199</u>
Adjustments to reconcile net income (loss) to net cash provided by operating activities	
Depreciation	450,340
Amortization of debt issuance costs	17,781
Bad debts	42,718
Changes in asset and liability accounts	
(Increase) decrease in assets	
Tenant accounts receivable	(46,712)
Accounts receivable - other	(122,844)
Prepaid expenses	569
Increase (decrease) in liabilities	
Accounts payable	(92,485)
Accrued liabilities	2,367
Accrued interest payable	(1,198)
Tenant security deposits held in trust	(1,963)
Prepaid revenue	28,024
Entity/construction liability accounts (include detail)	
Accounts payable - entity	<u>(15,643)</u>
Total adjustments	<u>260,954</u>
Net cash provided by operating activities	<u><u>\$ 976,153</u></u>

See Notes to Financial Statements.

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Notes to Financial Statements
June 30, 2023

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, 2023, the allowance for doubtful accounts is \$1,649.

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, 2023

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, 2023.

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.

New accounting pronouncements

The Company adopted Accounting Standards Update 2016-02 (as amended), Leases ("Topic 842") on July 1, 2022 ("Adoption Date"). Topic 842 requires lessees to recognize a right-of-use asset and a corresponding liability for all leases. Additionally, the Company elected and applied the following practical expedients on the Adoption Date:

- The package of practical expedients permitting the Company to not reassess (i) the lease classification of existing leases; (ii) whether existing and expired contracts are or contain leases; and (iii) initial direct costs for existing leases.
- Application of Topic 842 at the Adoption Date, instead of applying them to the earliest comparative period presented in the financial statements.

The Company accounted for its existing operating leases with residential tenants of the property as operating leases. Adopting Topic 842 in accounting for residential tenant leases did not result in adjustments to the financial statements.

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Notes to Financial Statements
June 30, 2023

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, 2023, the balance in the escrow deposits is \$54,513.

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, 2023, 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, 2023, the balance in the reserve for replacements is \$188,041.

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	\$ 669,531
Tenant deposits	<u>116,536</u>
Total cash and restricted cash shown in the statement of cash flows	<u>\$ 786,067</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, 2023, the outstanding principal and accrued interest is \$13,551,646 and \$42,462, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$267,546 as of June 30, 2023, 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 \$17,781 for the year ended June 30, 2023 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.

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Notes to Financial Statements
June 30, 2023

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, 2023, the Company received BABs interest rebate of \$170,365, 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, 2023 are as follows:

2024	\$ 397,105
2025	412,296
2026	428,068
2027	444,444
2028	461,446
Thereafter	<u>11,408,287</u>
Subtotal	13,551,646
Less unamortized debt issuance costs	<u>(267,546)</u>
Total	<u><u>\$ 13,284,100</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, 2023, management fees of \$163,685 were incurred and charged to operations, of which \$13,574 remain payable as of June 30, 2023.

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, 2023, the Company recognized housing assistance payments amounting to \$848,289.

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, 2023, \$64,672 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.

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Notes to Financial Statements
June 30, 2023

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, 2023.

Note 10 - Current vulnerability due to certain concentrations

The Company's principal assets consist of 14 apartment complexes totaling 154 units. The Company's operations are concentrated in the multifamily real estate market. In addition, the Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 11 - Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Company through September 20, 2023, 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, 2023

		<u>Assets</u>	
<u>Account No.</u>			
Current assets			
1120	Cash - operations		\$ 669,531
1130	Tenant accounts receivable	\$ 22,245	
1131	Allowance for doubtful accounts	(1,649)	
1130N	Net tenants accounts receivable		20,596
1140	Accounts and notes receivable - operations		244,165
1200	Prepaid expenses		20,448
1100T	Total current assets		954,740
Deposits held in trust - funded			
1191	Tenant deposits		116,536
Restricted deposits and funded reserves			
1310	Escrow deposits	54,513	
1320	Reserve for replacements	188,041	
1300T	Total deposits		242,554
Rental property			
1410	Land	3,690,974	
1420	Buildings	11,060,209	
1440	Building equipment - portable	55,380	
1400T	Total fixed assets	14,806,563	
1495	Less accumulated depreciation	(5,624,529)	
1400N	Net fixed assets		9,182,034
1000T	Total assets		\$ 10,495,864

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information

Balance Sheet Data
June 30, 2023

<u>Account No.</u>		<u>Liabilities and Members' Equity (Deficit)</u>	
Current liabilities			
2110	Accounts payable - operations	\$	182,110
2113	Accounts payable - entity		64,672
2120	Accrued wages payable		21,023
2123	Accrued management fee payable		13,574
2131	Accrued interest payable - first mortgage		42,462
2170	Mortgage payable - first mortgage (short-term)		397,105
2210	Prepaid revenue		<u>65,249</u>
2122T	Total current liabilities		786,195
Deposits liability			
2191	Tenant deposits held in trust (contra)		115,921
Long-term liabilities			
2320	Mortgage payable - first mortgage	<u>\$ 12,886,995</u>	
2300T	Total long-term liabilities		<u>12,886,995</u>
2000T	Total liabilities		13,789,111
3130	Members' equity (deficit)		<u>(3,293,247)</u>
2033T	Total liabilities and members' equity (deficit)	\$	<u>10,495,864</u>

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2023

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 2,423,858	
5121	Tenant assistance payments	<u>848,289</u>	
5100T	Total rental revenue		\$ 3,272,147
Vacancies			
5220	Apartments	<u>(30,930)</u>	
5200T	Total vacancies		<u>(30,930)</u>
5152N	Net rental revenue		3,241,217
Financial revenue			
5410	Financial revenue - project operations	1,097	
5440	Revenue from investments - replacement reserve	<u>96</u>	
5400T	Total financial revenue		1,193
Other revenue			
5910	Laundry and vending	44,635	
5920	Tenant charges	13,250	
5990	Miscellaneous revenue	<u>170,420</u>	
5900T	Total other revenue		<u>228,305</u>
5000T	Total revenue		<u>3,470,715</u>

**Northern SDHC FHA LLC
HUD Project No.: 129-11053**

Supplementary Information

**Statement of Operations Data
Year Ended June 30, 2023**

<u>Account No.</u>			
Administrative expenses			
6250	Other renting expenses	929	
6310	Office salaries	115,502	
6311	Office expenses	17,463	
6320	Management fee	163,685	
6331	Administrative rent free unit	25,392	
6340	Legal expense - project	20,003	
6350	Auditing expense	13,400	
6370	Bad debts	42,718	
6390	Miscellaneous administrative expenses	2,499	
6263T	Total administrative expenses		401,591
Utilities expense			
6450	Electricity	48,436	
6451	Water	114,761	
6452	Gas	42,662	
6453	Sewer	76,110	
6400T	Total utilities expense		281,969
Operating and maintenance expenses			
6510	Payroll	89,143	
6515	Supplies	22,871	
6520	Contracts	698,457	
6525	Garbage and trash removal	41,258	
6570	Vehicle and maintenance equipment operation and repairs	2,320	
6500T	Total operating and maintenance expenses		854,049

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2023

<u>Account No.</u>			
Taxes and insurance			
6710	Real estate taxes	2,292	
6720	Property and liability insurance	56,103	
6722	Workmen's compensation	9,229	
6723	Health insurance and other employee benefits	97,271	
6790	Miscellaneous taxes, licenses, permits and insurance	<u>6,800</u>	
6700T	Total taxes and insurance		171,695
Financial expenses			
6820	Interest on first mortgage payable	533,959	
6850	Mortgage insurance premium/service charge	<u>61,913</u>	
6800T	Total financial expenses		<u>595,872</u>
6000T	Total cost of operations before depreciation		<u>2,305,176</u>
5060T	Income (loss) before depreciation		<u>1,165,539</u>
Depreciation			
6600	Depreciation expense	<u>450,340</u>	
	Total depreciation		<u>450,340</u>
5060N	Operating income (loss)		<u>715,199</u>
	Total expenses		<u>2,755,516</u>
3250	Net income (loss)		<u><u>\$ 715,199</u></u>

