



EXECUTIVE SUMMARY

MEETING DATE: November 22, 2024

HCR24-080

SUBJECT: Fiscal Year 2024 Annual Comprehensive Financial Report (ACFR) and Single Audit Reports

COUNCIL DISTRICT: Citywide

ORIGINATING DEPARTMENT: Financial Services

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

REQUESTED ACTION:

Accept the Fiscal Year 2024 (July 1, 2023 – June 30, 2024) Annual Comprehensive Financial Report (ACFR) and Single Audit Reports.

EXECUTIVE SUMMARY OF KEY FACTORS:

- The San Diego Housing Commission (Housing Commission) received an “unmodified” (“clean”) opinion for the audit period July 1, 2023 - June 30, 2024.
- Total Revenues were \$505.5 million, of which 75 percent was from Federal grants.
- Total Expenses were \$469.2 million, of which \$291.3 million was related to Housing Assistance expenses.
- Total Assets were \$1,148.8 million.
- Total Liabilities were \$155.8 million.
- Total Net Position was \$903.5 million and was composed of:
 - Net Investment in Capital Assets: \$196.6 million – the amount spent on capital assets and is used for operations.
 - Restricted Net Position: \$247.6 million – the amount is restricted by external creditors, grantors contributors, or laws or regulations of other governments.
 - Unrestricted Net Position: \$459.3 million, which is an accounting definition and not necessarily indicative of funds available for discretionary use.
- On November 4, 2024, the Housing Commission Board of Commissioners Audit Committee voted to recommend that the Housing Commission Board of Commissioners accept the Fiscal Year Annual Comprehensive Financial Report and Single Audit Reports prepared by CohnReznick LLP, an independent audit firm.



REPORT

DATE ISSUED: November 15, 2024

REPORT NO: HCR24-080

ATTENTION: Chair and Members of the San Diego Housing Commission Board of Commissioners
For the Agenda of November 22, 2024

SUBJECT: Fiscal Year 2024 Annual Comprehensive Financial Report (ACFR) and Single Audit Reports

COUNCIL DISTRICT: Citywide

REQUESTED ACTION

Accept the Fiscal Year 2024 (July 1, 2023 – June 30, 2024) Annual Comprehensive Financial Report (ACFR) and Single Audit Reports.

COMMITTEE RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) Board of Commissioners accept the Fiscal Year (FY) 2024 (July 1, 2023 – June 30, 2024) Annual Comprehensive Financial Report (ACFR) and Single Audit Reports prepared by CohnReznick LLP, an independent audit firm, and attached to this staff report.

SUMMARY

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.

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).

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

CohnReznick, LLP is responsible for expressing an opinion on the financial statements based on their audit. In their opinion, the financial statements present fairly, in all material respects, the Housing Commission's financial position as of June 30, 2024.

CohnReznick, LLP is also 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, 2024.

The Report to the Audit Committee of the Housing Commission Board of Commissioners (Attachment 3) provides required information from CohnReznick relating to the audits.

Certain projects require Financial Statements with Supplementary Information and Independent Auditor's Report. The 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 auditors' opinion was that the statement of project operations presents fairly, in all material respects, the operation of the project for the fiscal year that ended on June 30, 2024, 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 2024. For each project, the auditors' opinion was that the statements of each project were presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. In addition, 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.

COMMITTEE 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 extended their appreciation to CohnReznick, LLP for the professional manner in which this audit was performed.

FISCAL CONSIDERATIONS

The proposed action has no fiscal impact.

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 FY 2022-2024. The Housing Commission is in the process of developing a new Strategic Plan.

EQUAL OPPORTUNITY CONTRACTING AND EQUITY ASSURANCE

CohnReznick, LLP provided its Diversity, Equity, Inclusion and Belonging (DEIB) policy statement and initiatives that demonstrates their ongoing proactive commitment to the principles of DEIB.

PREVIOUS COUNCIL and/or COMMITTEE ACTION

On November 4, 2024, Housing Commission staff and the Auditors presented the FY 2024 Annual Comprehensive Financial Report and attached financial reports to the Audit Committee, 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.

Respectfully submitted,

By: *Johanna Hester*
Audit Committee

By: *Antoine "Tony" Jackson*
Audit Committee

- Attachments: 1) FY24 Annual Comprehensive Financial Report (ACFR)
2) FY24 Single Audit Reports
3) FY24 Report to the Audit Committee of the Board of Commissioners
4) FY24 Financial Statements on the Otay Villas Housing Development
5) FY24 Financial Statements on the Adaptable Housing Development
6) FY24 Northern SDHC FHA LLC Financial Statements
7) FY24 Southern SDHC FHA LLC Financial Statements
8) FY24 Central SDHC FHA LLC Financial Statements
9) FY24 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 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, 2024

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, 2024**

**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 7, 2024

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, 2024.

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, 2024, 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, 2024, 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, 2023. This was the 16th 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 2023. This was the 14th 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 President & CEO Lisa Jones is the Executive Director of the Housing Authority.

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

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

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 88%.

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 2024, SDHC was awarded 75 additional tenant-based Veterans Affairs Supportive Housing (VASH) vouchers. These vouchers serve veterans experiencing homelessness who are eligible for a VASH voucher.

HUD awarded SDHC 69 new incremental Housing Choice Vouchers for low income households selected from SDHC waiting lists.

'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 2024, more than 5,700 of SDHC's rental assistance subsidies were dedicated to families and individuals experiencing homelessness. This includes but is not limited to Veterans Affairs Supportive Housing vouchers, Emergency Housing Vouchers, Sponsor Based Subsidies, Project Based Vouchers, and Monarch School Project.

Committing Federal Rental Housing Vouchers for Affordable Housing

SDHC dedicated 119 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 161 Project Based Vouchers were awarded to projects applying for Project Homekey serving 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 2024 was \$286,118,212. 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 July 1, 2023, SDHC updated the payment standards that are used to determine the amount of rental assistance each family receives.

In Fiscal Year 2024, 2,953 families moved to Enterprise or Choice communities. In addition, 825 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.

In Fiscal Year 2024, the Landlord Partnership Program paid \$659,000 to landlords in leasing incentives to secure 1,318 units for HCV households.

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 2024, 353 families participated in this Security Deposit Loan Program, and SDHC loaned a total of more than \$662,773 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 2024, more than 1,269 SDHC Achievement Academy participants attended 255 workshops addressing various topics, such as financial education, life skills, workforce readiness, computer literacy and job recruitments. In addition to attending workshops, 1,257 participants received core services, including benefits screening and meeting with a certified financial counselor; 231 participants were placed in jobs; and 255 increased their earnings. In Fiscal Year 2024, the average hourly wage earned by SDHC Achievement Academy participants placed in jobs was \$20.50, 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 2024 was 96 percent higher than in Fiscal Year 2013, the last year before Path to Success was implemented.

City of San Diego Flood Recovery Program for Displaced Residents

Torrential winter storms of January 2024 displaced hundreds of San Diegans due to excess flooding damaging hundreds of housing units across the county. In response, the San Diego Housing Commission (SDHC) provided temporary hotel lodging for approximately 331 City of San Diego households for up to four weeks. When these families reached their maximum hotel stays provided by SDHC and they required additional lodging support, they transitioned to the San Diego County Emergency Temporary Lodging Program, receiving additional hotel accommodations. The county's emergency temporary lodging program sunsetted on June 21, 2024. While there were families in search of new rental units, many of these families were awaiting their former housing unit to be repaired so they could transition back into their original homes. Of these homes, a large majority would not be repaired and/or habitable for many months, and many were placed for sale, thereby requiring the families to transition into new housing, or live with family or friends as they await their unit to be repaired or find new housing.

Recognizing the continued need for stable housing, the County Board of Supervisor approved up to \$4.2 million and the City of San Diego approved an additional \$3 million in funding for SDHC to assist households transitioning out of the County's ETL program into housing. \$7.2 million dollars was designated for SDHC to provide assistance to households transitioning out of Emergency Temporary Lodging (ETL) into permanent housing.

SDHC developed and implemented the City of San Diego Flood Recovery Program for Displaced Residents Program to assist displaced City of San Diego families displaced from their homes due to the January 2024. The San Diego Housing Commission operates the program with funding from the County of San Diego and City of San Diego. The intent of the program is to promote housing stability among the households displaced by the torrential winter storms.

As of May 23, 2024, 356 families from the City of San Diego were eligible for and enrolled in the County of San Diego's Emergency Temporary Lodging Program (ETLP). These families could receive assistance through at least one of the components of the Flood Recovery Program:

1. Family Financial Assistance

SDHC provides financial assistance to move a family into housing for expenses not covered by other financial assistance programs. Families have a one-time choice to select one of two financial assistance options. Families may opt to receive short-term rental assistance to move into housing or Direct Financial Assistance.

Short-term rental assistance may include: application fees, a security deposit equal to up to two months' rent, storage costs, hotel expenses for up to two weeks for families that have executed a lease and are awaiting the unit's availability, moving costs, up to six months of rent subsidy, and a Landlord Leasing Bonus of \$1,500 for landlords who rent to an eligible ETL family.

Direct Financial Assistance provides up to \$15,100 lump sum payment to stabilize housing and address a family's unique and unmet housing needs related to the disaster.

2. Housing Search Assistance

All City of San Diego families eligible for and participating in the County's ETL can receive housing search assistance from SDHC. This includes families who receive financial assistance from FEMA. Assistance will include a housing search class and referrals to available homes for rent based on the family size and needs.

3. Housing Restoration Assistance

SDHC executed an agreement on June 12, 2024, with the Harvey Family Foundation, which has led storm response efforts of this nature, to assess flood damage at homes within the City of San Diego and to contract for labor and materials to complete necessary repairs to restore the homes to make them

habitable for the homeowner to resume occupancy or for the property to be made available to rent to the original displaced family or another eligible ETLF family

Applications were accepted from May 29, 2024, through August 31, 2024. In Fiscal Year 2024 SDHC disbursed \$520,777 in assistance to eligible city of San Diego families.

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

The City of San Diego's (City) Homelessness Shelters and Services Programs provide 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 a single Memoranda of Understanding (MOU) with the City which became effective in Fiscal Year 2024:

- Day Center for Adults Experiencing Homelessness
- Transitional Storage Center
- Storage Connect Centers I & II
- Homelessness Response Center
- 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 are experiencing a housing crisis and are at risk of homelessness
- Emergency shelter and Interim Housing programs:
 - Connections Housing Downtown for single adults;
 - Rachel's Promise for single women;
 - Paul Mirable Center for single adults
 - Bishop Interim Shelter Program, for single adults
 - Golden Hall Shelter for Single Adults Bridge Shelters at 16th Street/Newton Avenue and 17th Street/Imperial Avenue for single adults
 - Rosecrans Shelter for single adults
 - Harm Reduction Shelter for single adults
 - Interim Shelter for Transition Age Youth
 - Youth Emergency Shelter for Transition Age Youth
 - LGBTQ+ Affirming Shelter for Transition Age Youth
 - Interim Housing for Families for families with minor children
- Four rapid rehousing programs
- Program for Engaged Education Resources (PEER) (SDHC collaboration with San Diego City College to support workforce development in homelessness services)
- Multidisciplinary Outreach Team which provides specialized outreach services and care to unhoused San Diegans
- Security Deposit Plus Program; and
- The City's Serial Inebriate Program (SIP) transitional housing program.

SDHC administered homeless programs

In Fiscal Year 2024, 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
- 5 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
- LGBTQ+ Affirming Shelter, serving transition-age youth in an affirming environment
- Haven Family Shelter, serving up to 9 families at any given time
- 2 Transitional Housing programs, providing up to 134 beds to families

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 hardships due to the recent flooding in the City of San Diego. 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, 2024, EPP had provided full legal assistance to 788 eligible tenants and limited legal assistance to 3,425 eligible tenants. The program also had conducted 123 public workshops and 325 public awareness events, received and responded to 1,688 hotline calls, and made more than 34,000 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 2024, HOUSING FIRST - SAN DIEGO created housing opportunities for 1,347 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 11,878 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, 2024, SDHC owns 152 properties with 2,446 affordable rental housing units, of which 187 units are federal public housing units that SDHC operates in the City of San Diego.

In Fiscal Year 2024, SDHC acquired Pacific Village, 62 affordable housing units for individuals who experienced homelessness and transitional age youth.

In addition, Housing Development Partners, SDHC's nonprofit affiliate, has developed 1,700 affordable rental housing units in the City at properties it has acquired and created through partnership developments, which include 759 units on SDHC-owned land that is ground leased to HDP: Casa Colina (74 affordable units), Parker Kier Apartments (33 affordable units), Hotel Churchill (72 affordable units), Village North Senior Garden Apartments (119 affordable units), Quality Inn (91 affordable units), West Park Inn (46 affordable units), San Diego Square (154 affordable units), and Mariner's Village (170 affordable units).

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

In Fiscal Year 2024, the following affordable housing developments, where SDHC was a financing partner, completed construction in the City of San Diego:

- Aquila Apartments, 180 affordable rental housing units for San Diegans with low income
- Aurora Apartments, formerly known as Merge 56 Affordable, 47 affordable rental housing units for San Diegans with low income
- Nestor Senior Village, 73 affordable rental housing units for senior San Diegans experiencing homelessness
- Puesta Del Sol, formerly known as Ulric Street Apartments II, 59 affordable rental housing units for senior San Diegans, including units set aside for seniors experiencing homelessness
- ShoreLINE Apartments, 124 affordable rental housing units for San Diegans with low income
- The Post 310, 42 affordable rental housing units for San Diegans with low income, including units set aside for veterans experiencing homelessness

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
Deputy 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, 2023

Christopher P. Morill

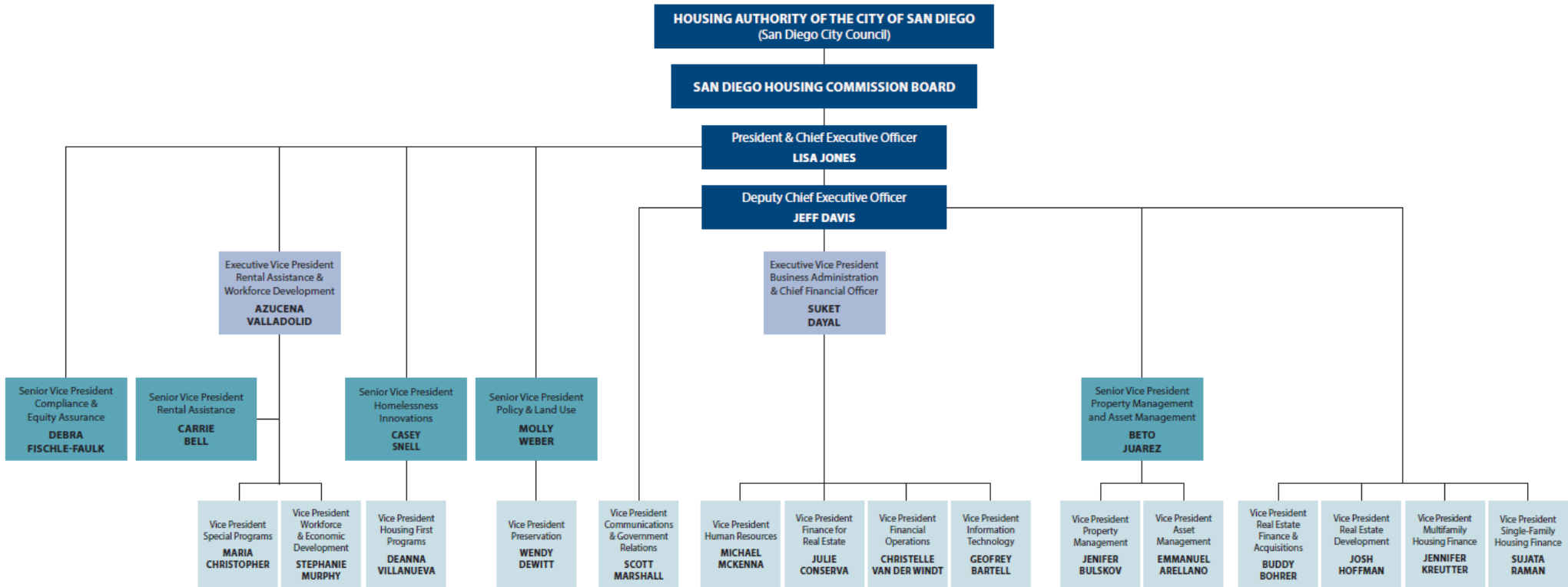
Executive Director/CEO



Organizational Chart



SDHC Organizational Chart



SAN DIEGO HOUSING COMMISSION
ROSTER OF OFFICIALS
AS OF JUNE 30, 2024

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	Joe LaCava, District 1
Councilmember	Jennifer Campbell, District 2
Councilmember	Stephen Whitburn, District 3
Councilmember	Henry Foster III, District 4
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	Stephen P. Cushman
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 16th 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 2023 (July 1, 2022 – June 30, 2023) Annual Comprehensive Financial Report.