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2023

<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. <div>\$ 382,472</div>
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. <div>\$ -</div>
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations. <div>\$ 66,462</div>
S1000-040	Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statement of operations. <div>\$ -</div>
S3100-120	Mortgage payable note detail (Section 236 only) Interest reduction payments from subsidy. <div>\$ -</div>

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information

Statement of Member's Equity (Deficit) Data
Year Ended June 30, 2023

<u>Account No.</u>		<u>Total</u>
S1100-010	Member's equity (deficit), June 30, 2022	\$ (3,297,365)
S1200-420	Distributions	(931,080)
S1200-430	Contributions	219,999
3250	Net income (loss)	<u>715,199</u>
3130	Member's equity (deficit), June 30, 2023	<u><u>\$ (3,293,247)</u></u>

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2023

<u>Account No.</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 3,197,181
S1200-020	Interest receipts	1,193
S1200-030	Other operating receipts	<u>200,571</u>
S1200-040	Total receipts	<u>3,398,945</u>
S1200-050	Administrative expenses paid	(54,294)
S1200-070	Management fees paid	(163,851)
S1200-090	Utilities paid	(281,969)
S1200-100	Salaries and wages paid	(202,112)
S1200-110	Operating and maintenance paid	(968,188)
S1200-120	Real estate taxes paid	(2,292)
S1200-140	Property insurance paid	(56,103)
S1200-150	Miscellaneous taxes and insurance paid	(6,800)
S1200-160	Net tenant security deposits received (paid)	(614)
S1200-170	Other operating expenses paid	(106,500)
S1200-180	Interest paid on first mortgage	(517,376)
S1200-210	Mortgage insurance premium paid	<u>(61,344)</u>
S1200-230	Total disbursements	<u>(2,421,443)</u>
S1200-240	Net cash provided by operating activities	<u>977,502</u>
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	1,299
S1200-250	Net withdrawals from reserve for replacements	<u>66,366</u>
S1200-350	Net cash provided by investing activities	<u>67,665</u>
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	(382,472)
S1200-420	Distributions to members	(931,080)
S1200-430	Contributions by members	<u>219,999</u>
S1200-460	Net cash used in financing activities	<u>(1,093,553)</u>
S1200-470	Net decrease in cash	(48,386)
S1200-480	Cash, beginning	<u>717,917</u>
S1200T	Cash, end	<u><u>\$ 669,531</u></u>

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2023

<u>Account No.</u>		
	Reconciliation of net income (loss) to net cash provided by operating activities	
3250	Net income (loss)	\$ 715,199
	Adjustments to reconcile net income (loss) to net cash provided by operating activities	
6600	Depreciation	450,340
S1200-486	Amortization of debt issuance costs	17,781
	Changes in asset and liability accounts	
	(Increase) decrease in assets	
S1200-490	Tenant accounts receivable	(46,712)
S1200-500	Accounts receivable - other	(122,844)
S1200-520	Prepaid expenses	569
S1200-530	Tenant security deposits funded	1,349
	Increase (decrease) in liabilities	
S1200-540	Accounts payable	(92,485)
S1200-560	Accrued liabilities	2,367
S1200-570	Accrued interest payable	(1,198)
S1200-580	Tenant security deposits held in trust	(1,963)
S1200-590	Prepaid revenue	28,024
S1200-605	Entity/construction liability accounts (include detail)	
S1200-606	Accounts payable - entity	\$ (15,643)
		(15,643)
S1200-600	Other adjustments (include detail)	
S1200-601	Bad debts	42,718
		42,718
	Total adjustments	262,303
S1200-610	Net cash provided by operating activities	\$ 977,502

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information
Year Ended June 30, 2023

<u>Account No.</u>		
1320P	Balance at June 30, 2022	\$ 254,407
1320INT	Interest income	96
1320WT	Approved withdrawals	<u>(66,462)</u>
1320	Balance at June 30, 2023	<u><u>\$ 188,041</u></u>

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information
Period Ended December 31, 2022

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)	\$ 1,040,604
S1400-030	Accounts receivable - HUD	-
		<hr/>
S1400-050	Total cash	1,040,604
		<hr/>
S1400-060	Accrued mortgage interest payable	43,067
S1400-070	Delinquent mortgage principal payments	-
S1400-080	Delinquent deposits to reserve for replacements	-
S1400-090	Accounts payable (due within 30 days)	30,486
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)	63,546
S1400-140	Tenant security deposits liability (Account 2191)	118,284
		<hr/>
S1400-180	Less total current obligations	255,383
		<hr/>
S1400-190	Surplus cash (deficiency)	\$ 785,221
		<hr/>
S1400-240	Amount available for distribution during next fiscal period	\$ 785,221
		<hr/>

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information
Year Ended June 30, 2023

Computation of Surplus Cash

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1300-010	Cash (Accounts 1120, 1170 and 1191)	\$ 786,067
1135	Accounts receivable - HUD	-
		<hr/>
S1300-040	Total cash	786,067
		<hr/>
S1300-050	Accrued mortgage interest payable	42,462
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	182,110
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)	34,597
2210	Prepaid revenue (Account 2210)	65,249
2191	Tenant security deposits liability (Account 2191)	115,921
S1300-110	Other current obligations (describe in detail)	
S1300-120	Accounts payable - entity	<u>\$ 64,672</u>
		<hr/>
		64,672
		<hr/>
S1300-140	Less total current obligations	505,011
		<hr/>
S1300-150	Surplus cash (deficiency)	<u>\$ 281,056</u>
		<hr/>
S1300-200	Amount available for distribution during next fiscal period	<u>\$ 281,056</u>

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information
Year Ended June 30, 2023

Changes in Fixed Asset Accounts

	Assets			
	<u>Balance 6/30/22</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/23</u>
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>\$ 5,174,189</u>	<u>\$ 450,340</u>	<u>\$ -</u>	<u>\$ 5,624,529</u>
Total net book value				<u>\$ 9,182,034</u>

Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information
Year Ended June 30, 2023

Detail of Accounts - Balance Sheet

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

Other	
Interest rebate - Build America Bonds	\$ 42,144
Insurance proceeds	201,409
Other miscellaneous receivable	<u>612</u>
	<u>\$ 244,165</u>

Detail of Accounts - Statement of Operations

Miscellaneous Other Revenue (Account No. 5990)

Miscellaneous income	\$ 55
Interest rebate - Build America Bonds	<u>170,365</u>
	<u><u>\$ 170,420</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>\$ 163,851</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
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, 2023, 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, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



Sacramento, California
September 20, 2023

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, 2023. 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, 2023.

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, 2023

**Northern SDHC FHA LLC
HUD Project No.: 129-11053**

**Schedule of Findings, Questioned Costs and Recommendations
June 30, 2023**

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, 2023**

1. Audit Report, dated September 20, 2022 for the year ended June 30, 2022, 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 January 20, 2023, 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 90c. There were no other letters or reports issued by HUD management during the period covered by this audit.



Independent Member of Nexia International

cohnreznick.com

**Southern SDHC FHA LLC
HUD Project No.: 129-11055**

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

June 30, 2023

Southern SDHC FHA LLC
HUD Project No.: 129-11055

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Southern SDHC FHA LLC
HUD Project No.: 129-11055

June 30, 2023

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, 2023

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
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
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, 2023, 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, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southern SDHC FHA LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern SDHC FHA LLC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The HUD-required financial data templates are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the HUD-required financial data templates are fairly stated in all material respects in relation to the financial statements as a whole.

Other Matters

The Schedule of the Status of Prior Audit Findings, Questioned Costs and Recommendations has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2023 on our consideration of Southern SDHC FHA LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Southern SDHC FHA LLC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southern SDHC FHA LLC's internal control over financial reporting and compliance.



Sacramento, California
September 21, 2023

Taxpayer Identification Number:
22-1478099

Lead Auditor: Ahamadou Alainchar Bocar, CPA

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Balance Sheet
June 30, 2023

Assets

Current assets	
Cash - operations	\$ 1,246,625
Tenant accounts receivable	112,190
Allowance for doubtful accounts	(8,029)
Accounts and notes receivable - operations	60,246
Prepaid expenses	<u>29,231</u>
Total current assets	<u>1,440,263</u>
Deposits held in trust - funded	
Tenant deposits	<u>220,557</u>
Restricted deposits and funded reserves	
Escrow deposits	77,929
Reserve for replacements	<u>444,718</u>
Total restricted deposits and funded reserves	<u>522,647</u>
Rental property	
Land	3,682,655
Building and improvements	11,523,864
Dwelling equipment	153,054
Construction in progress	<u>197,266</u>
	15,556,839
Less accumulated depreciation	<u>(5,696,038)</u>
Total rental property	<u>9,860,801</u>
Total assets	<u><u>\$ 12,044,268</u></u>

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Balance Sheet
June 30, 2023

Liabilities and Member's Equity (Deficit)

Current liabilities	
Accounts payable - operations	\$ 814,313
Accrued wages payable	38,950
Accrued management fee payable	22,312
Accrued interest payable - first mortgage	60,701
Mortgage payable - first mortgage (short-term)	567,674
Prepaid revenue	<u>96,543</u>
Total current liabilities	<u>1,600,493</u>
Deposits liability	
Tenant deposits held in trust (contra)	<u>220,530</u>
Long-term liabilities	
Mortgage payable - first mortgage, net	<u>18,438,237</u>
Total long-term liabilities	<u>18,438,237</u>
Total liabilities	<u>20,259,260</u>
Member's equity (deficit)	<u>(8,214,992)</u>
Total liabilities and member's equity (deficit)	<u><u>\$ 12,044,268</u></u>

See Notes to Financial Statements.

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Statement of Operations
Year Ended June 30, 2023

Rental revenue	
Rent revenue - gross potential	\$ 3,711,326
Tenant assistance payments	<u>1,657,029</u>
Total rental revenue	<u>5,368,355</u>
Vacancies	
Apartments	<u>(53,540)</u>
Total vacancies	<u>(53,540)</u>
Net rental revenue	<u>5,314,815</u>
Financial revenue	
Financial revenue - project operations	1,696
Revenue from investments - replacement reserve	<u>228</u>
Total financial revenue	<u>1,924</u>
Other revenue	
Laundry and vending	48,772
Tenant charges	22,976
Miscellaneous revenue	<u>243,742</u>
Total other revenue	<u>315,490</u>
Total revenue	<u>5,632,229</u>

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Statement of Operations
Year Ended June 30, 2023

Administrative expenses	
Other renting expenses	1,663
Office salaries	167,281
Office expenses	46,954
Management fee	267,300
Administrative rent free unit	42,095
Legal expense - project	15,177
Auditing expense	13,400
Bad debts	30,387
Miscellaneous administrative expenses	<u>41,182</u>
Total administrative expenses	<u>625,439</u>
Utilities expense	
Electricity	37,448
Water	232,921
Gas	72,777
Sewer	<u>115,531</u>
Total utilities expense	<u>458,677</u>
Operating and maintenance expenses	
Payroll	217,986
Supplies	112,281
Contracts	915,285
Garbage and trash removal	58,907
Security payroll/contract	72,768
Vehicle and maintenance equipment operation and repairs	<u>6,346</u>
Total operating and maintenance expenses	<u>1,383,573</u>

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Statement of Operations
Year Ended June 30, 2023

Taxes and insurance	
Property and liability insurance	105,054
Workmen's compensation	19,629
Health insurance and other employee benefits	162,602
Miscellaneous taxes, licenses, permits and insurance	<u>12,590</u>
Total taxes and insurance	<u>299,875</u>
Financial expenses	
Interest on first mortgage payable	762,267
Mortgage insurance premium/service charge	<u>88,506</u>
Total financial expenses	<u>850,773</u>
Total cost of operations before depreciation	<u>3,618,337</u>
Income (loss) before depreciation	<u>2,013,892</u>
Depreciation	
Depreciation expense	<u>472,523</u>
Total depreciation	<u>472,523</u>
Total expenses	<u>4,090,860</u>
Net income (loss)	<u><u>\$ 1,541,369</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, 2023

Member's equity (deficit), June 30, 2022	\$ (9,200,319)
Distributions	(1,341,202)
Contributions	785,160
Net income (loss)	<u>1,541,369</u>
Member's equity (deficit), June 30, 2023	<u><u>\$ (8,214,992)</u></u>

See Notes to Financial Statements.

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Statement of Cash Flows
Year Ended June 30, 2023

Cash flows from operating activities	
Rental receipts	\$ 5,222,327
Interest receipts	1,924
Other operating receipts	<u>315,490</u>
Total receipts	<u>5,539,741</u>
Administrative expenses paid	(158,022)
Management fees paid	(267,228)
Utilities paid	(458,677)
Salaries and wages paid	(447,703)
Operating and maintenance paid	(737,660)
Property insurance paid	(105,054)
Miscellaneous taxes and insurance paid	(12,590)
Tenant security deposits received	6,235
Other operating expenses paid	(182,231)
Interest paid on first mortgage	(739,605)
Mortgage insurance premium paid	<u>(87,692)</u>
Total disbursements	<u>(3,190,227)</u>
Net cash provided by operating activities	<u>2,349,514</u>
Cash flows from investing activities	
Net withdrawals from mortgage escrows	1,855
Net withdrawals from reserve for replacements	51,492
Net purchases of fixed assets	<u>(1,192,436)</u>
Net cash used in investing activities	<u>(1,139,089)</u>
Cash flows from financing activities	
Mortgage principal payments - first mortgage	(546,758)
Distributions to sole member	(1,341,202)
Contributions by sole member	<u>785,160</u>
Net cash used in financing activities	<u>(1,102,800)</u>
Net increase in cash and restricted cash	107,625
Cash and restricted cash, beginning	<u>1,359,557</u>
Cash and restricted cash, end	<u><u>\$ 1,467,182</u></u>

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Statement of Cash Flows
Year Ended June 30, 2023

Reconciliation of net income (loss) to net cash provided by operating activities	
Net income (loss)	<u>\$ 1,541,369</u>
Adjustments to reconcile net income (loss) to net cash provided by operating activities	
Depreciation	472,523
Amortization of debt issuance costs	24,375
Bad debts	30,387
Changes in asset and liability accounts	
(Increase) decrease in assets	
Tenant accounts receivable	(93,094)
Accounts receivable - other	(37,862)
Prepaid expenses	814
Increase (decrease) in liabilities	
Accounts payable	544,694
Accrued liabilities	10,404
Accrued interest payable	(1,713)
Tenant security deposits held in trust	6,235
Prepaid revenue	40,917
Entity/construction liability accounts (include detail)	
Accounts payable - entity	<u>(189,535)</u>
Total adjustments	<u>808,145</u>
Net cash provided by operating activities	<u><u>\$ 2,349,514</u></u>

See Notes to Financial Statements.