Independent Auditor's Report

To the Board of Commissioners
San Diego Housing Commission

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units and the fiduciary fund of the San Diego Housing Commission (SDHC), a component unit of the City of San Diego, California, as of and for the year ended June 30, 2024, 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, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2024, on our consideration of SDHC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SDHC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SDHC's internal control over financial reporting and compliance.

CohnReznick LLP

Sacramento, California
November 7, 2024



San Diego Housing Commission

Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

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, 2024. 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 \$903.6 million (net position). Of this amount, \$459.3 million (unrestricted net position) is available to meet ongoing and recurring obligations, \$247.6 million is restricted for specific purposes (restricted net position) and \$196.7 million is the net investment in capital assets.
- Total net position of SDHC increased \$36.3 million. The changes in net position is comprised of \$432.4 million of non-operating revenue and expenses (net), principally of revenue earned through the Housing Choice Voucher (HCV) program and other Federal programs, and operating revenues of \$66.6 million principally related to dwelling (tenant rental) income, offset by operating expenses of \$450.8 million primarily related to housing assistance payments, administrative expenses and grant expense as well as depreciation expense of \$11.9 million.
- Current assets increased \$14.6 million. This increase includes \$13.4 million increase in short-term investments, \$11.9 million increase in cash and cash equivalents, offset by a decrease in accounts receivable of \$12.5 million. The increase in short-term investments is primarily due to a significant portion of SDHC investment portfolio reaching maturity within the next year. The decrease in accounts receivable is primarily due to collections of funds from funding sources.
- Noncurrent assets increased \$11.4 million. This increase includes \$18.4 million increase in notes and mortgages receivable (principal), net of allowance, \$10.5 million increase in capital assets, net of depreciation and amortization, \$9.4 million increase in accrued interest on notes receivable, offset by a \$25.7 million decrease in long-term investments as well as a \$1.2 million decrease in lease receivable. The decrease in long-term investments is primarily due to the sale and maturing of investments.

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, 2024, 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, 2024. 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, 2024. 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, 2024 and June 30, 2023 and changes in net position (Table 2) during the fiscal years then ended.

TABLE 1
Net Position
(Dollars in Thousands)

	June 30, 2024	June 30, 2023	Change \$	Change %
<u>Assets</u>				
Current assets	\$ 126,834	\$ 112,241	\$ 14,593	13%
Noncurrent assets	713,423	712,503	920	0%
Capital assets net of depreciation	308,572	298,110	10,462	4%
Total assets	\$1,148,829	\$ 1,122,854	\$ 25,975	2%
<u>Liabilities</u>				
Current liabilities	\$ 45,050	\$ 50,039	\$ (4,989)	-10%
Notes payable and non- current liabilities	110,740	114,456	(3,716)	-3%
Total liabilities	155,790	164,495	(8,705)	-5%
Deferred inflows of resources	89,482	91,099	(1,617)	-2%
<u>Net Position</u>				
Net investment in capital assets	196,658	180,419	16,239	9%
Restricted	247,613	235,277	12,336	5%
Unrestricted	459,286	451,564	7,722	2%
Total net position	903,557	867,260	36,297	4%
Total liabilities, deferred inflows and net position	\$ 1,148,829	\$ 1,122,854	\$ 25,975	2%

SDHC's net position increased from \$867.3 million to \$903.6 million due to a \$36.3 million surplus generated during fiscal year 2024. The fiscal year 2024 surplus is \$7.5 million less than the fiscal year 2023 surplus of \$43.8 million.

Total assets increased \$26 million from \$1,122.8 million in fiscal year 2023 to \$1,148.8 million in fiscal year 2024. The increase in total assets is due to an increase of \$14.6 million in current assets and \$11.4 million in noncurrent assets. Current assets increased by \$14.6 million, primarily related to a \$13.4 million increase in short-term investments, \$11.9 million increase in cash and cash equivalents, offset by a decrease in accounts receivable of \$12.5 million. Noncurrent assets increased by \$11.4 million, primarily related to a \$18.4 million increase in



notes and mortgages receivable (principal), net of allowance, \$10.5 million increase in capital assets, net of depreciation and amortization, \$9.4 million increase in accrued interest on notes receivable, offset by a \$25.7 million decrease in long-term investments as well as a \$1.2 million decrease in lease receivable.

Total liabilities decreased by \$8.7 million from \$164.5 million in fiscal year 2023 to \$155.8 million in fiscal year 2024. The decrease in total liabilities is due to a \$3 million decrease in unearned revenue, \$2.7 million decrease in accounts payable, and \$3 million decrease in notes payable, noncurrent.

Deferred inflows of resources decreased \$1.6 million as a result of the annual income recognized on the long-term operating leases.

Net investment in capital assets increased by \$16.3 million from \$180.4 million in fiscal year 2023 to \$196.7 million in fiscal year 2024. This was principally due to the acquisition of Pacific Village property and renovations on multiple SDHC-owned properties.

Restricted net position increased \$12.3 million from \$235.3 million in fiscal year 2023 to \$247.6 million in fiscal year 2024. 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 \$7.7 million from \$451.6 million in fiscal year 2023 to \$459.3 million in fiscal year 2024. 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>2024</u>	<u>June 30,</u> <u>2023</u>	<u>Change</u> <u>\$</u>	<u>Change</u> <u>%</u>
Operating revenues				
Dwelling rental income	\$ 40,516	\$ 38,942	\$ 1,574	4%
Land lease and other rental income	4,325	4,025	300	7%
Fee revenue	5,845	5,770	75	1%
Other revenue	<u>15,867</u>	<u>9,963</u>	<u>5,904</u>	<u>59%</u>
Total operating revenues	66,553	58,700	7,853	13%
Operating expenses	<u>450,745</u>	<u>401,655</u>	<u>49,090</u>	<u>12%</u>
Deficit before depreciation and other nonoperating income and expenses	(384,192)	(342,955)	(41,237)	12%
Depreciation and amortization	<u>11,947</u>	<u>11,180</u>	<u>767</u>	<u>7%</u>
Deficit before other non-operating income and expenses	(396,139)	(354,135)	(42,004)	12%
Other nonoperating income and expenses, net	<u>432,436</u>	<u>397,982</u>	<u>34,454</u>	<u>9%</u>
Change in net position	36,297	43,847	(7,549)	-17%
Net position beginning of year	<u>867,260</u>	<u>823,413</u>	<u>43,847</u>	<u>5%</u>
Net position end of year	<u>\$ 903,557</u>	<u>\$ 867,260</u>	<u>\$ 36,297</u>	<u>4%</u>

Total operating revenues increased by \$7.9 million from \$58.7 million in 2023 to \$66.6 million in fiscal year 2024. The increase was primarily related to an increase of \$5.9 million in other revenue primarily HAP revenue from portability voucher administered. Additionally, there was an increase in dwelling rental income of \$1.6 million as a result of rent increases and decreases in subsidized portion of rent.

Operating expenses increased \$49.1 million from \$401.7 million in fiscal year 2023 to \$450.8 million in fiscal year 2024. This increase is primarily due to an increase of \$31 million in housing assistance payments (HAP) due to higher average HAP cost per voucher, new vouchers awarded during the fiscal year, and increase in utilization rate for the Housing Choice Voucher Program. Additionally, there was an increase in grant expense of \$12.4 million, which includes a \$5.2 million grant to Wakeland Abbott LLC for the acquisition and rehabilitation of Abbott Street Apartments.



Other nonoperating income and expenses (net) increased \$34.5 million from \$398 million in fiscal year 2023 to \$432.5 million in fiscal year 2024. This increase is mainly due to an increase in grant revenue of \$28.2 million, as well as an increase in interest income on investments and notes receivable of \$5.9 million. The increase in grant revenue is primarily related to \$19.3 million of State Homekey grant received for the acquisition and rehabilitation of Pacific Village and Abbott Street Apartments, and \$11.2 million of Housing Choice Voucher to fund the higher average cost of vouchers.

The following summarizes SDHC's capital assets, net of accumulated depreciation, and changes therein (Table 3) as of June 30, 2024 and June 30, 2023:

TABLE 3
Net Capital Assets
(Dollars in Thousands)

	<u>June 30,</u> <u>2024</u>	<u>June 30,</u> <u>2023</u>	<u>Change</u> <u>\$</u>	<u>Change</u> <u>%</u>
Land and buildings	\$ 296,886	\$ 290,376	\$ 6,510	2%
Construction-in-progress	5,683	1,505	4,178	278%
Equipment	2,005	1,833	172	9%
Subscription based IT agreements	3,998	4,396	(398)	-9%
Total	<u>\$ 308,572</u>	<u>\$ 298,110</u>	<u>\$ 10,462</u>	<u>4%</u>

Capital Assets

Capital assets, net, increased \$10.5 million. The change is mainly due to an increase of \$11.8 million in land and buildings for the acquisition of Pacific Village, \$8.5 million increase in building improvements (including construction-in-progress) related to the renovations on multiple SDHC-owned properties, \$1.2 million increase in software arrangements as well as \$0.9 million increase in office furniture and equipment, offset by a depreciation and amortization of \$11.9 million.

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

Current and Long-Term Debt

Notes payable, (including current and noncurrent) totaled \$109.5 million, net of \$0.9 million of unamortized debt issuance cost at June 30, 2024. Of this balance, \$61.4 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 \$27.7 million on June 30, 2024, 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 \$6.4 million on



June 30, 2024, 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, 2024 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, 2023 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 2024, SDHC received 75% of its revenue from HUD and the U.S. Treasury, most of which was awarded to SDHC for Moving to Work (MTW) initiatives. SDHC's budget and financial condition are greatly affected by the financial condition of the federal government and Congress' annual appropriation to HUD.



HUD grants for housing programs and program administration funding may decrease due to the national economic and political climate. As good stewards of the taxpayer's money, it is SDHC's responsibility to strive to do more with less. Through a combination of expense reduction and the prudent utilization of available programmatic reserves, SDHC was able to maintain a balanced budget in fiscal year 2024 and will have a balanced budget in fiscal year 2025.

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 2025 MTW Plan on September 5, 2024. 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 August 16, 2024 by the State of California Employment Development Department, the unemployment rate in San Diego County was 4.9 percent in July 2024, up from a revised 4.5 percent in June 2024, and above the year-ago estimate of 4.0 percent. This compares with an unadjusted unemployment rate of 5.8 percent for California and 4.5 percent for the nation during the same period. The report can be viewed here:

[https://labormarketinfo.edd.ca.gov/file/lfmonth/sand\\$pds.pdf](https://labormarketinfo.edd.ca.gov/file/lfmonth/sand$pds.pdf)

The high cost of living and affordability of homes continues to be a challenge in San Diego and contributes to the homelessness crisis. The San Diego Point-in-Time Count, known as #We All Count was conducted on January 25, 2024. 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 10,605 individuals in the San Diego Region. This number is up 3 percent from the count in 2023 of 10,264. Their 2024 report is located here:

<https://www.rtfhsd.org/wp-content/uploads/2024-San-Diego-Regional-Breakdown-1.pdf>

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

Through the execution of SDHC's original fiscal year 2025 budget of \$711.4 million, SDHC plans to:

- **Provide Rental Assistance to Households with Low-Income:**
 - \$318 million to assist approximately 17,000 households.
 - Lease 431 new Project-Based Housing Voucher (PBV) units for households with low income or experiencing homelessness in Fiscal Year 2025.
 - 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 \$9 million through a competitive Notice of Funding Availability (NOFA) to create approximately 90 new permanent affordable housing units.
- \$85 million towards the acquisition and rehabilitation of affordable housing properties through the State of California’s Homekey program.
- Own and/or manage 4,326 affordable housing units in the City of San Diego.
- \$10.7 million for required maintenance, repairs and code compliance for SDHC-owned units.
- \$4.4 million to continue projects to increase density at Casa Colina property to provide additional affordable housing, and to convert unused SDHC office space into a shelter for transition-age youth.
- \$3.3 million to help up to 21 households become first-time homebuyers.
- Award \$1.5 million to San Diego homeowners for the creation of up to six Accessory Dwelling Units for families with lower income.
- No funds are allocated for new property acquisition in FY25.

▪ **Address Homelessness:**

- SDHC’s budget recommendation continues to invest in City homelessness shelters and services programs.
- SDHC’s budget recommendation furthers the goals of the Community Action Plan on Homeless on Homelessness for the City of San Diego
 - \$36.1 million for shelters and Continuum of Care- funded Permanent Supportive Housing units
 - \$7.1 million for homelessness prevention services
 - \$15.5 million for supportive services and rapid rehousing programs

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.