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Notes to Financial Statements
June 30, 2023

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, 2023, the allowance for doubtful accounts is \$8,029.

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, 2023

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, 2023.

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.

New accounting pronouncements

The Company adopted Accounting Standards Update 2016-02 (as amended), Leases ("Topic 842") on July 1, 2022 ("Adoption Date"). Topic 842 requires lessees to recognize a right-of-use asset and a corresponding liability for all leases. Additionally, the Company elected and applied the following practical expedients on the Adoption Date:

- The package of practical expedients permitting the Company to not reassess (i) the lease classification of existing leases; (ii) whether existing and expired contracts are or contain leases; and (iii) initial direct costs for existing leases.
- Application of Topic 842 at the Adoption Date, instead of applying them to the earliest comparative period presented in the financial statements.

The Company accounted for its existing operating leases with residential tenants of the property as operating leases. Adopting Topic 842 in accounting for residential tenant leases did not result in adjustments to the financial statements.

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Notes to Financial Statements
June 30, 2023

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, 2023, the balance in the escrow deposits is \$77,929.

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, 2023, 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 \$301,000. As of June 30, 2023, the balance in the reserve for replacements is \$444,718.

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, 2023, the outstanding principal and accrued interest is \$19,372,512 and \$60,701, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$366,601 as of June 30, 2023, 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 \$24,375 for the year ended June 30, 2023, 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, 2023, the Company received BABs interest rebate of \$243,542, which is included in miscellaneous revenue on the statement of operations.

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Notes to Financial Statements
June 30, 2023

Aggregate annual maturities of the mortgage payable over each of the next five years and thereafter subsequent to June 30, 2023 are as follows:

2024	\$ 567,674
2025	589,391
2026	611,938
2027	635,347
2028	659,652
Thereafter	<u>16,308,510</u>
Subtotal	19,372,512
Less unamortized debt issuance costs	<u>(366,601)</u>
Total	<u><u>\$ 19,005,911</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, 2023, management fees of \$267,300 were incurred and charged to operations, of which \$22,312 remain payable at June 30, 2023.

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	\$ 1,246,625
Tenant deposits	<u>220,557</u>
Total cash and restricted cash shown in the statement of cash flows	<u><u>\$ 1,467,182</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, 2023, the Company recognized housing assistance payments amounting to \$1,657,029.

Note 8 - Concentration of credit risk

The Company maintains its cash accounts with various financial institutions. At times, these balances may exceed the federal insurance limits; however, the Company has not experienced any losses with respect to its bank balances in excess of government provided insurance. Bank balances are fully insured and/or collateralized with securities held by the pledging financial institutions in SDHC's, the Company's sole member, name as discussed below.

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Notes to Financial Statements
June 30, 2023

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, 2023.

Note 9 - Current vulnerability due to certain concentrations

The Company's principal assets consist of eight apartment complexes totaling 301 units. The Company's operations are concentrated in the multifamily real estate market. In addition, the Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 10 - Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Company through September 21, 2023 (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, 2023

		<u>Assets</u>	
<u>Account No.</u>			
Current assets			
1120	Cash - operations		\$ 1,246,625
1130	Tenant accounts receivable	\$ 112,190	
1131	Allowance for doubtful accounts	(8,029)	
1130N	Net tenants accounts receivable		104,161
1140	Accounts and notes receivable - operations		60,246
1200	Prepaid expenses		29,231
1100T	Total current assets		1,440,263
Deposits held in trust - funded			
1191	Tenant deposits		220,557
Restricted deposits and funded reserves			
1310	Escrow deposits	77,929	
1320	Reserve for replacements	444,718	
1300T	Total deposits		522,647
Rental property			
1410	Land	3,682,655	
1420	Buildings	11,523,864	
1470	Maintenance equipment	153,054	
1490	Miscellaneous fixed assets	197,266	
1400T	Total fixed assets	15,556,839	
1495	Less accumulated depreciation	(5,696,038)	
1400N	Net fixed assets		9,860,801
1000T	Total assets		\$ 12,044,268

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information

Balance Sheet Data
June 30, 2023

<u>Account No.</u>		<u>Liabilities and Members' Equity (Deficit)</u>	
Current liabilities			
2110	Accounts payable - operations	\$	814,313
2120	Accrued wages payable		38,950
2123	Accrued management fee payable		22,312
2131	Accrued interest payable - first mortgage		60,701
2170	Mortgage payable - first mortgage (short-term)		567,674
2210	Prepaid revenue		<u>96,543</u>
2122T	Total current liabilities		1,600,493
Deposits liability			
2191	Tenant deposits held in trust (contra)		220,530
Long-term liabilities			
2320	Mortgage payable - first mortgage	<u>\$</u>	<u>18,438,237</u>
2300T	Total long-term liabilities		<u>18,438,237</u>
2000T	Total liabilities		20,259,260
3130	Members' equity (deficit)		<u>(8,214,992)</u>
2033T	Total liabilities and members' equity (deficit)	<u>\$</u>	<u>12,044,268</u>

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2023

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 3,711,326	
5121	Tenant assistance payments	<u>1,657,029</u>	
5100T	Total rental revenue		\$ 5,368,355
Vacancies			
5220	Apartments	<u>(53,540)</u>	
5200T	Total vacancies		<u>(53,540)</u>
5152N	Net rental revenue		5,314,815
Financial revenue			
5410	Financial revenue - project operations	1,696	
5440	Revenue from investments - replacement reserve	<u>228</u>	
5400T	Total financial revenue		1,924
Other revenue			
5910	Laundry and vending	48,772	
5920	Tenant charges	22,976	
5990	Miscellaneous revenue	<u>243,742</u>	
5900T	Total other revenue		<u>315,490</u>
5000T	Total revenue		<u>5,632,229</u>

**Southern SDHC FHA LLC
HUD Project No.: 129-11055**

Supplementary Information

**Statement of Operations Data
Year Ended June 30, 2023**

Account No.

Administrative expenses

6250	Other renting expenses	1,663
6310	Office salaries	167,281
6311	Office expenses	46,954
6320	Management fee	267,300
6331	Administrative rent free unit	42,095
6340	Legal expense - project	15,177
6350	Auditing expense	13,400
6370	Bad debts	30,387
6390	Miscellaneous administrative expenses	<u>41,182</u>

6263T	Total administrative expenses		625,439
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Utilities expense

6450	Electricity	37,448
6451	Water	232,921
6452	Gas	72,777
6453	Sewer	<u>115,531</u>

6400T	Total utilities expense		458,677
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Operating and maintenance expenses

6510	Payroll	217,986
6515	Supplies	112,281
6520	Contracts	915,285
6525	Garbage and trash removal	58,907
6530	Security payroll/contract	72,768
6570	Vehicle and maintenance equipment operation and repairs	<u>6,346</u>

6500T	Total operating and maintenance expenses		1,383,573
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Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2023

<u>Account No.</u>			
Taxes and insurance			
6720	Property and liability insurance	105,054	
6722	Workmen's compensation	19,629	
6723	Health insurance and other employee benefits	162,602	
6790	Miscellaneous taxes, licenses, permits and insurance	<u>12,590</u>	
6700T	Total taxes and insurance		299,875
Financial expenses			
6820	Interest on first mortgage payable	762,267	
6850	Mortgage insurance premium/service charge	<u>88,506</u>	
6800T	Total financial expenses		<u>850,773</u>
6000T	Total cost of operations before depreciation		<u>3,618,337</u>
5060T	Income (loss) before depreciation		<u>2,013,892</u>
Depreciation			
6600	Depreciation expense	<u>472,523</u>	
	Total depreciation		<u>472,523</u>
5060N	Operating income (loss)		<u>1,541,369</u>
	Total expenses		<u>4,090,860</u>
3250	Net income (loss)		<u>\$ 1,541,369</u>