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, 2024
(Dollars in Thousands)

	Primary Government	Component Units
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 27,277	\$ 27,784
Restricted cash and cash equivalents	3,726	832
Short-term investments	52,080	-
Accounts receivable - tenants, net	1,752	85
Accounts receivable - funding sources	27,513	68
Accounts receivable - other, net	7,679	224
Lease receivable - current	1,967	-
Notes and mortgages receivable, current portion	805	-
Accrued interest receivable - investments	637	-
Prepaid items and other assets	3,398	445
	<u>126,834</u>	<u>29,438</u>
Total current assets		
Noncurrent assets		
Restricted cash and cash equivalents	81	7,287
Lease receivable - noncurrent	90,006	-
Long-term investments	77,443	-
Accrued interest receivable - notes and mortgages receivable	84,138	-
Notes and mortgages receivable, net of allowance for loan losses	461,755	-
Investment in partnerships	-	78
Other assets	-	3,283
Capital assets not being depreciated	119,210	4,685
Capital assets, net of accumulated depreciation and amortization	189,362	124,296
	<u>1,021,995</u>	<u>139,629</u>
Total noncurrent assets		
	<u>\$ 1,148,829</u>	<u>\$ 169,067</u>
Total assets		
Deferred outflows of resources	\$ -	\$ -
Total assets and deferred outflows	<u>\$ 1,148,829</u>	<u>\$ 169,067</u>



San Diego Housing Commission
STATEMENT OF NET POSITION
June 30, 2024
(Dollars in Thousands)

	Primary Government	Component Units
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 18,646	\$ 2,050
Accounts payable - funding sources	46	45
Accrued payroll and benefits	3,049	48
Accrued compensated absences	4,593	-
Accrued interest payable	376	212
Notes payable, current portion	2,947	1,340
Subscriptions payable, current portion	1,447	-
Deposits payable	2,453	758
Unearned revenue	10,923	38
Other current liabilities	570	-
Total current liabilities	45,050	4,491
Noncurrent liabilities		
Accrued interest payable - noncurrent	1,845	15,128
Notes payable noncurrent, net	106,510	151,739
Subscriptions payable, noncurrent	1,926	-
Other liabilities	459	11,339
Total noncurrent liabilities	110,740	178,206
Total liabilities	\$ 155,790	\$ 182,697
Deferred inflows of resources	\$ 89,482	\$ -
Total liabilities and deferred inflows	\$ 245,272	\$ 182,697
<u>Net Position</u>		
Net investment in capital assets	\$ 196,658	\$ -
Restricted		
HOME notes receivable reserve	213,126	-
NSP notes receivable reserve	6,197	-
CDBG notes receivable reserve	24,093	-
Replacement reserves	3,318	-
Housing assistance reserves	879	-
Non-controlling interest - tax credit partnerships	-	46,377
Total restricted	247,613	46,377
Unrestricted	459,286	(60,007)
Total net position	\$ 903,557	\$ (13,630)
Total liabilities, deferred inflows and net position	\$ 1,148,829	\$ 169,067

See notes to financial statements



San Diego Housing Commission
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 For the Year Ended June 30, 2024
 (Dollars in Thousands)

	Primary Government	Component Units
Operating revenues		
Dwelling rental income	\$ 40,516	\$ 20,839
Land lease and other rental income	4,325	132
Fee revenue	5,845	-
Other revenue	15,867	631
Total operating revenues	66,553	21,602
Operating expenses		
Administrative expenses	61,449	4,411
Tenant services	3,335	267
Asset management	18,224	5,833
General expenses	6,505	1,588
Grant expense	69,960	-
Housing assistance	291,272	-
Depreciation and amortization	11,947	5,343
Total operating expenses	462,692	17,442
Operating (loss) income	(396,139)	4,160
Nonoperating revenues (expenses)		
Grant revenue	415,511	67
Interest income on investments and notes receivable	23,429	455
Interest expense and other expenses	(6,502)	(6,741)
Loss on sale of capital asset	(2)	-
Total nonoperating revenues (expenses)	432,436	(6,219)
Income (loss) before capital transactions	36,297	(2,059)
Contributions, net of distributions	-	974
Change in net position	36,297	(1,085)
Net position		
Beginning of year	867,260	(12,545)
End of year	\$ 903,557	\$ (13,630)

See notes to financial statements



San Diego Housing Commission
 STATEMENT OF CASH FLOWS
 For the Year Ended June 30, 2024
 (Dollars in Thousands)

	<u>Primary Government</u>
Cash flows from operating activities	
Cash received from tenants and other revenue	\$ 82,110
Cash payments to suppliers for goods and services	(385,699)
Cash payments to employees for services	(67,535)
	<u>(371,124)</u>
Net cash used for operating activities	<u>(371,124)</u>
Cash flows from capital and related financing activities	
Principal paid on notes payable	(2,890)
Acquisition and construction of capital assets	(20,247)
Interest payments	(6,371)
	<u>(29,508)</u>
Net cash used for capital and related financing activities	<u>(29,508)</u>
Cash flows from noncapital financing activities	
Cash received from grants	427,982
	<u>427,982</u>
Net cash provided by noncapital financing activities	<u>427,982</u>
Cash flows from investing activities	
Interest on investments and notes receivable	13,908
Collection of notes receivable	2,519
Cash loaned on notes receivable	(19,527)
Purchases of investments	(44,448)
Proceeds from sale of investments	32,182
	<u>(15,365)</u>
Net cash used for investing activities	<u>(15,365)</u>
Net increase in cash and cash equivalents	11,985
Cash and cash equivalents	
Beginning of year	19,099
End of year	<u>\$ 31,084</u>
Financial statement presentation	
Cash and cash equivalents	\$ 27,277
Restricted cash and cash equivalents	3,807
	<u>31,084</u>
Total cash and cash equivalents	<u>\$ 31,084</u>



San Diego Housing Commission
 STATEMENT OF CASH FLOWS - CONTINUED
 For the Year Ended June 30, 2024
 (Dollars in Thousands)

	Primary Government
Reconciliation of operating loss to net cash used for operating activities	
Operating loss	\$ (396,139)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	11,947
Amortization of debt issuance costs	69
Allowance for accounts receivable	(2,520)
Provision for loan losses	1,185
Allowance for forgivable loans	260
Changes in operating assets and liabilities:	
Decrease (increase) in tenant receivables	2,516
Decrease (increase) in other receivables	(4,398)
Decrease (increase) in prepaid items and other assets	(715)
Increase (decrease) in accounts payable	19,434
Increase (decrease) in accrued payroll and benefits	542
Increase (decrease) in deposits payable	(42)
Increase (decrease) in unearned revenues	(3,062)
Increase (decrease) in other liabilities	(201)
	(371,124)
Net cash used for operating activities	\$ (371,124)
Supplemental disclosure of cash flow information:	
Noncash provided by capital and related financing activities :	
Increase in right to use software arrangements	\$ 1,221
Total noncash capital and related financing activities	\$ 1,221

See notes to financial statements



San Diego Housing Commission
 FIDUCIARY FUND
 PENSION AND OTHER EMPLOYEE BENEFIT TRUSTS
 STATEMENT OF FIDUCIARY NET POSITION
 June 30, 2024
 (Dollars in Thousands)

Assets

Cash and investments:

Mutual funds	\$ 64,671
Common collective trust funds	5,947
Participant-directed brokerage accounts	3,106
Pooled separate accounts, at fair value	27,561
Guaranteed interest accounts, at contract value	3,927
Guaranteed interest accounts, at fair value	1,516
Cash	55

Total cash and investments

106,783

Receivables:

Employer contributions	-
Participant contributions	-
Notes receivable from participants	1,079

Total receivables

1,079

Total assets

\$ 107,862

Liabilities

\$ -

Fiduciary net position

\$ 107,862

Restricted for

Pension	\$ 72,664
Other employee benefit other than pension	35,198

\$ 107,862

See notes to financial statements



San Diego Housing Commission
 FIDUCIARY FUND
 PENSION AND OTHER EMPLOYEE BENEFIT TRUSTS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 For the Year Ended June 30, 2024
 (Dollars in Thousands)

Additions to net position	
Investment income:	
Net appreciation in fair value of investments	\$ 10,684
Interest and dividends	2,169
Total investment income	12,853
Interest on notes receivable from participants	71
Contributions:	
Employer contributions	5,876
Participant contributions	2,582
Rollover contributions	1,007
Total contributions	9,465
Total additions	22,389
Deductions from net position	
Benefits paid directly to participants or beneficiaries, including direct rollovers	5,563
Administrative fees and expenses	99
	5,662
Change in net position	16,727
Fiduciary net position	
Beginning of year	91,135
End of year	\$ 107,862

See notes to financial statements



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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, 2024

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 six active LLC blended component units: Belden SDHC FNMA LLC, Northern SDHC FNMA LLC, Northern SDHC FHA LLC, Southern SDHC FHA LLC, Central SDHC FHA LLC and Mercado SDHC LLC and one inactive LLC Central SDHC FNMA LLC (together collectively referred to as the LLCs). With the exception of Mercado SDHC LLC the active LLC's hold the title to 50 properties formerly held by SDHC. Central SDHC FNMA, LLC became inactive in FY24 transferring back 27 properties from the LLC to SDHC. 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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

30, 2024 and pursuant to GASB Statement 80, it has been included in the financial statements as a blended component unit of SDHC. See Note 18 for further information on Building Opportunities.

Discretely Presented Component Units

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

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

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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, 2024

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

SDHC distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses 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, 2024, SDHC has adopted the following new accounting standards issued by the GASB:

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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

Statement No. 100, "Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62". Statement No. 100 establishes standards to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for the SDHC's fiscal year ending June 30, 2024. The adoption of this Statement did not have a significant effect on the financial statements of SDHC.

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

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.

Statement No. 102, "Certain Risk Disclosures". The requirements of this statement are effective for the SDHC's fiscal year ending June 30, 2025.

Statement No. 103 "Financial Reporting Model Improvements". Statement No. 103 establishes standards to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of the statement are effective for the SDHC's fiscal year ending June 30, 2026.

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.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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 regard to interfund activities, payables and receivables.

Notes and Interest Receivable

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

Capital Assets

Capital assets are stated at cost or estimated historical cost. Contributed capital assets are recorded at 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.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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 magnitude and outside of the normal life cycle of the capital asset being evaluated. As of June 30, 2024, 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 \$4,593 at June 30, 2024.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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 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, 2024.

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.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

Net Position

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

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

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

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

Use of Estimates

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

Deferred Compensation Plan

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

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

Pension Plan

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

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

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

GOVERNMENT-WIDE FUND

Cash, cash equivalents and investments at June 30, 2024 consist of the following:

Deposits and petty cash	\$ 27,277
Local Agency Investment Fund	8,801
San Diego County Investment Pool	8,303
Agency Bonds	112,419
Total investments	<u>129,523</u>
Restricted cash and cash equivalents	<u>3,807</u>
Total	<u><u>\$ 160,607</u></u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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

Deposits

The fair value of SDHC's cash deposits and petty cash are \$31,084 at June 30, 2024. 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. \$31,072 is collateralized as of June 30, 2024 and the remaining \$12 is uncollateralized cash deposits and cash equivalents.

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

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

Investment Policy

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

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

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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 SDHC 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, 2024, was approximately \$179,046,994. 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 217 days as of June 30, 2024.

As of June 30, 2024, SDHC had \$8,801 invested in LAIF. At that date, LAIF fair value factor of .0996316042 was used to calculate the fair value of the investments in LAIF. More information on LAIF investment pool can be found at: [http://www.treasurer.ca.gov/pmia - laif/laif.asp](http://www.treasurer.ca.gov/pmia-laif/laif.asp).

San Diego County Investment Pool Investments

SDHC voluntarily participates in the SDCIP. SDCIP is a Standard & Poor's AAA - rated fund managed by the San Diego County Treasurer - Tax Collector. The fair value of the investment portfolio of SDCIP at June 30, 2024 was \$15,766,439 and had a weighted average yield to maturity of 3.94%, a weighted average days to maturity of 449 days and an effective duration of 1.07 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 (30.73%), public schools (54.31%), community colleges (9.24%) and non-County funds (0.76%). Voluntary depositors make up only 4.96% of the invested funds as of June 30, 2024.

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

As of June 30, 2024, SDHC had \$8,303 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. Agency bonds are mortgage-backed security (MBS) bonds, asset-backed security bonds (ABS), and debentures traded on an active secondary market. MBS bonds are a security or debt obligation that represents a claim on the monthly cash flows from mortgage loans. They represent investments in securities that are backed by pools of high quality multi-family mortgages guaranteed by a government agency or Government Sponsored Enterprises (GSE). Government Agency Debentures are also bonds traded on an active secondary market and represent a security or debt obligation of the issuer. While Standard & Poor's and Moody's does not specifically rate MBS, they carry an implied rating based on the credit worthiness of FNMA (Federal National Mortgage Association), FHLMC (Federal Home Loans Money Corporation) and FRESB (Freddie Mac Small Balance Loans). Moody's rate FNMA, FHLMC and FRESB as AAA while Standard & Poor's rate FNMA, FHLMC and FRESB as AA+. BMWLT is an ABS rated as AAA by both Moody's and S&P's. At June 30, 2024, SDHC had \$112,419 invested in Agency 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.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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

The following table summarized the valuation of SDHC's fair value measurements in accordance with authoritative guidance at June 30, 2024.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
MBS	\$ -	\$ 97,449	\$ -	\$ 97,449
Government Agency Bond	-	7,995	-	7,995
ABS	-	6,975	-	6,975
Total	<u>\$ -</u>	<u>\$ 112,419</u>	<u>\$ -</u>	<u>\$ 112,419</u>

FIDUCIARY FUND

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

Cash, cash equivalents and investments at June 30, 2024 consist of the following:

Assets

Cash and investments:

Mutual funds	\$ 64,671
Common collective trust funds	5,947
Participant-directed brokerage accounts	3,106
Pooled separate accounts, at fair value	27,561
Guaranteed interest accounts, at contract value	3,927
Guaranteed interest accounts, at fair value	1,516
Cash	55

Total cash and investments	<u>\$ 106,783</u>
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San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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.
- 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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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, 2024

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, 2024:

Deferred Compensation Plan	Level 1	Level 2	Level 3	Total
Participant directed brokerage accounts:				
Money market funds	\$ 443	\$ -	\$ -	\$ 443
Equities	672	-	-	672
Guaranteed interest accounts	-	1,516	-	1,516
Total assets in the fair value hierachy	1,115	1,516	-	2,631
Investments measured at net asset value	-	-	-	27,561
Investments at fair value	<u>\$ 1,115</u>	<u>\$ 1,516</u>	<u>\$ -</u>	<u>\$ 30,192</u>

Pension Trust	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 64,671	\$ -	\$ -	\$ 64,671
Participant directed brokerage accounts	1,991	-	-	1,991
Total assets in the fair value hierachy	66,662	-	-	66,662
Investments measured at net asset value	-	-	-	5,947
Investments at fair value	<u>\$ 66,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,609</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

Note 4 - Investment Risk Factors (Dollars in Thousands)

GOVERNMENT-WIDE FUND

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

FIDUCIARY FUND

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

Credit Risk

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

GOVERNMENT-WIDE FUND

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

FIDUCIARY FUND

The pension plan offers a variety of mutual funds, participant-directed brokerage accounts and proprietary collective trust funds and the deferred compensation plan offers a variety of



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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.

SDHC's debt securities exposure to credit risk and custodial risk as of June 30, 2024 is as follows:

	Total fair value	Standard and Poor's Credit Rating				
		AAA	AA+	AA	A	Not Provided
Cash and cash equivalents						
Cash and cash equivalents	\$ 27,277	\$ -	\$ -	\$ -	\$ -	\$ 27,277
Restricted cash and cash equivalents	3,807	-	-	-	-	3,807
Total cash and cash equivalents	<u>\$ 31,084</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,084</u>
Short-term investments						
Local Agency Investment Fund	\$ 8,801	\$ -	\$ -	\$ -	\$ -	\$ 8,801
San Diego County Investment Pool	8,303	-	8,303	-	-	-
Agency Bonds						
Asset Backed Security	6,976	6,976	-	-	-	-
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	12,210	-	12,210	-	-	-
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	5,069	-	5,069	-	-	-
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	9,624	-	9,624	-	-	-
Freddie Mac Small Balance Loans	1,097	-	1,097	-	-	-
Total short-term investments	<u>\$ 52,080</u>	<u>\$ 6,976</u>	<u>\$ 36,303</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,801</u>
Long-term investments						
Agency Bonds						
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	\$ 45,388	\$ -	\$ 45,388	\$ -	\$ -	\$ -
Fannie Mae Mortgage Backed Securities	4,988	-	4,988	-	-	-
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	12,917	-	12,917	-	-	-
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	14,150	-	14,150	-	-	-
Total long-term investments	<u>\$ 77,443</u>	<u>\$ -</u>	<u>\$ 77,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

FIDUCIARY FUND

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

Concentration of Credit Risk

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

GOVERNMENT-WIDE FUND

The U.S. Government Agency securities in SDHC's portfolio include Fannie Mae Federal National Mortgage Association (FNMA/FNA) and Freddie Mac Federal Home Loan Mortgage Corporation (FHMS). Of the \$112,419 invested in agency bonds and debentures as of June 30, 2024, all are asset-backed securities (ABS) and mortgage-backed securities (MBS) issued either by Fannie Mae, Freddie Mac Federal Home Loan Mortgage Corporation K series, Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) or Freddie Mac Small Balance Loans.