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2023

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.	<u>\$ 546,758</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>\$ 51,719</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, 2023**

<u>Account No.</u>		
S1100-010	Members' equity (deficit) June 30, 2022	\$ (9,200,319)
S1200-420	Distributions	(1,341,202)
S1200-430	Contributions	785,160
3250	Net income (loss)	<u>1,541,369</u>
3130	Members' equity (deficit) June 30, 2023	<u><u>\$ (8,214,992)</u></u>

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2023

<u>Account No.</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 5,222,327
S1200-020	Interest receipts	1,924
S1200-030	Other operating receipts	<u>315,490</u>
S1200-040	Total receipts	<u>5,539,741</u>
S1200-050	Administrative expenses paid	(158,022)
S1200-070	Management fees paid	(267,228)
S1200-090	Utilities paid	(458,677)
S1200-100	Salaries and wages paid	(447,703)
S1200-110	Operating and maintenance paid	(737,660)
S1200-140	Property insurance paid	(105,054)
S1200-150	Miscellaneous taxes and insurance paid	(12,590)
S1200-160	Net tenant security deposits received (paid)	(26)
S1200-170	Other operating expenses paid	(182,231)
S1200-180	Interest paid on first mortgage	(739,605)
S1200-210	Mortgage insurance premium paid	<u>(87,692)</u>
S1200-230	Total disbursements	<u>(3,196,488)</u>
S1200-240	Net cash provided by operating activities	<u>2,343,253</u>
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	1,855
S1200-250	Net withdrawals from reserve for replacements	51,492
S1200-330	Net purchases of fixed assets	<u>(1,192,436)</u>
S1200-350	Net cash used in investing activities	<u>(1,139,089)</u>
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	(546,758)
S1200-420	Distributions to members	(1,341,202)
S1200-430	Contributions by members	<u>785,160</u>
S1200-460	Net cash used in financing activities	<u>(1,102,800)</u>
S1200-470	Net increase in cash	101,364
S1200-480	Cash, beginning	<u>1,145,261</u>
S1200T	Cash, end	<u><u>\$ 1,246,625</u></u>

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2023

<u>Account No.</u>			
	Reconciliation of net income (loss) to net cash provided by operating activities		
3250	Net income (loss)		<u>\$ 1,541,369</u>
	Adjustments to reconcile net income (loss) to net cash provided by operating activities		
6600	Depreciation		472,523
S1200-486	Amortization of debt issuance costs		24,375
	Changes in asset and liability accounts		
	(Increase) decrease in assets		
S1200-490	Tenant accounts receivable		(93,094)
S1200-500	Accounts receivable - other		(37,862)
S1200-520	Prepaid expenses		814
S1200-530	Tenant security deposits funded		(6,261)
	Increase (decrease) in liabilities		
S1200-540	Accounts payable		544,694
S1200-560	Accrued liabilities		10,404
S1200-570	Accrued interest payable		(1,713)
S1200-580	Tenant security deposits held in trust		6,235
S1200-590	Prepaid revenue		40,917
S1200-605	Entity/construction liability accounts (include detail)		
S1200-606	Accounts payable - entity	<u>\$ (189,535)</u>	(189,535)
S1200-600	Other adjustments (include detail)		
S1200-601	Bad debts	<u>30,387</u>	<u>30,387</u>
	Total adjustments		<u>801,884</u>
S1200-610	Net cash provided by operating activities		<u><u>\$ 2,343,253</u></u>

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information
Year Ended June 30, 2023

Reserve for Replacements

<u>Account No.</u>		
1320P	Balance at June 30, 2022	\$ 496,210
1320INT	Interest income	228
1320WT	Approved withdrawals	<u>(51,720)</u>
1320	Balance at June 30, 2023	<u><u>\$ 444,718</u></u>

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information
Period Ended December 31, 2022

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)	\$ 1,501,713
S1400-030	Accounts receivable - HUD	-
		<hr/>
S1400-050	Total cash	1,501,713
		<hr/>
S1400-060	Accrued mortgage interest payable	61,565
S1400-070	Delinquent mortgage principal payments	-
S1400-080	Delinquent deposits to reserve for replacements	-
S1400-090	Accounts payable (due within 30 days)	34,948
S1400-100	Loans and notes payable (due within 30 days)	-
S1400-110	Deficient tax, insurance or MIP escrow deposits	-
S1400-120	Accrued expenses (not escrowed)	-
S1400-130	Prepaid revenue (Account 2210)	104,846
S1400-140	Tenant security deposits liability (Account 2191)	214,671
		<hr/>
S1400-180	Less total current obligations	416,030
		<hr/>
S1400-190	Surplus cash (deficiency)	\$ 1,085,683
		<hr/>
S1400-240	Amount available for distribution during next fiscal period	\$ 1,085,683
		<hr/>

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information
Year Ended June 30, 2023

Computation of Surplus Cash

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1300-010	Cash (Accounts 1120, 1170 and 1191)	\$ 1,467,182
1135	Accounts receivable - HUD	-
		<hr/>
S1300-040	Total cash	1,467,182
		<hr/>
S1300-050	Accrued mortgage interest payable	60,701
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	814,313
S1300-080	Loans and notes payable (due within 30 days)	-
S1300-090	Deficient tax, insurance or MIP escrow deposits	-
S1300-100	Accrued expenses (not escrowed)	61,262
2210	Prepaid revenue (Account 2210)	96,543
2191	Tenant security deposits liability (Account 2191)	220,530
		<hr/>
S1300-140	Less total current obligations	1,253,349
		<hr/>
S1300-150	Surplus cash (deficiency)	\$ 213,833
		<hr/>
S1300-200	Amount available for distribution during next fiscal period	\$ 213,833
		<hr/>

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information
Year Ended June 30, 2023

Changes in Fixed Asset Accounts

	Assets			Balance 6/30/23
	Balance 6/30/22	Additions	Deletions	
Land	\$ 3,682,655	\$ -	\$ -	\$ 3,682,655
Buildings	10,528,694	995,170	-	11,523,864
Maintenance equipment	153,054	-	-	153,054
Miscellaneous fixed assets	-	197,266	-	197,266
	<u>\$ 14,364,403</u>	<u>\$ 1,192,436</u>	<u>\$ -</u>	<u>\$ 15,556,839</u>
Accumulated depreciation	<u>\$ 5,223,515</u>	<u>\$ 472,523</u>	<u>\$ -</u>	<u>\$ 5,696,038</u>
Total net book value				<u>\$ 9,860,801</u>

Fixed Asset Detail

Additions to Buildings Account

<u>Item and quantity</u>	<u>Amount</u>
Plumbing Re-Pipe - Phases 1 and 2	<u>\$ 995,170</u>

Additions to Miscellaneous Fixed Assets Account

<u>Item and quantity</u>	<u>Amount</u>
Construction in Process - Plumbing Re-Pipe Phase 3	<u>\$ 197,266</u>

Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information
Year Ended June 30, 2023

Detail of Accounts - Balance Sheet

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

Other	
Interest Rebate - Build America Bonds	\$ 60,246

Detail of Accounts - Statement of Operations

Miscellaneous Other Revenue (Account No. 5990)

Interest Rebate - Build America Bond	\$ 243,542
Real Estate Taxes Refund	200
	<u>\$ 243,742</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>\$ 267,228</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, 2023, 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 21, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



Sacramento, California
September 21, 2023

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, 2023. 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, 2023.

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.