ABS are rated AAA by credit rating agencies. 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 fund net position.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

Market Risk

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

GOVERNMENT-WIDE FUND

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

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

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

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

SDHC's exposure to market risk as of June 30, 2024, is as follows:

	Investment maturities			
	Total fair value	Less than 3 months	4 - 12 months	1 - 5 years
Cash and cash equivalents				
Deposits	\$ 27,265	\$ 27,265	\$ -	\$ -
Petty cash	12	12	-	-
Total cash and cash equivalents	<u>\$ 27,277</u>	<u>\$ 27,277</u>	<u>\$ -</u>	<u>\$ -</u>
Restricted cash and cash equivalents	<u>\$ 3,807</u>	<u>\$ 3,807</u>	<u>\$ -</u>	<u>\$ -</u>
Short-term investments				
Local Agency Investment Fund	\$ 8,801	\$ 8,801	\$ -	\$ -
San Diego County Investment Pool	8,303	8,303	-	-
Agency Bonds				
Asset Backed Security	6,976	-	6,976	-
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	12,210	4,363	7,847	-
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	5,069	1,008	4,061	-
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	9,624	250	9,374	-
Freddie Mac Small Balance Loans	1,097	-	1,097	-
Total short-term investments	<u>\$ 52,080</u>	<u>\$ 22,725</u>	<u>\$ 29,355</u>	<u>\$ -</u>
Long-term investments:				
Agency Bonds				
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	\$ 45,388	\$ -	\$ -	\$ 45,388
Fannie Mae Mortgage Backed Securities	4,988	-	-	4,988
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	12,917	-	-	12,917
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	14,150	-	-	14,150
Total long-term Investments	<u>\$ 77,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,443</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, 2024

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

At June 30, 2024, amounts due from funding sources consist of the following:

Source / Program	Amount
Business	
City of San Diego	\$ 9,624
Total business	<u>9,624</u>
Federal	
HCD-Homekey	2,433
Continuum of Care	1,431
Moving to Work (MTW)	389
Federal - Various	252
Emergency Solutions Grant	134
Community Development Block Grant (CDBG)	49
Capital Fund	46
5 Year Mainstream	18
Total federal	<u>4,752</u>
State	
Various - state	13,083
Total state	<u>13,083</u>
Local	
Various - local	54
Total local	<u>54</u>
Total	<u>\$ 27,513</u>

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

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;



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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, 2024, consist of the following:

Borrower	Project Address	Interest Rate	Maturity Date	Principal Amount
HDP Mariner's Village, LP-Mariner's Vlg.	6847 Potomac Street, San Diego, CA 92139	3.15%	12/31/55	\$ 33,736
Town & Country Village Apts. HDP T&C	4015-409 Messina Dr. San Diego, CA 92113	6.80%	12/31/73	17,724
Arbor Terrace	3693-374 Florida St. San Diego, CA 92104	4.86%	07/01/62	15,008
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
City Heights Ten, L.,	10 non-contiguous parcels San Diego, CA 92105	3.56%	03/31/69	7,597
Villa Encantada AMCAL	505-537 62nd; 504-528 63rd St, SD, CA 92114	4.00%	12/31/73	7,500
Twain Housing, L.P.(Stella)	4304 Twain Ave. San Diego, CA 92120	3.00%	12/31/74	7,500
Dawson Ave. Senior Apts. LP-Courtyard	4321-52nd St. San Diego, CA 92115	2.00%	11/12/63	7,064
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
Ulric St. Hsg. Ass. LP - Ulric	2645-2685 Ulric Street, San Diego CA 92111	3.00%	09/30/77	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
14th & Commercial CIC, LP	1 14th Street, San Diego, CA 921010	3.00%	05/01/77	6,150
13th & Broadway CIC, LP	1320 Broadway San Diego, CA 92101	4.00%	12/31/81	6,000
LINC Arbor Village Apartments Allison R	4914-499 Logan Ave. San Diego, CA 92113	3.00%	05/01/67	5,460
14th & Comm CIC-VHHP, LP (14C-VHHP)	1 14th Street, San Diego, CA 921010	3.00%	05/01/77	5,350
HDP Quality Inn, LLC Quality Inn	1840 4th Avenue, San Diego, CA 92101	4.00%	12/31/75	5,240
Normal Heights, CIC LP/Loft @ Normal Hgt	3808 El Cajon Blvd. San Diego, CA 92105	3.00%	05/31/74	5,200
Georgia Street, L.P./ City Scene	4105 Georgia St. San Diego, CA 92104	3.00%	07/01/66	5,111
Market Square Manor Associates, LP	525 14th St. San Diego, CA 92113	5.60%	02/10/58	5,093
Villa Harvey Mandel, L.P.	72 17th Ave. San Diego, CA 92101	5.60%	02/12/57	4,974
San Diego Commons, LP/ Mesa Commons	6456 El Cajon Blvd. San Diego, CA 92115	3.00%	04/30/69	4,905
Benson Place, LP (Hollister)	1010 Otter Road, San Diego, CA 92154	4.00%	12/31/75	4,860
Talmadge Gateway, LP	4422 Euclid Ave. San Diego, CA 92115	3.00%	06/01/72	4,800
Renaissance Sr Hsg.	4330 30th St. San Diego, CA 92104	4.65%	04/12/59	4,798
Radisson Hotel ,Tizon	11520 Bernardo Ct. San Diego, CA 92127	4.00%	07/31/78	4,500
Creekside - Affirmed Hsg. Partners	2125-215 Coronado Ave. San Diego, CA 92154	5.20%	06/30/35	4,401
Beyer Blvd Apts. LP	3412-346 Beyer Blvd. San Diego, CA 92154	3.00%	10/22/59	4,200
Front & Beech SH, LP- The Helm	191 West Beech Street, San Diego CA 92101	4.00%	12/31/77	4,193
Del Sol Apts. LP	Del Sol Apts, 3606-3690 Del Sol San Diego, CA 92154	3.00%	08/31/61	4,126
Vista del Puente, L.P.	3934 Gamma St; 1510 S 40th St. San Diego, CA 92113	3.00%	12/31/75	4,100
San Ysidro Hsg Partners, LP -Jamboree SY	429-437 W. San Ysidro Blvd. San Diego CA	3.00%	12/31/78	4,000
4132 Beyer, L.P(Ventana al Sur)	4132 Beyer Boulevard San Diegp, CA 92173	3.00%	08/31/79	3,960
HDP Churchill, L.P./Hotel Churchill_Sr.	827 C St. San Diego, CA 92101	3.00%	08/31/71	3,800



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June 30, 2024

Borrower	Project Address	Interest Rate	Maturity Date	Principal Amount
Beech Street Housing, LP-Cortez Hill	1449 Ninth Avenue San Diego, CA 92101	3.00%	12/31/78	3,750
Alabama Manor Hsg Associates	3822-383 Alabama St. San Diego, CA 92104	0.00%	12/31/63	3,725
Ulric II, Linda Vista Housing	2601 Ulric Street San Diego, CA 92111	4.00%	12/31/78	3,668
HDP West Park, LP(West Park)	1830 Fourth Avenue, San Diego CA 92101	4.00%	06/30/75	3,593
Wakeland-Beacon, LP Beacon Apartments	145 C St. San Diego, CA 92110	4.50%	12/31/74	3,563
Imperial Urban Hsg, LP/ Cypress Apts.	1435 Imperial Ave. San Diego, 92101	3.00%	12/31/72	3,535
Mt. Alifan Apts., LP (Ivy Senior)	5858 Mt Alifan Drive, San Diego, CA 92111	4.00%	12/31/76	3,500
15th & Commercial, L.P.	1506 Commercial St. San Diego, CA 92101	3.00%	01/01/66	3,464
Comm22 Sr. Hsg., LP/Victoria	Commercial & 22nd St. San Diego, CA 92113	3.00%	05/01/69	3,456
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
Hacienda Townhomes, Ltd.	350 17th St. San Diego, CA 92101	4.50%	12/31/80	3,017
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
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
Post 310 , L.P.	465 North 47th Street San Diego, CA 92102	4.00%	08/01/79	2,595
Metro Villas Housing Partners	4031-408 39th St. San Diego, CA 92105	4.85%	02/01/58	2,577
WJJ CIC, L.P./Independence Point Apts.	327 S Willie James Jones, San Diego, CA 92130	4.00%	01/31/71	2,500
Amcal Mission, LP/Mission Apartments	1815-187 Hancock St. San Diego, CA 92110	3.00%	01/01/68	2,499
HDP Mason Hsg. Corp./Mason Hotel	1337-134 Fifth Avenue, San Diego CA 92103	3.00%	02/28/68	2,434
Riverwalk Apartments, L.P.	1194 Hollister St. San Diego, CA 92154	3.00%	03/01/65	2,275
HDP ADU, LLC (Companion Units)	1144 Twining Avenue, San Diego CA 92154	3.00%	12/01/75	2,260
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
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
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
St. Stephens Hsg. LP /Jean C.McKinney	5641 Imperial Ave. San Diego, CA 92114	4.79%	05/01/36	1,891
HDP Churchill, L.P./Hotel Churchill-Sub	827 C St. San Diego, CA 92101	3.00%	08/31/71	1,791
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
Casa Nueva II ,LP	350 17th St. San Diego, CA 92101	0.00%	12/31/80	1,650
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
"j" Street Inn, LP J Street	222 J Street, San Diego, CA 92101	0.00%	12/31/27	1,512
Serenade 43, LP	4030 43rd Street San Diego, CA 92105	4.00%	09/30/81	1,500
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
Creekside-AffirmedFamily Hsg. Partners	2125-215 Coronado Ave. San Diego, CA 92154	4.79%	06/30/35	1,381
Grant Heights II, LP	3845 Winona Avenue, San Diego CA 92105	3.00%	03/31/76	1,320
Island Inn, LP	202 Island Ave, San Diego, CA 92101	0.00%	12/31/27	1,222
Chicano Federation Trojan Apts.	5222 Trojan Ave. San Diego, CA 92115	3.00%	07/01/53	1,145



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June 30, 2024

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
Mayberry Townhomes/Mountain View Hsg.	4328-449 Mayberry St. San Diego, CA 92113	2.64%	12/31/71	988
TACHS Cove Apts LLC	5288 El Cajon Blvd. San Diego, CA 92115	3.00%	05/01/62	982
SD LGBT Community Center	1640 Broadway, San Diego, CA 92101	0.00%	11/01/60	934
Catholic Charities/Leah Residence-9th F	798 Ninth Ave. San Diego, CA 92101	0.00%	10/31/58	928
Carmel Valley Hsg./Torrey Del Mar	13875 Carmel Valley Rd. San Diego, CA 92130	3.00%	06/30/56	892
Casa Colina LP	5207 52nd Place, San Diego, CA 92105	3.00%	02/01/59	885
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 92111	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				420,346
Home ownership loans (Under \$500)				47,861
Single-Family rehabilitation and ADU loans (Under \$500)				4,873
Rental Housing Finance loans with rehab / acquisition (under \$500)				4,655
Total Non-Major Loans as of June 30, 2024				57,389
Total Major Loans and Total Non-Major Loans as of June 30, 2024 (Not Including Deferred Loans)				477,735
Allowance for Loan Losses				(6,676)
Allowance for Forgivable Loans				(8,499)
Total notes receivable at June 30, 2024				462,560
Deferred cumulative interest receivable at June 30, 2024				84,138
Total notes and interest receivable at June 30, 2024				<u>\$ 546,698</u>

Notes and mortgages receivable due one year or less amounted to \$805 as of June 30, 2024. The change in allowance on notes receivable consists of the following:

<u>Balance,</u> <u>July 1, 2023</u>	<u>Losses/</u> <u>write-offs</u>	<u>Additions/</u> <u>adjustments</u>	<u>Balance,</u> <u>June 30, 2024</u>
<u>\$ 13,729</u>	<u>\$ (806)</u>	<u>\$ 2,252</u>	<u>\$ 15,175</u>

SDHC makes affordable housing non-interest bearing loans, originated through noncash transactions, in which the borrower is not required to repay the loan during the loan compliance period provided compliance covenants are met. Compliance periods range between 10 to 65 years. SDHC monitors the loan compliance. SDHC does not record these loans in the Statement of Net Position as there is no cash disbursed. Any payment received



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June 30, 2024

during the compliance period is recorded as revenue in the fiscal year of receipt. Notes representing affordable housing loans outstanding as of June 30, 2024, total \$72,280.

Note 7 - Capital Assets (Dollars in Thousands)

A summary of changes in capital assets for the year ended June 30, 2024 is as follows:

	Balance, June 30, 2023	Additions	Transfers / Retirements	Balance, June 30, 2024
Capital assets, not being depreciated				
Land	\$ 108,617	\$ 4,910	\$ -	\$ 113,527
Construction in progress	1,505	4,849	(671)	5,683
Total capital assets, not being depreciated	<u>110,122</u>	<u>9,759</u>	<u>(671)</u>	<u>119,210</u>
Capital assets, being depreciated				
Buildings	177,593	6,916	-	184,509
Building improvements	89,289	3,652	671	93,612
Office furniture and equipment	6,944	863	(11)	7,796
Intangible right to use software arrangements	5,225	1,221	-	6,446
Total capital assets, being depreciated	<u>279,051</u>	<u>12,652</u>	<u>660</u>	<u>292,363</u>
Less accumulated depreciation for:				
Buildings	(40,216)	(4,478)	-	(44,694)
Building improvements	(44,907)	(5,161)	-	(50,068)
Office furniture and equipment	(5,111)	(689)	9	(5,791)
Intangible right to use software arrangements	(829)	(1,619)	-	(2,448)
Total accumulated depreciation	<u>(91,063)</u>	<u>(11,947)</u>	<u>9</u>	<u>(103,001)</u>
Total capital assets, being depreciated, net	<u>187,988</u>	<u>705</u>	<u>669</u>	<u>189,362</u>
Total capital assets, net	<u>\$ 298,110</u>	<u>\$ 10,464</u>	<u>\$ (2)</u>	<u>\$ 308,572</u>

In fiscal year 2024, capital assets totaled \$308,572. Additions of \$12,652 to capital assets being depreciated include the acquisition of Pacific Village, elevated exterior elements improvements at Eastman and Levant, common area improvements at Valley Vista, administrative equipment upgrades at Smart Corner, and plumbing systems upgrades at Alaquinas, Sycamore and Mason properties.

Depreciation and amortization expense for the year ended June 30, 2024 was \$10,328 and \$1,619 respectively.



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June 30, 2024

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

Prepaid Items and Other Current Assets

As of June 30, 2024 prepaid and other current assets consisted of the following:

Prepaid grants	\$ 1,458
Prepaid software licenses	1,248
Escrow deposits - mortgage insurance premiums	298
Prepaid insurance	308
Prepaid mortgage insurance	71
Deposits other	10
Prepaid appliances	5
Total prepaids and other	<u><u>\$ 3,398</u></u>

Note 9 - Notes Payable (Dollars in Thousands)

Notes Payable

A summary of notes payable at June 30, 2024 is as follows:

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Balance, 6/30/2023	(Payments)/ Amortization/ Adjustments	Balance, 06/30/2024	Due Within One Year FY24	GASB 88 Disclosure Footnotes
<u>Direct Borrowing Debts of the Commission</u>							
Key Bank Real Estate Capital - Smart Corner * variable rate ** Payment includes optional annual payment of \$91	5.53%*	2027	\$ 784	\$ (131) **	\$ 653	\$ 58	A1,B1, C1, D2
City of San Diego - Hotel Sandford	1.00%	2065	5,843	-	5,843	-	A1, B2, C4, D4
Forgivable loan with accrued interest totaling \$773.							
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	3,839	(75)	3,764	80	A1, B5, C2, D1
JP Morgan Chase - Valley Vista	3.29%	2030	28,329	(629)	27,700	653	A1, B11, C1, D1
JP Morgan Chase - Kearny Vista	3.39%	2030	6,588	(143)	6,445	150	A1, B12, C1, D1
<u>Debts of the LLCs</u>							
Greystone Servicing Corp, Inc. - Belden SDHC FNMA, LLC	7.32%	2040	9,737	(313)	9,424	337	A1, B6, C2, D1
Greystone Servicing Corp, Inc. - Northern SDHC FNMA, LLC	7.32%	2040	8,545	(276)	8,269	296	A1, B7, C2, D1
PNC Bank, NA FHA - Southern SDHC FHA, LLC	3.76%	2046	19,372	(567)	18,805	589	A1, B8, C3, D1
PNC Bank, NA FHA - Northern SDHC FHA, LLC	3.76%	2046	13,552	(397)	13,155	412	A1, B9, C3, D1
PNC Bank, NA FHA - Central SDHC FHA, LLC	3.65%	2046	12,151	(359)	11,792	372	A1, B10, C3, D1
Subtotal			113,295	(2,890)	110,405	2,947	
Less amortized debt issuance costs			(1,017)	69	(948)	-	
Total			<u>\$ 112,278</u>	<u>\$ (2,821)</u>	<u>\$ 109,457</u>	<u>\$ 2,947</u>	



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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

At June 30, 2024, the current portion of notes payable was \$2,947 and the noncurrent portion of notes payable, net was \$106,510.