Sacramento, California
September 21, 2023

**Southern SDHC FHA LLC
HUD Project No.: 129-11055**

**Schedule of Findings, Questioned Costs and Recommendations
June 30, 2023**

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, 2023**

1. Audit Report, dated September 20, 2022, for the year ended June 30, 2022, 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 2, 2022, 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 77c. There were no other letters or reports issued by HUD management during the period covered by this audit.



Independent Member of Nexia International

cohnreznick.com

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

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

June 30, 2023

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

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

June 30, 2023

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, 2023

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

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
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, 2023, 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, 2023, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Central SDHC FHA LLC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The HUD-required financial data templates are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the HUD-required financial data templates are fairly stated in all material respects in relation to the financial statements as a whole.

Other Matters

The Schedule of the Status of Prior Audit Findings, Questioned Costs and Recommendations has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2023 on our consideration of Central SDHC FHA LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Central SDHC FHA LLC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central SDHC FHA LLC's internal control over financial reporting and compliance.



Sacramento, California
September 20, 2023

Taxpayer Identification Number:
22-1478099

Lead Auditor: Ahamadou Alainchar Bocar, CPA

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

Balance Sheet
June 30, 2023

Assets

Current assets	
Cash - operations	\$ 917,623
Tenant accounts receivable	242,635
Allowance for doubtful accounts	(17,383)
Accounts receivable - HUD	880
Accounts and notes receivable - operations	27,178
Prepaid expenses	<u>22,865</u>
Total current assets	<u>1,193,798</u>
Deposits held in trust - funded	
Tenant deposits	<u>166,970</u>
Restricted deposits and funded reserves	
Escrow deposits	44,098
Reserve for replacements	<u>314,622</u>
Total restricted deposits and funded reserves	<u>358,720</u>
Rental property	
Land	3,852,360
Buildings	9,961,167
Dwelling equipment	<u>103,065</u>
	13,916,592
Less accumulated depreciation	<u>(4,499,736)</u>
Total rental property	<u>9,416,856</u>
Total assets	<u><u>\$ 11,136,344</u></u>

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

Balance Sheet
June 30, 2023

Liabilities and Member's Equity (Deficit)

Current liabilities	
Accounts payable - operations	\$ 423,978
Accounts payable - entity	131,684
Accrued wages payable	30,269
Accrued management fee payable	17,836
Accrued interest payable - first mortgage	36,960
Mortgage payable - first mortgage (short-term)	358,870
Prepaid revenue	<u>52,631</u>
Total current liabilities	<u>1,052,228</u>
Deposits liability	
Tenant deposits held in trust (contra)	<u>166,950</u>
Long-term liabilities	
Mortgage payable - first mortgage, net	<u>11,547,793</u>
Total long-term liabilities	<u>11,547,793</u>
Total liabilities	<u>12,766,971</u>
Member's equity (deficit)	<u>(1,630,627)</u>
Total liabilities and member's equity (deficit)	<u><u>\$ 11,136,344</u></u>

See Notes to Financial Statements.

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

**Statement of Operations
Year Ended June 30, 2023**

Rental revenue	
Rent revenue - gross potential	\$ 2,962,560
Tenant assistance payments	<u>1,309,321</u>
Total rental revenue	<u>4,271,881</u>
Vacancies	
Apartments	<u>(145,105)</u>
Total vacancies	<u>(145,105)</u>
Net rental revenue	<u>4,126,776</u>
Financial revenue	
Financial revenue - project operations	830
Revenue from investments - replacement reserve	<u>167</u>
Total financial revenue	<u>997</u>
Other revenue	
Laundry and vending	18,047
Tenant charges	<u>46,457</u>
Total other revenue	<u>64,504</u>
Total revenue	<u>4,192,277</u>

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

Statement of Operations
Year Ended June 30, 2023

Administrative expenses	
Other renting expenses	10,800
Office salaries	163,305
Office expenses	24,122
Management fee	208,642
Administrative rent free unit	18,443
Legal expense - project	10,406
Auditing expense	13,400
Bad debts	226,554
Miscellaneous administrative expenses	<u>28,162</u>
Total administrative expenses	<u>703,834</u>
Utilities expense	
Electricity	28,085
Water	187,973
Gas	49,283
Sewer	<u>130,485</u>
Total utilities expense	<u>395,826</u>
Operating and maintenance expenses	
Payroll	219,609
Supplies	44,431
Contracts	725,668
Garbage and trash removal	61,852
Security payroll/contract	71,210
Vehicle and maintenance equipment operation and repairs	<u>5,416</u>
Total operating and maintenance expenses	<u>1,128,186</u>

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

Statement of Operations
Year Ended June 30, 2023

Taxes and insurance	
Real estate taxes	1,158
Property and liability insurance	76,193
Workmen's compensation	22,336
Health insurance and other employee benefits	154,016
Miscellaneous taxes, licenses, permits and insurance	<u>6,800</u>
Total taxes and insurance	<u>260,503</u>
Financial expenses	
Interest on first mortgage payable	465,591
Mortgage insurance premium/service charge	<u>55,522</u>
Total financial expenses	<u>521,113</u>
Total cost of operations before depreciation	<u>3,009,462</u>
Income (loss) before depreciation	<u>1,182,815</u>
Depreciation	
Depreciation expense	<u>431,607</u>
Total depreciation	<u>431,607</u>
Total expenses	<u>3,441,069</u>
Net income (loss)	<u><u>\$ 751,208</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, 2023

Member's equity (deficit) June 30, 2022	\$ (2,665,425)
Distributions	(756,283)
Contributions	1,039,873
Net income (loss)	<u>751,208</u>
Member's equity (deficit) June 30, 2023	<u><u>\$ (1,630,627)</u></u>

See Notes to Financial Statements.

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

Statement of Cash Flows
Year Ended June 30, 2023

Cash flows from operating activities	
Rental receipts	\$ 3,741,534
Interest receipts	997
Other operating receipts	<u>64,504</u>
Total receipts	<u>3,807,035</u>
Administrative expenses paid	(57,400)
Management fees paid	(208,390)
Utilities paid	(508,633)
Salaries and wages paid	(450,171)
Operating and maintenance paid	(883,007)
Real estate taxes paid	(1,158)
Property insurance paid	(76,193)
Miscellaneous taxes and insurance paid	(6,800)
Net tenant security deposits received (paid)	2,272
Other operating expenses paid	(176,352)
Interest paid on first mortgage	(450,396)
Mortgage insurance premium paid	<u>(54,876)</u>
Total disbursements	<u>(2,871,104)</u>
Net cash provided by operating activities	<u>935,931</u>
Cash flows from investing activities	
Net withdrawals from mortgage escrows	1,057
Net withdrawals from reserve for replacements	83,371
Net purchases of fixed assets	<u>(877,069)</u>
Net cash used in investing activities	<u>(792,641)</u>
Cash flows from financing activities	
Mortgage principal payments - first mortgage	(346,025)
Distributions to sole member	(756,283)
Contributions by sole member	<u>1,039,873</u>
Net cash used in financing activities	<u>(62,435)</u>
Net increase in cash and restricted cash	80,855
Cash and restricted cash, beginning	<u>1,003,738</u>
Cash and restricted cash, end	<u><u>\$ 1,084,593</u></u>

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

Statement of Cash Flows
Year Ended June 30, 2023

Reconciliation of net income (loss) to net cash provided by operating activities	
Net income (loss)	<u>\$ 751,208</u>
Adjustments to reconcile net income (loss) to net cash provided by operating activities	
Depreciation	431,607
Amortization of debt issuance costs	16,247
Bad debts	226,554
Changes in asset and liability accounts	
(Increase) decrease in assets	
Tenant accounts receivable	(389,853)
Accounts receivable - other	(22,096)
Prepaid expenses	646
Increase (decrease) in liabilities	
Accounts payable	(56,139)
Accrued liabilities	4,205
Accrued interest payable	(1,052)
Tenant security deposits held in trust	2,272
Prepaid revenue	17,972
Entity/construction liability accounts (include detail)	
Accounts payable - entity	<u>(45,640)</u>
Total adjustments	<u>184,723</u>
Net cash provided by operating activities	<u><u>\$ 935,931</u></u>

See Notes to Financial Statements.