Debt issuance costs associated with the LLC loans totaled \$2,120, less accumulated amortization of \$1,172 at June 30, 2024. For fiscal year 2024, amortization totaled \$69. 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 \$619 in fiscal year 2024.



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June 30, 2024

The projected annual principal and interest payment requirements for all of SDHC's notes payable are noted in the table below. These amounts include a forgivable loan of \$5,843 which will be forgiven at maturity in 2065. Accrued interest of such forgivable loan is \$773 as of June 30, 2024.

	Notes payable		
	Principal	Interest	Total
Year ending June 30, 2025	\$ 2,947	\$ 4,192	\$ 7,139
2026	3,082	4,060	7,142
2027	3,691	3,920	7,611
2028	3,300	3,779	7,079
2029	3,456	3,622	7,078
2030-2034	47,400	11,697	59,097
2035-2039	18,388	5,978	24,366
2040-2044	14,042	1,937	15,979
2045-2049	3,701	84	3,785
2050-2054	-	-	-
2055-2068	4,555	-	4,555
Subtotal	104,562	39,269	143,831
Forgivable loans	5,843	-	5,843
Total notes payable	\$ 110,405	\$ 39,269	149,674
Less: Unamortized debt issuance costs			(948)
Total notes payable, net			\$ 148,726



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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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 Altadena Avenue, 92105, 5316 Meade Avenue, 92115, 5330-5332 1/2 Rex Avenue, 92105, 5326-5328 Rex Avenue, 92105, 4261 45th Street, 92115, 4225 44th Street, 92115, 2628-2630 44th Street, 92105, 4416 #1-8 Highland Avenue, 92115, 4566 51st Street, 92115, 3051 54th Street, 92105, 4147-4157 Chamoune Avenue, 92105, 4205-4215 Juniper Street, 92105, 4273-4283 Juniper Street, 92105, 4390 Maple Street, 92105, 4180-4182 Poplar Street, 92105, 4451-4459 Market Street, 92102, 5359-5389 Santa Margarita, 92114, 2883 Boston Avenue, 92113, 2955 Boston Avenue, 92113
- B11 5400 Kearny Mesa Road, 92111
- B12 1865 Hotel Circle South, 92108



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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
- 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, 2023	Additions (accruals)	Deductions (usage)	Balance, June 30, 2024	Due Within One Year FY24
\$ 4,331	\$ 4,729	\$ (4,467)	\$ 4,593	\$ 4,593



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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 2024, SDHC held the following leases:

	Lease Receivable Current Portion	Lease Receivable Noncurrent Portion	Deferred Inflows	Lease Revenue	Lease Interest Revenue
Commercial leases					
7-Eleven	\$ 154	\$ 1,307	\$ 1,378	\$ 169	\$ 23
Barber College	147	511	633	155	16
BB's Deli	-	-	-	19	-
Family Justice Center	633	321	906	684	3
Latinos y Latinas	-	-	-	15	-
MetroPCS	76	373	424	78	4
T-Mobile Tower	-	-	-	19	-
Total commercial leases	1,010	2,512	3,341	1,139	46
Land leases					
<u>Land leases (non-related)</u>					
Arbor Village	17	1,217	1,210	72	19
Dawson Courtyard	20	1,632	1,619	31	25
Golden Villas	5	170	171	6	3
Mariner's Cove	467	52,433	51,289	828	797
Mercado	-	-	-	-	-
Mission	23	1,852	1,839	38	28
Riverwalk	15	1,066	1,060	21	16
Talmadge	42	2,649	2,638	60	41
Terramar	7	517	513	11	8
Think Dignity	-	-	-	-	-
Villa Merced	71	491	549	76	9
Vista Grande	-	-	-	-	-
Total land leases (non-related)	667	62,027	60,888	1,143	946
<u>Related party land leases</u>					
Casa Colina	12	742	722	22	11
Hotel Churchill	19	1,686	1,673	66	26
Mariner's Village	101	9,827	9,742	216	150
Parker Kier	-	-	-	42	-
Quality Inn	20	1,768	1,753	67	27
San Diego Square	99	7,882	7,829	160	122
Village North Senior	29	2,669	2,648	62	41
West Park	10	893	886	25	14
Total related party land leases	290	25,467	25,253	660	391
Total	\$ 1,967	\$ 90,006	\$ 89,482	\$ 2,942	\$ 1,383



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

Commercial Leases

7-Eleven – On August 1st 2007, SDHC 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. SDHC 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 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 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. SDHC received monthly payments through 2024.

BB's Deli – On August 5th 2010, SDHC 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. SDHC is receiving monthly payments through 2025 and there is an option for renewal upon expiration.

Family Justice Center – On October 1st 2010, SDHC entered into a 10 year lease agreement with 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. SDHC is receiving monthly payments through 2025 and there is an option for renewal upon expiration.

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

MetroPCS – On November 30th 2014, SDHC entered into a 5 year lease agreement with renewal options with TAL Store 828, LLC for the real property located at 1075 11th Avenue, San Diego, CA. SDHC 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, 2024

T-Mobile Tower – On May 19th 1995, SDHC 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. SDHC received monthly rent payments through January 2024. On March 21, 2023, the tenant provided notice to terminate the lease early in May 2023. The lease was not terminated until January 2024 due to delays in removing the equipment from the site.

Land Leases (non-related)

Arbor Village – On April 1st 2010, SDHC entered into a 65 year lease agreement with LINC-Arbor Village Apartments Housing Investors, L.P. for the lease of real property located at 4914-4998 Logan Ave, San Diego, CA. SDHC is receiving annual payments through 2077 and there are no renewal options included in this lease agreement. Variable payment of \$47.9 was received in FY24.

Dawson Courtyard – On November 12th 2008, SDHC entered into a 55 year lease agreement with Dawson Avenue Senior Apartments, L.P. for the lease of real property located at 4321 52nd Street, San Diego, CA. SDHC is receiving annual payments through 2066 and there are no renewal options included in this lease agreement. No variable payment was received in FY24.

Golden Villas – On May 30th 1995, SDHC entered into a 55 year lease agreement with John B. Walsh for the lease of real property located at 3355-3395 Elm Street, San Diego, CA. SDHC is receiving monthly payments through 2055 and there are no renewal options included in this agreement. Variable payment of \$0.5 was received in FY24.

Mariner's Cove – On December 30th 1982, SDHC entered into a 55 year lease agreement with Lincoln Mariners Associates Limited, LLC for the lease of real property located at 4392 W Point Loma Blvd, San Diego, CA. SDHC is receiving monthly payments through 2037 and there are no renewal options included in this agreement. Variable payment of \$57.2 was received in FY24.

Mercado – On March 15th 2011, SDHC entered into a 99 year lease agreement with Mercado CIC, L.P. for the lease of real property located at 2001 Newton Ave, San Diego, CA. SDHC is receiving annual payments through 2112 and there are no renewal options included in this agreement. No payments were received in FY24.

Mission – On May 1st 2011, SDHC entered into a 65 year lease agreement with AMCAL Mission Fund, L.P. for the lease of real property located at 1815 and 1847 Hancock Street, San Diego, CA. SDHC is receiving annual rent payments through 2078 and there are no renewal options included in this agreement. Variable payment of \$3.2 was received in FY24.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

Riverwalk – On April 26th 2010, SDHC entered into a 65 year lease agreement with Riverwalk Apartments, L.P. for the lease of real property located at 1194 Hollister Street, San Diego, CA. SDHC is receiving annual payments through 2075 and there are no options for renewal. Variable payment of \$0.7 was received in FY24.

Talmadge – On November 8th 2004, SDHC entered into a 65 year lease agreement with Ken-Tal Senior Partners, L.P. for the lease of real property located at 5252 El Cajon Blvd, San Diego, CA. SDHC is receiving quarterly payments through 2069 and there are no options for renewal. Variable payment of \$1.2 was received in FY24.

Terramar – On July 25th 2011, SDHC entered into a 65 year lease agreement with Terramar CIC, L.P. for the lease of real property located at 13481 and 13483 Silver Ivy Lane, San Diego, CA. SDHC is receiving annual payments through 2078 and there are no options for renewal. Variable payment of \$1.2 was received in FY24.

Think Dignity – On May 1st 2014, SDHC entered into a 2 year lease agreement with Think Dignity for the lease of real property at 252 16th Street, San Diego, CA. SDHC is receiving monthly payments through 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 FY24.

Villa Merced – On December 30th 1980, SDHC entered into a 50 year lease agreement with Colonia Barrios Seniors, Inc. for the lease of real property located at 1148-1188 Beyer Way, San Diego, CA. SDHC is receiving annual payments through 2031 and there are no options for renewal. Variable payment of \$3.2 was received in FY24.

Vista Grande – On October 20th 2010, SDHC entered into a 65 year lease agreement with Wakeland Vista Grande Apartments, L.P. for the lease of real property located at 5391 and 5411-25 Santa Margarita Street, San Diego, CA. SDHC is receiving annual payments through 2077 and there are no options for renewal. No payments were received in FY24.

Related Party Land Leases

Casa Colina – On February 18th 2004, SDHC entered into a 65 year lease agreement with Casa Colina, L.P. for the lease of real property located at 5207 52nd Place, San Diego, CA. SDHC is receiving monthly payments through 2069 and there are no renewal options included in this lease agreement. Variable payment of \$0.2 was received in FY24.

Hotel Churchill – On April 24th 2015, SDHC entered into a 65 year agreement with HDP Churchill L.P. for the lease of real property located at 827 C Street, San Diego, CA. SDHC is receiving annual payments through 2082 and there are no renewal options included in this agreement. Variable payment of \$36.5 was received in FY24.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

Mariner's Village – On November 30th 2018, SDHC entered into a 65 year lease agreement with HDP Mariner's Village, LP for the lease of real property located at 6847 Potomac Street, San Diego, CA. SDHC is receiving annual payments through 2086 and there are no options for renewal. Variable payment of \$57.3 was received in FY24.

Parker Kier – On September 1st 2013, SDHC 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. SDHC is receiving annual payments through 2024 and there are no options for renewal. There were no variable payments in FY24.

Quality Inn – On December 15th 2017, SDHC entered into a 65 year lease agreement with HDP Quality Inn, LLC for the lease of real property located at 1840 4th Avenue, San Diego, CA. SDHC is receiving annual payments through 2083 and there are no options for renewal. Variable payment of \$36.7 was received in FY24.

San Diego Square – On February 28th 2019, SDHC assumed the 65 year lease agreement with HDP Broadway, LP from the City of San Diego. The original lease agreement began on May 24th 2013 for the lease of real property located at 910 C Street, San Diego, CA. SDHC is receiving monthly payments through 2078 and there are no options for renewal. Variable payment of \$12.8 was received in FY24.

Village North Senior – On December 15th 2017, SDHC entered into 65 lease agreement with HDP Village North, LLC for the lease of real property located at 7720-7780 Belden Street, San Diego, CA. SDHC is receiving annual payments through 2083 and there are no options for renewal. Variable payment of \$16.1 was received in FY24.

West Park – On December 14th 2017, SDHC entered into 65 year lease agreement with Housing Development Partners for the lease of real property located at 1830 4th Avenue, San Diego, CA. SDHC is receiving annual payments through 2083 and there are no options for renewal. Variable payment of \$9.8 was received in FY24.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

Minimum lease payments receivable are as follows:

	Lease Principal	Lease Interest
Year(s) ending June 30, 2025	\$ 1,967	\$ 1,364
2026	1,684	1,342
2027	1,392	1,320
2028	1,444	1,297
2029	1,310	1,275
2030-2034	5,771	6,103
2035-2039	5,301	5,702
2040-2044	5,712	5,291
2045-2049	6,155	4,848
2050-2112	<u>61,237</u>	<u>19,066</u>
	<u>\$ 91,973</u>	<u>\$ 47,608</u>

Subscription-Based Information Technology Arrangements

SDHC has identified 13 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 the 9 SBITAS in place in fiscal year 2023 for leases 0 months to 60 months this rate was 2.40% and the 4 SBITAS in place in fiscal year 2024 for leases 0 months to 60 months the rate was 2.63%. The terms in month are calculated to include option periods.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

In fiscal year 2024 SDHC had the following SBITA:

Software and contractor	Net Present Value of Subscription Liability	Subscriptions Payable Balance, 06/30/2024	Subscriptions Payable Due Within One Year
Yardi - Yardi Systems Inc	\$ 3,103	\$ 1,942	\$ 632
Microsolt Licensing - Insight Public Sector, Inc	805	310	309
OnBase - Hyland Software, Inc.	522	319	103
Planetbids - Plantebids, Inc	393	162	81
8x8 Licensing - 8x8, Inc	349	-	-
Tableau - FedResults, Inc	267	179	91
Adobe - Govconnections, Inc	195	133	64
Varonis - NTH Generation	175	60	60
Duo Security - Nth Generation	143	116	29
Syzsense - Bird Rock Systems, Inc.	133	111	37
Box - SoftChoice Corporation	130	-	-
Salesforce - CarahSoft Technology Corporation	122	41	41
Okta SSO - NTH Generation Computing, Inc	109	-	-
Total subscription liabilities	\$ 6,446	\$ 3,373	\$ 1,447

Yardi – On September 1, 2022, SDHC entered into a one-year agreement with four additional option years with Yardi Systems, Inc. Annual payments are due in the amount of \$596, with potential annual increase up to Consumer Price Index. On September 1, 2023, the first option year was exercised and annual payments of \$665 are due in each of the option years. 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. Annual payments are due in the amount of \$314 for each of the option years. 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.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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.

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

Tableau – On July 13, 2023, SDHC entered into a one-year agreement with two additional option years with FedReults, Inc. Annual payments are due in the amount of \$94. There is no option to purchase this software.

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

Adobe – On November 3, 2023, SDHC entered into a three-year agreement with no additional option year with Govconnections, Inc. Annual payments are due in the amount of \$67. There is no option to purchase this software.

The future subscription payments under SBITA agreements are as follow:

	Subscriptions		
	Principal	Interest	Total
Year ending June 30, 2025	\$ 1,447	\$ 61	\$ 1,508
2026	1,084	28	1,112
2027	842	5	847
Total	<u>\$ 3,373</u>	<u>\$ 94</u>	<u>\$ 3,467</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.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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, 2024, covered payroll was \$36,541. Pension expense related to SDHC's required contribution was \$5,003 and plan members contributed \$319 for the fiscal year ended June 30, 2024.

At June 30, 2024, there were 481 participants in the plan, including: 8 inactives receiving benefits, 108 inactives not receiving benefits and 365 active participants, and no active receiving benefits.

The retirement pension benefit is available at normal retirement age (62nd birthday) or upon termination or disability. The retirement pension benefits are determined based upon the vested value of the participant's accumulation accounts at the time of distribution. Distributions must commence no later than April 1st of the calendar year following the calendar year in which the participant attains age seventy and 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, 2024, SDHC's covered



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

payroll was \$38,923. Deferred compensation expense related to SDHC's required contribution was \$873 and plan members contributed \$2,263 for the fiscal year ended June 30, 2024.

At June 30, 2024, there were 901 participants in the plan, including: 15 inactive receiving benefits, 372 inactive not yet receiving benefits, 55 with zero ending balance, and 459 active participants.

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

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

Empower Trust Company, LLC is the third-party trustee of the deferred compensation plan and One Digital is the third-party fiduciary. All assets and income of the deferred compensation plan are held in trust by a third party for the exclusive benefit of the participants and their beneficiaries, and per federal law, are not available to SDHC or its creditors. As a result, the plan's assets are not included in SDHC's basic financial statements. The plan assets, however, are included in the Fiduciary Fund basic financial statements. The assets held by the plan had a market value of \$34,119 at June 30, 2024. The plan is audited by an outside firm, and a copy of the audit can be obtained by contacting the San Diego Housing Commission at 1122 Broadway, Suite 300, San Diego, California 92101.

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).



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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

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

- Rates per \$100 of payroll for CHWCA's four class codes, as determined annually by CHWCA's independent actuary, are multiplied by each member's estimated payroll by class code to calculate the pure loss premium;
- 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, 2024. 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, 2024

Note 14 - Net Position (Dollars in Thousands)

SDHC's net position totaled \$903,557 for the period ending June 30, 2024 and is comprised of the following:

Net Investment in Capital Assets

SDHC's net investment in capital assets totaled \$196,658 for the period ending June 30, 2024. This relates to funds spent on capital assets being used for operations of SDHC.

Restricted Net Position

SDHC's restricted net position totaled \$247,613 for the period ending June 30, 2024. Of the total amount, \$213,126 is related to HOME - funded notes receivable, \$24,000 is related to CDBG Affordable Housing Revolving Loan Fund (CDBG AHRLF) – funded notes receivable, \$6,197 is related to Neighborhood Stabilization Program (NSP) - funded notes receivable, while \$93 is related to CDBG Loan Management – 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 properties that might otherwise become source of abandonment and blight within their



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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, \$3,318 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 \$879, 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 \$459,286 for the period ending June 30, 2024. 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, \$301,197 relates to notes receivable (money due to SDHC, not on-hand and net of allowance for loan loss), \$37,423 relates to loans and grants SDHC has committed to fund (also see Note 16), and the remaining \$120,666 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, 2024, SDHC's original budget included \$389,324 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, 2024

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, 2024. The amount of loans and grants SDHC has committed to fund, but has not funded as of June 30, 2024, is \$37,422,800.

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 February 27, 2024, SDHC and ESA Portfolio P LLC executed an amendment to the original purchase and sale agreement dated April 20, 2023, for real property commonly known as "Presidio Palms" located at 2085-2095 Hotel Circle South, San Diego, CA 92108 for a purchase price of \$57,000,000. On August 16, 2024, the purchase of the property was completed.

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;



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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

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

The Housing Trust Fund:

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

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

Inclusionary Housing Fund:

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

The following table reflects the condensed statement of revenues, expenses and changes in net position for the fiscal year ended June 30, 2024 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	\$ 50	\$ -
Other revenue	15	-
	<u>65</u>	<u>-</u>
Total operating revenue		
Operating Expenses		
Administrative expenses	2,343	248
Grant expense	3,471	464
Housing assistance	865	-
	<u>6,679</u>	<u>712</u>
Total operating expenses		
Operating loss	<u>(6,614)</u>	<u>(712)</u>
Non- Operating Revenues		
Grant revenue	2,914	1,601
Interest income on investments and notes receivable	4,616	1,689
	<u>7,530</u>	<u>3,290</u>
Total non-operating revenues		
Change in net position	<u>\$ 916</u>	<u>\$ 2,578</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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, 2024, Building Opportunities recorded approximately \$1,100 in other revenue in the statement of revenues, expenses and changes in net position. As of June 30, 2024, 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.

On April 2, 2024, Central SDHC FNMA LLC transferred all assets to SDHC with estimated final distribution of remaining assets and dissolution of LLC in Fiscal Year 2025.

The following are the financial statements of the Blended Component Units of the San Diego Housing Commission for the year ended June 30, 2024:



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2024

San Diego Housing Commission - Blended Component Units
Balance Sheet
June 30, 2024
(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
Assets									
Current assets									
Operating cash	\$ 396	\$ 538	\$ 9	\$ 749	\$ 1,224	\$ 763	\$ -	\$ 46	\$ 3,725
Security deposit account	124	99	-	119	224	167	-	-	733
Restricted cash	70	41	-	188	462	319	-	-	1,080
Accounts receivable	276	110	-	343	865	732	2	-	2,328
Allowance for doubtful accounts	(120)	(77)	-	(44)	(147)	(502)	-	-	(890)
Prepaid mortgage insurance	-	-	-	20	28	22	-	-	70
Escrow account - MIP	-	-	-	53	76	43	-	-	172
Total current assets	746	711	9	1,428	2,732	1,544	2	46	7,218
Capital assets									
Land	2,226	2,984	-	3,691	3,683	3,852	30	-	16,466
Building	1,815	3,252	-	5,098	3,901	3,857	-	-	17,923
Building improvements	317	3,706	-	5,972	9,302	6,104	-	-	25,401
Office furniture and equipment	66	135	-	55	186	103	-	-	545
Accumulated depreciation	(1,043)	(2,659)	-	(6,024)	(6,218)	(4,919)	-	-	(20,863)
Total capital assets	3,381	7,418	-	8,792	10,854	8,997	30	-	39,472
Total assets	\$ 4,127	\$ 8,129	\$ 9	\$ 10,220	\$ 13,586	\$ 10,541	\$ 32	\$ 46	\$ 46,690



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2024San Diego Housing Commission - Blended Component Units
Balance Sheet - continued
June 30, 2024
(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
Liabilities									
Current liabilities									
Accounts payable	\$ 115	\$ 95	\$ 9	\$ 195	\$ 916	\$ 248	\$ 2	\$ -	\$ 1,580
Related party payable	112	63	-	115	24	216	-	-	530
Accrued interest payable	57	50	-	41	59	36	-	-	243
First mortgage - current portion	337	296	-	412	589	372	-	-	2,006
Prepaid revenue	62	34	-	51	69	37	-	-	253
Tenant security deposits	124	99	-	119	224	167	-	-	733
Total current liabilities	807	637	9	933	1,881	1,076	2	-	5,345
Long -term liabilities									
First mortgage payable, net	9,020	7,913	-	12,493	17,873	11,192	-	-	58,491
Total liabilities	9,827	8,550	9	13,426	19,754	12,268	2	-	63,836
Net Position									
Net investment in capital assets	(6,043)	(851)	-	(4,363)	(7,951)	(2,795)	30	-	(21,973)
Restricted net position	70	41	-	188	462	319	-	-	1,080
Unrestricted net position	273	389	-	969	1,321	749	-	46	3,747
Total net position	(5,700)	(421)	-	(3,206)	(6,168)	(1,727)	30	46	(17,146)
Total liabilities and net position	\$ 4,127	\$ 8,129	\$ 9	\$ 10,220	\$ 13,586	\$ 10,541	\$ 32	\$ 46	\$ 46,690



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2024

San Diego Housing Commission - Blended Component Units
Statement of Operations
For the Year Ended June 30, 2024
(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	\$ 2,642	\$ 2,448	\$ 2,565	\$ 3,353	\$ 5,468	\$ 4,341	\$ -	\$ -	\$ 20,817
Other income	260	128	512	353	315	28	-	-	1,596
Total operating income	2,902	2,576	3,077	3,706	5,783	4,369	-	-	22,413
<u>Expenses</u>									
Operating expenses									
Salaries and benefits	329	281	354	347	540	588	-	-	2,439
Management fee	133	123	128	170	276	218	-	-	1,048
Other administration	108	59	57	72	143	104	2	4	549
Utilities	225	176	204	259	437	504	-	-	1,805
Repairs and maintenance	469	390	624	801	850	826	-	-	3,960
Protective services	11	33	-	-	44	53	-	-	141
Insurance	105	71	57	75	128	95	1	-	532
Depreciation	67	254	246	399	522	420	-	-	1,908
Bad debt expense	133	58	263	120	165	413	-	-	1,152
Total operating expenses	1,580	1,445	1,933	2,243	3,105	3,221	3	4	13,534
Operating income (loss)	1,322	1,131	1,144	1,463	2,678	1,148	(3)	(4)	8,879
Non-Operating revenues (expenses)									
Grant revenue	-	-	-	-	-	-	-	1,068	1,068
Grant expense	-	-	-	-	-	-	-	(1,018)	(1,018)
Interest expense	(701)	(614)	-	(501)	(717)	(437)	-	-	(2,970)
Mortgage insurance	-	-	-	(60)	(86)	(54)	-	-	(200)
Amortized loan fees	(6)	(5)	-	(18)	(24)	(16)	-	-	(69)
Entity taxes and fees	(7)	(7)	(7)	(7)	(12)	(7)	(1)	-	(48)
Total Non-Operating revenues (expenses)	(714)	(626)	(7)	(586)	(839)	(514)	(1)	50	(3,237)
Net income (loss)	608	505	1,137	877	1,839	634	(4)	46	5,642
Net operating transfers in (out)	-	-	-	-	-	-	4	-	4
Net income (loss) net of financing sources	\$ 608	\$ 505	\$ 1,137	\$ 877	\$ 1,839	\$ 634	\$ -	\$ 46	\$ 5,646



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2024

San Diego Housing Commission - Blended Component Units
Statement of Cash Flows
For the Year Ended June 30, 2024
(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	\$ 2,743	\$ 2,437	\$ 2,798	\$ 3,403	\$ 5,512	\$ 3,957	\$ -	\$ 1,068	\$ 21,918
Operating expenses paid	(2,167)	(1,718)	(1,640)	(2,127)	(3,186)	(3,020)	(4)	(1,022)	(14,884)
Cash flows from operating activities	576	719	1,158	1,276	2,326	937	(4)	46	7,034
Net withdrawals	(36)	(20)	-	-	(17)	(4)	-	-	(77)
Net purchases	(2)	(1,303)	7,489	(8)	(1,512)	1	-	-	4,665
Cash flows from investing activities	(38)	(1,323)	7,489	(8)	(1,529)	(3)	-	-	4,588
Debt principal payments	(313)	(275)	-	(397)	(567)	(359)	-	-	(1,911)
Distribution	(277)	(211)	(9,384)	(791)	(1,750)	(730)	-	-	(13,143)
Contribution	-	1,280	-	2	1,501	-	4	-	2,787
Cash flows from capital and related financing activities	(590)	794	(9,384)	(1,186)	(816)	(1,089)	4	-	(12,267)
Net increase (decrease) in cash and restricted cash	(52)	190	(737)	82	(19)	(155)	-	46	(645)
Cash and restricted cash - beginning	572	447	746	786	1,467	1,085	-	-	5,103
Cash and restricted cash - end	\$ 520	\$ 637	\$ 9	\$ 868	\$ 1,448	\$ 930	\$ -	\$ 46	\$ 4,458



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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

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

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

**Reconciliation of HDP Discrete Component Unit Presentation
Statement of Net Position
As of December 31, 2023**

	Component Unit	HDP Audit Presentation	Variance
<u>Assets</u>			
Current assets			
Cash and cash equivalents	\$ 27,784	\$ 27,784	\$ -
Restricted cash and cash equivalents	832	832	-
Accounts receivable - tenants, net	85	85	-
Accounts receivable - funding sources	68	68	-
Accounts receivable - other	224	224	-
Prepaid items and other assets	445	445	-
Total current assets	29,438	29,438	-
Noncurrent assets			
Restricted cash and cash equivalents	7,287	7,287	-
Investment in partnerships	78	78	-
Other assets	3,283	3,283	-
Capital assets not being depreciated	4,685	4,685	-
Capital assets, net of accumulated depreciation	124,296	124,296	-
Total noncurrent assets	139,629	139,629	-
Total assets	\$ 169,067	\$ 169,067	\$ -
<u>Liabilities</u>			
Current liabilities			
Accounts payable	2,050	2,050	-
Accounts payable - funding sources	45	45	-
Accrued payroll and benefits	48	48	-
Accrued interest payable	212	212	-
Notes payable, current portion	1,340	1,340	-
Deposits payable	758	758	-
Unearned revenue	38	38	-
Total current liabilities	4,491	4,491	-
Noncurrent liabilities			
Accrued interest payable - noncurrent	15,128	6,504	(8,624)
Notes payable noncurrent, net	151,739	106,429	(45,310)
Other liabilities	11,339	11,339	-
Total noncurrent liabilities	178,206	124,272	(53,934)
Total liabilities	\$ 182,697	\$ 128,763	\$ (53,934)
<u>Net Position</u>			
Restricted			
Non-controlling interest - tax credit partnerships	46,377	46,377	-
Unrestricted	(60,007)	(6,073)	53,934
Total net position	\$ (13,630)	\$ 40,304	\$ 53,934
Total liabilities and net position	\$ 169,067	\$ 169,067	\$ -



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

**Reconciliation of HDP Discrete Component Unit Presentation
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2023**

	Component Unit	HDP Audit Presentation	Variance
Operating revenues			
Dwelling rental income	\$ 20,839	\$ 21,037	\$ 198
Land lease and other rental income	132	-	(132)
Fee revenue	-	-	-
Other revenue	631	549	(82)
Grant revenue	-	84	84
Interest income	-	454	454
Total operating revenues	<u>21,602</u>	<u>22,124</u>	<u>522</u>
Operating expenses			
Administrative expenses	4,411	-	(4,411)
Tenant services	267	-	(267)
Asset management	5,833	-	(5,833)
General expenses	1,588	-	(1,588)
Depreciation	5,343	5,343	-
Program services	-	9,510	9,510
Management and general	-	2,472	2,472
Interest expense	-	4,617	4,617
Total operating expenses	<u>17,442</u>	<u>21,942</u>	<u>4,500</u>
Operating income (loss)	<u>4,160</u>	<u>182</u>	<u>(3,978)</u>
Nonoperating revenues (expenses)			
Grant revenue	67	-	(67)
Interest income on investments and notes receivable	455	-	(455)
Interest expense	(6,741)	-	6,741
Total nonoperating revenues (expenses)	<u>(6,219)</u>	<u>-</u>	<u>6,219</u>
Change in net position before capital transactions	<u>(2,059)</u>	<u>182</u>	<u>2,241</u>
Contributions, net of distributions	<u>974</u>	<u>799</u>	<u>(175)</u>
Change in net position	<u>(1,085)</u>	<u>981</u>	<u>2,066</u>
Net position			
Beginning of year	<u>(12,545)</u>	<u>39,323</u>	<u>51,868</u>
End of year	<u>\$ (13,630)</u>	<u>\$ 40,304</u>	<u>\$ 53,934</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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

<u>Type of Obligation</u>		<u>HDP Balance, 12/31/2023</u>	<u>Additions</u>	<u>Payments</u>	<u>SDHC Balance, 6/30/2024</u>
SALARIES PAYABLE AND OTHER PAYABLES					
<u>Debts of Housing Development Partners of San Diego</u>					
San Diego Housing Commission		\$ 344	\$ 338	\$ (326)	\$ 356
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	866	37	(38)	865
<u>Debts of Casa Colina, LP</u>					
San Diego Housing Commission	Principal	973	-	(88)	885
San Diego Housing Commission	Interest	19	15	(32)	2
<u>Debts of Logan Development II, LP</u>					
San Diego Housing Commission	Principal	1,400	-	-	1,400
San Diego Housing Commission	Interest	1,550	43	-	1,593
<u>Debts of HDP Churchill, LP</u>					
San Diego Housing Commission	Principal	5,823	-	(232)	5,591
San Diego Housing Commission	Interest	897	87	(63)	921
<u>Debts of HDP New Palace, LP</u>					
San Diego Housing Commission	Principal	3,100	-	-	3,100
San Diego Housing Commission	Interest	467	62	(152)	377
<u>Debts of HDP Town & Country, LP</u>					
San Diego Housing Commission	Principal	13,250	-	-	13,250
San Diego Housing Commission	Interest	4,607	603	(123)	5,087
<u>Debts of HDP Quality Inn, LLC</u>					
San Diego Housing Commission	Principal	5,240	-	-	5,240
San Diego Housing Commission	Interest	603	105	(203)	505
<u>Debts of HDP West Park, LP</u>					
San Diego Housing Commission	Principal	3,593	-	-	3,593
San Diego Housing Commission	Interest	438	72	-	510
<u>Debts of HDP Mariner's Village, LP</u>					
San Diego Housing Commission	Principal	29,800	-	-	29,800
San Diego Housing Commission	Interest	3,859	529	-	4,388
<u>Debts of HDP ADU, LLC</u>					
San Diego Housing Commission	Principal	2,260	-	-	2,260
San Diego Housing Commission	Interest	158	34	(43)	149
		<u>\$ 81,681</u>	<u>\$ 1,925</u>	<u>\$ (1,300)</u>	<u>\$ 82,306</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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 7, 2024, the date the financial statements were available to be issued, and concluded that on August 16, 2024, SDHC acquired real property commonly known as “Presidio Palms” located at 2085-2095 Hotel Circle South, San Diego, CA 92108 for a purchase price of \$57,000,000. No other 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, 2024
 (Dollars in Thousands)