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

Notes to Financial Statements
June 30, 2023

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, 2023, the allowance for doubtful accounts is \$17,383.

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, 2023

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, 2023.

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.

New accounting pronouncements

The Company adopted Accounting Standards Update 2016-02 (as amended), Leases ("Topic 842") on July 1, 2022 ("Adoption Date"). Topic 842 requires lessees to recognize a right-of-use asset and a corresponding liability for all leases. Additionally, the Company elected and applied the following practical expedients on the Adoption Date:

- The package of practical expedients permitting the Company to not reassess (i) the lease classification of existing leases; (ii) whether existing and expired contracts are or contain leases; and (iii) initial direct costs for existing leases.
- Application of Topic 842 at the Adoption Date, instead of applying them to the earliest comparative period presented in the financial statements.

The Company accounted for its existing leases with residential tenants of the property as operating leases. Adopting Topic 842 in accounting for residential tenant leases did not result in adjustments to the financial statements.

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

Notes to Financial Statements
June 30, 2023

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, 2023, the balance in the escrow deposits is \$44,098.

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, 2023, 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 \$234,000. As of June 30, 2023, the balance in the reserve for replacements is \$314,622.

Note 4 - Mortgage payable

In September 2010, the Company entered into a mortgage agreement with PNC Bank, N.A., a national banking association, in the original amount of \$15,726,100. The mortgage is secured by a deed of trust and insured by HUD. The mortgage bears an annual interest rate of 3.65%. Principal and interest are paid in monthly installments of \$66,369 through maturity on October 1, 2045. As of June 30, 2023, the outstanding principal and accrued interest is \$12,151,160 and \$36,960, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$244,497 as of June 30, 2023, 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 \$16,247 for the year ended June 30, 2023 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, 2023 are as follows:

2024	\$	358,870
2025		372,190
2026		386,004
2027		400,332
2028		415,191
Thereafter		<u>10,218,573</u>
Subtotal		12,151,160
Less unamortized debt issuance costs		<u>(244,497)</u>
Total	\$	<u><u>11,906,663</u></u>

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

Notes to Financial Statements
June 30, 2023

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, 2023, management fees of \$208,642 were incurred and charged to operations. As of June 30, 2023, management fees of \$17,836 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	\$ 917,623
Tenant deposits	<u>166,970</u>
Total cash and restricted cash shown in the statement of cash flows	<u><u>\$ 1,084,593</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, 2023, the Company recognized housing assistance payments amounting to \$1,309,321.

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, 2023, \$131,684 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.

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

Notes to Financial Statements
June 30, 2023

The Company believes that no significant concentration of credit risks exists with respect to these cash balances at June 30, 2023.

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.

Note 11 - Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Company through September 20, 2023, 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, 2023

		<u>Assets</u>	
<u>Account No.</u>			
Current assets			
1120	Cash - operations		\$ 917,623
1130	Tenant accounts receivable	\$ 242,635	
1131	Allowance for doubtful accounts	(17,383)	
1130N	Net tenants accounts receivable		225,252
1135	Accounts receivable - HUD		880
1140	Accounts and notes receivable - operations		27,178
1200	Prepaid expenses		22,865
1100T	Total current assets		1,193,798
Deposits held in trust - funded			
1191	Tenant deposits		166,970
Restricted deposits and funded reserves			
1310	Escrow deposits	44,098	
1320	Reserve for replacements	314,622	
1300T	Total deposits		358,720
Rental property			
1410	Land	3,852,360	
1420	Buildings	9,961,167	
1470	Maintenance equipment	103,065	
1400T	Total fixed assets	13,916,592	
1495	Less accumulated depreciation	(4,499,736)	
1400N	Net fixed assets		9,416,856
1000T	Total assets		\$ 11,136,344

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

Supplementary Information

Balance Sheet Data
June 30, 2023

<u>Account No.</u>		<u>Liabilities and Members' Equity (Deficit)</u>	
Current liabilities			
2110	Accounts payable - operations	\$	423,978
2113	Accounts payable - entity		131,684
2120	Accrued wages payable		30,269
2123	Accrued management fee payable		17,836
2131	Accrued interest payable - first mortgage		36,960
2170	Mortgage payable - first mortgage (short-term)		358,870
2210	Prepaid revenue		<u>52,631</u>
2122T	Total current liabilities		1,052,228
Deposits liability			
2191	Tenant deposits held in trust (contra)		166,950
Long-term liabilities			
2320	Mortgage payable - first mortgage	<u>\$ 11,547,793</u>	
2300T	Total long-term liabilities		<u>11,547,793</u>
2000T	Total liabilities		12,766,971
3130	Members' equity (deficit)		<u>(1,630,627)</u>
2033T	Total liabilities and members' equity (deficit)	\$	<u>11,136,344</u>

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

Supplementary Information

**Statement of Operations Data
Year Ended June 30, 2023**

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 2,962,560	
5121	Tenant assistance payments	<u>1,309,321</u>	
5100T	Total rental revenue		\$ 4,271,881
Vacancies			
5220	Apartments	<u>(145,105)</u>	
5200T	Total vacancies		<u>(145,105)</u>
5152N	Net rental revenue		4,126,776
Financial revenue			
5410	Financial revenue - project operations	830	
5440	Revenue from investments - replacement reserve	<u>167</u>	
5400T	Total financial revenue		997
Other revenue			
5910	Laundry and vending	18,047	
5920	Tenant charges	<u>46,457</u>	
5900T	Total other revenue		<u>64,504</u>
5000T	Total revenue		<u>4,192,277</u>

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2023

Account No.

Administrative expenses

6250	Other renting expenses	10,800
6310	Office salaries	163,305
6311	Office expenses	24,122
6320	Management fee	208,642
6331	Administrative rent free unit	18,443
6340	Legal expense - project	10,406
6350	Auditing expense	13,400
6370	Bad debts	226,554
6390	Miscellaneous administrative expenses	<u>28,162</u>

6263T	Total administrative expenses		703,834
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Utilities expense

6450	Electricity	28,085
6451	Water	187,973
6452	Gas	49,283
6453	Sewer	<u>130,485</u>

6400T	Total utilities expense		395,826
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Operating and maintenance expenses

6510	Payroll	219,609
6515	Supplies	44,431
6520	Contracts	725,668
6525	Garbage and trash removal	61,852
6530	Security payroll/contract	71,210
6570	Vehicle and maintenance equipment operation and repairs	<u>5,416</u>

6500T	Total operating and maintenance expenses		1,128,186
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Central SDHC FHA LLC
HUD Project No.: 129-11054

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2023

<u>Account No.</u>			
Taxes and insurance			
6710	Real estate taxes	1,158	
6720	Property and liability insurance	76,193	
6722	Workmen's compensation	22,336	
6723	Health insurance and other employee benefits	154,016	
6790	Miscellaneous taxes, licenses, permits and insurance	<u>6,800</u>	
6700T	Total taxes and insurance		260,503
Financial expenses			
6820	Interest on first mortgage payable	465,591	
6850	Mortgage insurance premium/service charge	<u>55,522</u>	
6800T	Total financial expenses		<u>521,113</u>
6000T	Total cost of operations before depreciation		<u>3,009,462</u>
5060T	Income (loss) before depreciation		<u>1,182,815</u>
Depreciation			
6600	Depreciation expense	<u>431,607</u>	
	Total depreciation		<u>431,607</u>
5060N	Operating income (loss)		<u>751,208</u>
	Total expenses		<u>3,441,069</u>
3250	Net income (loss)		<u><u>\$ 751,208</u></u>