	<u>Business activities</u>	<u>Federal funds</u>	<u>State funds</u>	<u>Eliminations</u>	<u>Primary Government</u>
<u>Assets and Deferred Outflows</u>					
Current assets					
Cash and cash equivalents	\$ 26,336	\$ 941	\$ -	\$ -	\$ 27,277
Restricted cash and cash equivalents	2,644	1,082	-	-	3,726
Short-term investments	32,184	21,462	(1,566)	-	52,080
Accounts receivable - tenants, net	641	1,111	-	-	1,752
Accounts receivable - funding sources	10,261	4,752	13,083	(583)	27,513
Accounts receivable - other, net	4,312	2,340	1,027	-	7,679
Lease receivable - current	1,925	42	-	-	1,967
Notes and mortgages receivable, current portion	85	720	-	-	805
Accrued interest receivable - investments	501	128	8	-	637
Prepaid items and other assets	3,398	-	-	-	3,398
Total current assets	82,287	32,578	12,552	(583)	126,834
Noncurrent assets					
Restricted cash and cash equivalents - noncurrent	81	-	-	-	81
Lease receivable - noncurrent	87,357	2,649	-	-	90,006
Long-term investments	52,196	23,681	1,566	-	77,443
Accrued interest receivable - notes and mortgages receivable	40,898	40,689	2,551	-	84,138
Notes and mortgages receivable, net of allowance for loan losses	217,112	228,193	16,450	-	461,755
Capital assets not being depreciated	111,440	6,829	941	-	119,210
Capital assets, net of accumulated depreciation and amortization	175,729	13,633	-	-	189,362
Total noncurrent assets	684,813	315,674	21,508	-	1,021,995
Total assets	\$ 767,100	\$ 348,252	\$ 34,060	\$ (583)	\$ 1,148,829
Deferred outflows of resources	\$ -	\$ -	\$ -	\$ -	\$ -
Total assets and deferred outflows	\$ 767,100	\$ 348,252	\$ 34,060	\$ (583)	\$ 1,148,829



San Diego Housing Commission
 COMBINING SCHEDULE OF NET POSITION - ENTERPRISE FUNDS - CONTINUED
 June 30, 2024
 (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	\$ 10,482	\$ 3,978	\$ 4,769	\$ (583)	\$ 18,646
Accounts payable - funding sources	(6,534)	2,813	3,767	-	46
Accrued payroll and benefits	2,245	804	-	-	3,049
Accrued compensated absences	4,019	574	-	-	4,593
Accrued interest payable	357	19	-	-	376
Notes payable, current portion	2,947	-	-	-	2,947
Subscriptions payable, current portion	1,447	-	-	-	1,447
Deposits payable	2,200	128	125	-	2,453
Unearned revenue	8,139	125	2,659	-	10,923
Other current liabilities	570	-	-	-	570
Total current liabilities	25,872	8,441	11,320	(583)	45,050
Noncurrent liabilities					
Accrued interest payable - noncurrent	773	1,072	-	-	1,845
Notes payable noncurrent, net	101,955	4,555	-	-	106,510
Subscriptions payable, noncurrent	1,926	-	-	-	1,926
Other liabilities	-	459	-	-	459
Total noncurrent liabilities	104,654	6,086	-	-	110,740
Total liabilities	\$ 130,526	\$ 14,527	\$ 11,320	\$ (583)	\$ 155,790
Deferred inflows of resources	\$ 86,844	\$ 2,638	\$ -	\$ -	\$ 89,482
Total liabilities and deferred inflows	\$ 217,370	\$ 17,165	\$ 11,320	\$ (583)	\$ 245,272



San Diego Housing Commission
 COMBINING SCHEDULE OF NET POSITION - ENTERPRISE FUNDS - CONTINUED
 June 30, 2024
 (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	179,756	15,961	941	-	196,658
Restricted					
HOME notes receivable reserve	-	213,126	-	-	213,126
NSP notes receivable reserve	-	6,197	-	-	6,197
CDBG notes receivable reserve	-	24,093	-	-	24,093
Replacement reserves	1,842	1,476	-	-	3,318
Housing assistance reserves	-	879	-	-	879
Total restricted	1,842	245,771	-	-	247,613
Unrestricted	368,132	69,355	21,799	-	459,286
Total net position	\$ 549,730	\$ 331,087	\$ 22,740	\$ -	\$ 903,557
Total liabilities, deferred inflows and net position	\$ 767,100	\$ 348,252	\$ 34,060	\$ (583)	\$ 1,148,829



San Diego Housing Commission
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUNDS
 Year Ended June 30, 2024
 (Dollars in Thousands)

	Business activities	Federal funds	State funds	Eliminations	Primary Government
Operating revenues					
Dwelling rental income	\$ 39,069	\$ 1,447	\$ -	\$ -	\$ 40,516
Land lease and other rental income	4,225	100	-	-	4,325
Fee revenue	6,907	-	2	(1,064)	5,845
Other revenue	6,420	9,402	68	(23)	15,867
Total operating revenues	<u>56,621</u>	<u>10,949</u>	<u>70</u>	<u>(1,087)</u>	<u>66,553</u>
Operating expenses					
Administrative expenses	30,212	30,934	1,390	(1,087)	61,449
Tenant services	1,618	1,704	13	-	3,335
Asset management	16,993	1,188	43	-	18,224
General expenses	5,684	547	274	-	6,505
Grant expense	23,494	22,148	24,318	-	69,960
Housing assistance	2,317	288,958	(3)	-	291,272
Depreciation and amortization	10,280	1,667	-	-	11,947
Total operating expenses	<u>90,598</u>	<u>347,146</u>	<u>26,035</u>	<u>(1,087)</u>	<u>462,692</u>
Operating loss	<u>(33,977)</u>	<u>(336,197)</u>	<u>(25,965)</u>	<u>-</u>	<u>(396,139)</u>



San Diego Housing Commission
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUNDS - CONTINUED
 Year Ended June 30, 2024
 (Dollars in Thousands)

	Business activities	Federal funds	State funds	Eliminations	Primary Government
Nonoperating revenues (expenses)					
Grant revenue	26,657	358,996	29,858	-	415,511
Interest income on investments and notes receivable	14,367	8,565	497	-	23,429
Interest expense and other expenses	(4,728)	(1,774)	-	-	(6,502)
Loss on sale of capital assets	(2)	-	-	-	(2)
Total nonoperating revenues (expenses)	<u>36,294</u>	<u>365,787</u>	<u>30,355</u>	<u>-</u>	<u>432,436</u>
Income (loss) before capital transactions	2,317	29,590	4,390	-	36,297
Gain on transfer of properties to component unit	-	-	-	-	-
Income before operating transfers	<u>2,317</u>	<u>29,590</u>	<u>4,390</u>	<u>-</u>	<u>36,297</u>
Operating transfers in	34,675	301,708	61	(336,444)	-
Operating transfers out	(17,761)	(318,683)	-	336,444	-
Change in net position	<u>19,231</u>	<u>12,615</u>	<u>4,451</u>	<u>-</u>	<u>36,297</u>
Net position - beginning of year	<u>530,499</u>	<u>318,472</u>	<u>18,289</u>	<u>-</u>	<u>867,260</u>
Net position - end of year	<u>\$ 549,730</u>	<u>\$ 331,087</u>	<u>\$ 22,740</u>	<u>\$ -</u>	<u>\$ 903,557</u>



San Diego Housing Commission
 COMBINING SCHEDULE OF CASH FLOWS - ENTERPRISE FUNDS
 Year Ended June 30, 2024
 (Dollars in Thousands)

	Business activities	Federal funds	State funds	Primary Government
Cash flows from operating activities				
Cash received from tenants and other revenue	\$ 71,876	\$ 10,100	\$ 134	\$ 82,110
Cash payments to suppliers for goods and services	(43,381)	(319,422)	(22,896)	(385,699)
Cash payments to employees for services	(34,919)	(30,952)	(1,664)	(67,535)
Net cash provided by (used for) operating activities	(6,424)	(340,274)	(24,426)	(371,124)
Cash flows from capital and related financing activities				
Principal payments on notes payable	(2,890)	-	-	(2,890)
Acquisition and construction of capital assets	(16,534)	(3,712)	-	(20,247)
Interest payments	(4,571)	(1,803)	-	(6,371)
Net cash provided by (used for) capital and related financing activities	(23,996)	(5,515)	-	(29,508)
Cash flows from noncapital financing activities				
Cash received from grants	24,257	371,495	32,230	427,982
Net cash provided by noncapital financing activities	24,257	371,495	32,230	427,982
Cash flows from investing activities				
Interest on investments and notes receivable	9,310	4,498	101	13,908
Collection of notes receivable	820	1,543	156	2,519
Cash loaned on notes receivable	(5,552)	(10,726)	(3,249)	(19,527)
Purchases of investments	(13,474)	(23,874)	(7,100)	(44,448)
Proceeds from sale of investments	26,745	3,150	2,287	32,182
Net cash provided by (used for) investing activities	17,848	(25,409)	(7,804)	(15,365)
Net increase (decrease) in cash and cash equivalents	11,685	297	-	11,985
Cash and cash equivalents				
Beginning of year	17,376	1,723	-	19,099
End of year	\$ 29,061	\$ 2,020	\$ -	\$ 31,084
Financial statement presentation				
Cash and cash equivalents				\$ 27,277
Restricted cash and cash equivalents				3,807
Total cash and cash equivalents				\$ 31,084



San Diego Housing Commission
 COMBINING SCHEDULE OF CASH FLOWS - ENTERPRISE FUNDS - CONTINUED
 Year Ended June 30, 2024
 (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	\$ (33,977)	\$ (336,197)	\$ (25,965)	\$ (396,139)
Adjustments to reconcile operating loss to net cash used for operating activities:				
Depreciation	10,280	1,667	-	11,947
Amortization of debt issuance cost	69	-	-	69
Allowance for accounts receivable	(2,376)	(89)	(56)	(2,520)
Provision for loan losses	945	21	218	1,185
Allowance for forgivable loans	30	220	11	260
Changes in operating assets and liabilities:				
Decrease (increase) in tenant receivables	2,623	(163)	56	2,516
Decrease (increase) in other receivables	(2,283)	(2,047)	(68)	(4,398)
Decrease (increase) in prepaid items and other assets	(715)	-	-	(715)
Increase (decrease) in accounts payable	19,582	1,197	(1,345)	19,434
Increase (decrease) in accrued payroll and benefits	13	529	-	542
Increase (decrease) in deposits payable	(117)	10	65	(42)
Increase (decrease) in unearned revenues	(498)	(5,222)	2,658	(3,062)
Increase (decrease) in other liabilities	-	(201)	-	(201)
Net cash used for operating activities	<u>\$ (6,424)</u>	<u>\$ (340,274)</u>	<u>\$ (24,426)</u>	<u>\$ (371,124)</u>
Supplemental disclosure of cash flow information:				
Noncash capital and related financing activities :				
Increase in right to use software arrangements	\$ 1,221	\$ -	\$ -	\$ 1,221
Total noncash capital and related financing activities	<u>\$ 1,221</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,221</u>



San Diego Housing Commission
 Combining Schedule of Fiduciary Net Position
 Pension and Other Employee Benefit Trusts
 June 30, 2024
 (Dollars in Thousands)

	Pension Trust	Deferred Compensation Plan	Total
Assets			
Cash and investments:			
Mutal funds	\$ 64,671	\$ -	\$ 64,671
Common collective trust funds	5,947	-	5,947
Participant directed brokerage accounts	1,991	1,115	3,106
Pooled separate accounts, at fair value	-	27,561	27,561
Guarnateed interest accounts, at contract value	-	3,927	3,927
Guaranteed interest accounts, at fair value	-	1,516	1,516
Cash	55	-	55
Total cash and investments	<u>72,664</u>	<u>34,119</u>	<u>106,783</u>
Receivables:			
Employer contributions	-	-	-
Participant contributions	-	-	-
Notes receivable from participants	-	1,079	1,079
Total receivables	<u>-</u>	<u>1,079</u>	<u>1,079</u>
Total assets	<u>\$ 72,664</u>	<u>\$ 35,198</u>	<u>\$ 107,862</u>
Liabilities			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fiduciary net position	<u>\$ 72,664</u>	<u>\$ 35,198</u>	<u>\$ 107,862</u>
Resticted for			
Pension	\$ 72,664	\$ -	\$ 72,664
Other employee benefit other than pension	-	35,198	35,198
	<u>\$ 72,664</u>	<u>\$ 35,198</u>	<u>\$ 107,862</u>



San Diego Housing Commission
Combining Schedule of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trusts
Year Ended June 30, 2024
(Dollars in Thousands)

	Pension Trust	Deferred Compensation Plan	Total
Additions to net position			
Investment income:			
Interest and dividends	\$ 1,122	\$ 1,047	\$ 2,169
Net appreciation in fair value of investments	7,924	2,760	10,684
Total investment income	9,046	3,807	12,853
Interest on notes receivable from participants	-	71	71
Contributions:			
Employer contributions	5,003	873	5,876
Participant contributions	319	2,263	2,582
Rollover contributions	684	323	1,007
Total contributions	6,006	3,459	9,465
Total additions	15,052	7,337	22,389
Deductions from net position			
Benefits paid directly to participants or beneficiaries, including direct rollovers	3,923	1,640	5,563
Administrative fees and expenses	9	90	99
	3,932	1,730	5,662
Change in net position	11,120	5,607	16,727
Fiduciary net position			
Beginning of year	61,544	29,591	91,135
End of year	\$ 72,664	\$ 35,198	\$ 107,862

FINANCIAL DATA SCHEDULE

San Diego Housing Commission (CA0630)
San Diego, CA
Entry Wide Balance Sheet Summary
Fiscal Year End 06/30/2024