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2023

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.	<u><u>\$ 346,025</u></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>\$ -</u></u>
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations.	<u><u>\$ 83,538</u></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>\$ -</u></u>
S3100-120	Mortgage payable note detail (Section 236 only) Interest reduction payments from subsidy.	<u><u>\$ -</u></u>

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

Supplementary Information

Statement of Member's Equity (Deficit) Data
Year Ended June 30, 2023

<u>Account No.</u>		<u>Total</u>
S1100-010	Member's equity (deficit) June 30, 2022	\$ (2,665,425)
S1200-420	Distributions	(756,283)
S1200-430	Contributions	1,039,873
3250	Net income (loss)	<u>751,208</u>
3130	Member's equity (deficit) June 30, 2023	<u><u>\$ (1,630,627)</u></u>

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

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2023

<u>Account No.</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 3,741,534
S1200-020	Interest receipts	997
S1200-030	Other operating receipts	<u>64,504</u>
S1200-040	Total receipts	<u>3,807,035</u>
S1200-050	Administrative expenses paid	(57,400)
S1200-070	Management fees paid	(208,390)
S1200-090	Utilities paid	(508,633)
S1200-100	Salaries and wages paid	(450,171)
S1200-110	Operating and maintenance paid	(883,007)
S1200-120	Real estate taxes paid	(1,158)
S1200-140	Property insurance paid	(76,193)
S1200-150	Miscellaneous taxes and insurance paid	(6,800)
S1200-160	Net tenant security deposits received (paid)	(19)
S1200-170	Other operating expenses paid	(176,352)
S1200-180	Interest paid on first mortgage	(450,396)
S1200-210	Mortgage insurance premium paid	<u>(54,876)</u>
S1200-230	Total disbursements	<u>(2,873,395)</u>
S1200-240	Net cash provided by operating activities	<u>933,640</u>
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	1,057
S1200-250	Net withdrawals from reserve for replacements	83,371
S1200-330	Net purchases of fixed assets	<u>(877,069)</u>
S1200-350	Net cash used in investing activities	<u>(792,641)</u>
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	(346,025)
S1200-420	Distributions to members	(756,283)
S1200-430	Contributions by members	<u>1,039,873</u>
S1200-460	Net cash used in financing activities	<u>(62,435)</u>
S1200-470	Net increase in cash	78,564
S1200-480	Cash, beginning	<u>839,059</u>
S1200T	Cash, end	<u><u>\$ 917,623</u></u>

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

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2023

<u>Account No.</u>		
	Reconciliation of net income (loss) to net cash provided by operating activities	
3250	Net income (loss)	<u>\$ 751,208</u>
	Adjustments to reconcile net income (loss) to net cash provided by operating activities	
6600	Depreciation	431,607
S1200-486	Amortization of debt issuance costs	16,247
	Changes in asset and liability accounts	
	(Increase) decrease in assets	
S1200-490	Tenant accounts receivable	(389,853)
S1200-500	Accounts receivable - other	(22,096)
S1200-520	Prepaid expenses	646
S1200-530	Tenant security deposits funded	(2,291)
	Increase (decrease) in liabilities	
S1200-540	Accounts payable	(56,139)
S1200-560	Accrued liabilities	4,205
S1200-570	Accrued interest payable	(1,052)
S1200-580	Tenant security deposits held in trust	2,272
S1200-590	Prepaid revenue	17,972
S1200-605	Entity/construction liability accounts (include detail)	
S1200-606	Accounts payable - entity	<u>\$ (45,640)</u>
		(45,640)
S1200-600	Other adjustments (include detail)	
S1200-601	Bad debts	<u>226,554</u>
		<u>226,554</u>
	Total adjustments	<u>182,432</u>
S1200-610	Net cash provided by operating activities	<u><u>\$ 933,640</u></u>

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

Supplementary Information
Year Ended June 30, 2023

Reserve for Replacements

<u>Account No.</u>		
1320P	Balance at June 30, 2022	\$ 397,993
1320INT	Interest income	167
1320WT	Approved withdrawals	<u>(83,538)</u>
1320	Balance at June 30, 2023	<u><u>\$ 314,622</u></u>

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

Supplementary Information
Period Ended December 31, 2022

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)	\$ 1,355,248
S1400-030	Accounts receivable - HUD	<u>1,741</u>
S1400-050	Total cash	<u>1,356,989</u>
S1400-060	Accrued mortgage interest payable	37,491
S1400-070	Delinquent mortgage principal payments	-
S1400-080	Delinquent deposits to reserve for replacements	-
S1400-090	Accounts payable (due within 30 days)	259,347
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)	54,903
S1400-140	Tenant security deposits liability (Account 2191)	<u>163,946</u>
S1400-180	Less total current obligations	<u>515,687</u>
S1400-190	Surplus cash (deficiency)	<u>\$ 841,302</u>
S1400-240	Amount available for distribution during next fiscal period	<u>\$ 841,302</u>

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

Supplementary Information
Year Ended June 30, 2023

Computation of Surplus Cash

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1300-010	Cash (Accounts 1120, 1170 and 1191)	\$ 1,084,593
1135	Accounts receivable - HUD	<u>880</u>
S1300-040	Total cash	<u>1,085,473</u>
S1300-050	Accrued mortgage interest payable	36,960
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	423,978
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)	48,105
2210	Prepaid revenue (Account 2210)	52,631
2191	Tenant security deposits liability (Account 2191)	166,950
S1300-110	Other current obligations (describe in detail)	
S1300-120	Accounts payable - entity	<u>\$ 131,684</u>
		<u>131,684</u>
S1300-140	Less total current obligations	<u>860,308</u>
S1300-150	Surplus cash (deficiency)	<u>\$ 225,165</u>
S1300-200	Amount available for distribution during next fiscal period	<u>\$ 225,165</u>

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

Supplementary Information
Year Ended June 30, 2023

Changes in Fixed Asset Accounts

	Assets			
	<u>Balance 6/30/22</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/23</u>
Land	\$ 3,852,360	\$ -	\$ -	\$ 3,852,360
Buildings	9,084,098	877,069	-	9,961,167
Maintenance equipment	103,065	-	-	103,065
	<u>\$ 13,039,523</u>	<u>\$ 877,069</u>	<u>\$ -</u>	<u>\$ 13,916,592</u>
Accumulated depreciation	<u>\$ 4,068,129</u>	<u>\$ 431,607</u>	<u>\$ -</u>	<u>\$ 4,499,736</u>
Total net book value				<u>\$ 9,416,856</u>

Fixed Asset Detail

Additions to Buildings Account

<u>Item and quantity</u>	<u>Amount</u>
Building Improvements - Plumbing Repipe	<u>\$ 877,069</u>

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

Supplementary Information
Year Ended June 30, 2023

Detail of Accounts - Balance Sheet

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

Other	
Insurance settlement receivable	<u><u>\$ 27,178</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>\$ 208,390</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, 2023, 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, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

Sacramento, California
September 20, 2023

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, 2023. 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, 2023.

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.



Sacramento, California
September 20, 2023

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

**Schedule of Findings, Questioned Costs and Recommendations
June 30, 2023**

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, 2023**

1. Audit Report, dated September 20, 2022, for the year ended June 30, 2022, 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 March 17, 2023, 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 73c. There were no other letters or reports issued by HUD management during the period covered by this audit.



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