	Project Total	14 LEFA FSS Escrow Forfeiture Account	14.218 Community Development Block Grants/Entitlement Grants	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	21.019 Coronavirus Relief Fund	1 Business Activities	2 State/Local	8 Other Federal Program 1	9 Other Federal Program 2	93.602 New Assets for Independence Demonstration Program	14. QPS MTW Demonstration Program for Low Rent
111 Cash - Unrestricted				\$27,783,840	\$3,725,144		\$20,284,943	\$0				
112 Cash - Restricted - Modernization and Development												
113 Cash - Other Restricted		\$522,775		\$7,361,293	\$1,080,254		\$2,713,717					
114 Cash - Tenant Security Deposits				\$758,194	\$732,354		\$524,945					
115 Cash - Restricted for Payment of Current Liabilities												
100 Total Cash	\$0	\$522,775	\$0	\$35,903,327	\$5,537,752	\$0	\$23,523,605	\$0	\$0	\$0	\$0	\$0
121 Accounts Receivable - PHA Projects					\$67,994							
122 Accounts Receivable - HUD Other Projects												
124 Accounts Receivable - Other Government	\$45,540		\$49,464				\$9,678,505	\$13,082,672	\$96,487			
125 Accounts Receivable - Miscellaneous				\$224,027	\$1,091,542	\$0	\$5,728,187	\$1,082,660				
126 Accounts Receivable - Tenants	\$25,274			\$598,478	\$398,992		\$1,155,132					
126.1 Allowance for Doubtful Accounts - Tenants	-\$3,273			-\$513,310	-\$53,326		-\$859,954					
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0	\$0	\$0	\$0	\$0	-\$55,844	\$0	\$0	\$0	
127 Notes, Loans, & Mortgages Receivable - Current			\$637,798				\$85,180					
128 Fraud Recovery												
128.1 Allowance for Doubtful Accounts - Fraud												
129 Accrued Interest Receivable	\$30,853		\$4,407,327				\$41,398,574	\$2,559,860				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$98,394	\$0	\$5,094,589	\$377,189	\$1,437,208	\$0	\$57,185,624	\$16,669,348	\$96,487	\$0	\$0	\$0
131 Investments - Unrestricted	\$10,857,629		\$861,630				\$84,380,766			\$21,625		
132 Investments - Restricted			\$0									
135 Investments - Restricted for Payment of Current Liability												
142 Prepaid Expenses and Other Assets			\$0	\$445,397	\$242,607		\$3,155,443	\$0				
143 Inventories												
143.1 Allowance for Obsolete Inventories												
144 Inter Program Due From												
145 Assets Held for Sale			\$0									
150 Total Current Assets	\$10,956,023	\$522,775	\$5,956,219	\$36,725,913	\$7,217,567	\$0	\$168,245,438	\$16,669,348	\$96,487	\$21,625	\$0	\$0
161 Land	\$3,279,738			\$4,476,568	\$16,466,866		\$93,779,968					
162 Buildings	\$22,951,846			\$150,237,043	\$43,323,186		\$206,595,532					
163 Furniture, Equipment & Machinery - Dwellings	\$275,331			\$8,716,804	\$545,071		\$2,802,524					
164 Furniture, Equipment & Machinery - Administration							\$4,173,072					
165 Leasehold Improvements				\$10,863			\$6,446,370					
166 Accumulated Depreciation	-\$12,714,681			-\$34,668,781	-\$20,863,176		-\$67,293,171					
167 Construction in Progress				\$208,465	\$0	\$0	\$1,193,098	\$940,716				
168 Infrastructure								\$0				
160 Total Capital Assets, Net of Accumulated Depreciation	\$13,792,234	\$0	\$0	\$128,980,962	\$39,471,947	\$0	\$247,697,393	\$940,716	\$0	\$0	\$0	\$0
171 Notes, Loans and Mortgages Receivable - Non-Current			\$26,103,096				\$217,111,503	\$16,450,131				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due												
173 Grants Receivable - Non Current												
174 Other Assets				\$3,282,678			\$87,356,683					
176 Investments in Joint Ventures				\$78,371								
180 Total Non-Current Assets	\$13,792,234	\$0	\$26,103,096	\$132,342,011	\$39,471,947	\$0	\$552,165,579	\$17,390,847	\$0	\$0	\$0	\$0
200 Deferred Outflow of Resources												
290 Total Assets and Deferred Outflow of Resources	\$24,748,257	\$522,775	\$32,059,315	\$169,067,924	\$46,689,514	\$0	\$720,411,017	\$34,060,195	\$96,487	\$21,625	\$0	\$0

San Diego Housing Commission (CA0630)
San Diego, CA
Entry Wide Balance Sheet Summary
Fiscal Year End 06/30/2024

	14.HCC HCV CARES Act Funding	14.HCV MTW Demonstration Program for HCV program	14.PHC Public Housing CARES Act Funding	14.CFP MTW Demonstration Program for Capital Fund	93.268 Immunization Grants	14.MSC Mainstream CARES Act Funding	14.896 PIH Family Self-Sufficiency Program	91 Other Federal Program 3	14.267 Continuum of Care Program	14.879 Mainstream Vouchers	14.230 HOME Investment Partnerships Program	21.023 Emergency Rental Assistance Program
111 Cash - Unrestricted					\$0							
112 Cash - Restricted - Modernization and Development												
113 Cash - Other Restricted										\$9,905		
114 Cash - Tenant Security Deposits												
115 Cash - Restricted for Payment of Current Liabilities												
100 Total Cash	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9,905	\$0	\$0
121 Accounts Receivable - PHA Projects												
122 Accounts Receivable - HUD Other Projects										\$17,687		
124 Accounts Receivable - Other Government					\$97,093		\$54,012		\$1,431,487			
125 Accounts Receivable - Miscellaneous										\$987	\$62,829	
126 Accounts Receivable - Tenants										\$63,648		
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											\$81,861	
128 Fraud Recovery												
128.1 Allowance for Doubtful Accounts - Fraud												
129 Accrued Interest Receivable										\$2,960	\$36,284,667	
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$0	\$0	\$0	\$97,093	\$0	\$54,012	\$0	\$1,431,487	\$85,282	\$36,429,357	\$0
131 Investments - Unrestricted								\$4,756		\$703,643	\$13,814,500	\$38,717
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	\$0	\$0	\$0	\$0	\$97,093	\$0	\$54,012	\$4,756	\$1,431,487	\$798,630	\$50,243,857	\$38,717
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											\$200,440,207	
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due												
173 Grants Receivable - Non Current												
174 Other Assets											\$2,649,020	
176 Investments in Joint Ventures												
180 Total Non-Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$203,089,227	\$0
200 Deferred Outflow of Resources												
290 Total Assets and Deferred Outflow of Resources	\$0	\$0	\$0	\$0	\$97,093	\$0	\$54,012	\$4,756	\$1,431,487	\$798,630	\$253,333,084	\$38,717

San Diego Housing Commission (CA0630)
San Diego, CA
Entry Wide Balance Sheet Summary
Fiscal Year End 06/30/2024

	14.870 Resident Opportunity and Supportive Services	14.231 Emergency Shelter Grants Program	14.238 Shelter Plus Care	14.CMT CARES Act Funding Transferred to MTW	14.EH/ Emergency Housing Voucher	14.MRC Moderate Rehabilitation CARES Act Funding	14.881 Moving to Work Demonstration Program	14.880 Family Unification Program (FUP)	21.027 Coronavirus State and Local Fiscal Recovery Funds	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
111 Cash - Unrestricted							\$940,524			\$0	\$52,734,451		\$52,734,451
112 Cash - Restricted - Modernization and Development										\$0			
113 Cash - Other Restricted					\$28,817		\$446,460	\$73,615		\$0	\$12,236,836		\$12,236,836
114 Cash - Tenant Security Deposits										\$0	\$2,015,493		\$2,015,493
115 Cash - Restricted for Payment of Current Liabilities										\$0			
100 Total Cash	\$0	\$0	\$0	\$0	\$28,817	\$0	\$1,386,984	\$73,615	\$0	\$0	\$66,986,780	\$0	\$66,986,780
121 Accounts Receivable - PHA Projects							\$1,367,314			\$0	\$1,367,314		\$1,367,314
122 Accounts Receivable - HUD Other Projects							\$389,205			\$0	\$474,886		\$474,886
124 Accounts Receivable - Other Government	\$4,845	\$133,520							\$2,432,628	\$0	\$27,106,253		\$27,106,253
125 Accounts Receivable - Miscellaneous					\$27,278		\$909,679	\$14,273		\$0	\$9,141,462	-\$582,702	\$8,558,760
126 Accounts Receivable - Tenants					\$66,030		\$924,051	\$34,786		\$0	\$3,266,391		\$3,266,391
126.1 Allowance for Doubtful Accounts - Tenants					\$0		\$0	\$0		\$0	-\$1,429,863		-\$1,429,863
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0			\$0		\$0	\$0	\$0	\$0	-\$55,844		-\$55,844
127 Notes, Loans, & Mortgages Receivable - Current										\$0	\$804,839		\$804,839
128 Fraud Recovery							\$104,692	\$4,026		\$0	\$108,718		\$108,718
128.1 Allowance for Doubtful Accounts - Fraud							-\$104,692	-\$4,026		\$0	-\$108,718		-\$108,718
129 Accrued Interest Receivable					\$1,493		\$88,975	\$797		\$0	\$84,775,506		\$84,775,506
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$4,845	\$133,520	\$0	\$0	\$94,801	\$0	\$3,679,224	\$49,856	\$2,432,628	\$0	\$125,450,944	-\$582,702	\$124,868,242
131 Investments - Unrestricted		\$0			\$94,465		\$18,621,191	\$135,213		\$0	\$129,524,135		\$129,524,135
132 Investments - Restricted										\$0	\$0		\$0
135 Investments - Restricted for Payment of Current Liability										\$0			
142 Prepaid Expenses and Other Assets										\$0	\$3,843,447		\$3,843,447
143 Inventories										\$0			
143.1 Allowance for Obsolete Inventories										\$0			
144 Inter Program Due From										\$0			
145 Assets Held for Sale										\$0	\$0		\$0
150 Total Current Assets	\$4,845	\$133,520	\$0	\$0	\$208,083	\$0	\$23,687,399	\$256,684	\$2,432,628	\$0	\$325,805,306	-\$582,702	\$325,222,604
161 Land										\$0	\$118,003,140		\$118,003,140
162 Buildings							\$5,250,178			\$0	\$428,357,785		\$428,357,785
163 Furniture, Equipment & Machinery - Dwellings										\$0	\$12,339,730		\$12,339,730
164 Furniture, Equipment & Machinery - Administration										\$0	\$4,173,072		\$4,173,072
165 Leasehold Improvements										\$0	\$6,457,233		\$6,457,233
166 Accumulated Depreciation							-\$2,129,239			\$0	-\$137,669,048		-\$137,669,048
167 Construction in Progress							\$445,773		\$3,103,274	\$0	\$5,891,326		\$5,891,326
168 Infrastructure										\$0	\$0		\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$3,566,712	\$0	\$3,103,274	\$0	\$437,553,238	\$0	\$437,553,238
171 Notes, Loans and Mortgages Receivable - Non-Current							\$1,650,000			\$0	\$461,754,937		\$461,754,937
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due										\$0			
173 Grants Receivable - Non Current										\$0			
174 Other Assets					\$0		\$0	\$0		\$0	\$93,288,381		\$93,288,381
176 Investments in Joint Ventures										\$0	\$78,371		\$78,371
180 Total Non-Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$5,216,712	\$0	\$3,103,274	\$0	\$992,674,927	\$0	\$992,674,927
200 Deferred Outflow of Resources										\$0			
290 Total Assets and Deferred Outflow of Resources	\$4,845	\$133,520	\$0	\$0	\$208,083	\$0	\$28,904,111	\$256,684	\$5,535,902	\$0	\$1,318,460,233	-\$582,702	\$1,317,877,531

San Diego Housing Commission (CA0630)
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Entry Wide Balance Sheet Summary
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	Project Total	14.EFA FSS Escrow Forfeiture Account	14.218 Community Development Block Grants/Entitlement Grants	6.1 Component Unit Discretely Presented	6.2 Component Unit Blended	21.019 Coronavirus Relief Fund	1 Business Activities	2 State/Local	8 Other Federal Program 1	9 Other Federal Program 2	93.602 New Assets for Independence Demonstration Program	14.OPS MTW Demonstration Program for Low Rent
311 Bank Overdraft												
312 Accounts Payable <= 90 Days	\$138,376	\$742	\$403,060	\$2,049,736	\$1,917,898	\$0	\$2,026,556	\$4,768,689	\$8,637			
313 Accounts Payable >90 Days Past Due												
321 Accrued Wage/Payroll Taxes Payable	\$21,098		\$1,913	\$48,011	\$119,462		\$2,125,605					
322 Accrued Compensated Absences - Current Portion	\$16,080		\$3,227		\$69,437		\$3,949,705		\$1,299			
324 Accrued Contingency Liability												
325 Accrued Interest Payable	\$1,091,587			\$15,340,808	\$243,939		\$885,698					
331 Accounts Payable - HUD PHA Programs												
332 Account Payable - PHA Projects												
333 Accounts Payable - Other Government	\$25,828			\$45,411	\$2,990	\$0		\$3,767,440	\$86,551			
341 Tenant Security Deposits	\$95,534			\$758,239	\$732,301		\$985,694					
342 Unearned Revenue	\$75,057			\$37,686	\$252,279		\$7,887,403	\$2,658,959				
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				\$1,339,883	\$2,006,284		\$940,414					
344 Current Portion of Long-term Debt - Operating Borrowings												
345 Other Current Liabilities							\$2,498,520	\$125,076				
346 Accrued Liabilities - Other												
347 Inter Program - Due To												
348 Loan Liability - Current												
310 Total Current Liabilities	\$1,463,560	\$742	\$408,200	\$19,619,774	\$5,344,590	\$0	\$21,299,595	\$11,320,166	\$96,487	\$0	\$0	\$0
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$4,554,849			\$151,738,933	\$58,490,519		\$43,464,003					
352 Long-term Debt, Net of Current - Operating Borrowings												
353 Non-current Liabilities - Other				\$11,339,174			\$5,091,322					
354 Accrued Compensated Absences - Non Current												
355 Loan Liability - Non Current												
356 FASB 5 Liabilities												
357 Accrued Pension and OPEB Liabilities												
350 Total Non-Current Liabilities	\$4,554,849	\$0	\$0	\$163,078,107	\$58,490,519	\$0	\$48,555,325	\$0	\$0	\$0	\$0	\$0
300 Total Liabilities	\$6,018,409	\$742	\$408,200	\$182,697,881	\$63,835,109	\$0	\$69,854,920	\$11,320,166	\$96,487	\$0	\$0	\$0
400 Deferred Inflow of Resources												
508.3 Nonspendable Fund Balance												
508.4 Net Investment in Capital Assets	\$9,237,386				-\$21,024,856	\$0	\$201,731,063	\$940,716				
509.3 Restricted Fund Balance												
510.3 Committed Fund Balance												
511.3 Assigned Fund Balance												
511.4 Restricted Net Position	\$1,475,856	\$522,033	\$30,289,986	\$46,376,569	\$1,080,254	\$0	\$762,043					
512.3 Unassigned Fund Balance												
512.4 Unrestricted Net Position	\$8,016,606	\$0	\$1,361,129	-\$60,006,526	\$2,799,007	\$0	\$361,218,790	\$21,799,313	\$0	\$21,625	\$0	\$0
513 Total Equity - Net Assets / Position	\$18,729,848	\$522,033	\$31,651,115	-\$13,629,957	-\$17,145,595	\$0	\$563,711,896	\$22,740,029	\$0	\$21,625	\$0	\$0
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$24,748,257	\$522,775	\$32,059,315	\$169,067,924	\$46,689,514	\$0	\$720,411,017	\$34,060,195	\$96,487	\$21,625	\$0	\$0

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	14.HCC HCV CARES Act Funding	14.HCV MTW Demonstration Program for HCV program	14.PHC Public Housing CARES Act Funding	14.CFP MTW Demonstration Program for Capital Fund	93.268 Immunization Grants	14.MSC Mainstream CARES Act Funding	14.896 PIH Family Self-Sufficiency Program	91 Other Federal Program 3	14.267 Continuum of Care Program	14.879 Mainstream Vouchers	14.230 HOME Investment Partnerships Program	21.023 Emergency Rental Assistance Program
311 Bank Overdraft												
312 Accounts Payable <= 90 Days					\$7,503				\$996,380	\$5,239	\$950,145	
313 Accounts Payable >90 Days Past Due												
321 Accrued Wage/Payroll Taxes Payable									\$5,389	\$2,684	\$31,139	
322 Accrued Compensated Absences - Current Portion					\$1,300			\$4,756	\$0	\$3,323	\$42,192	
324 Accrued Contingency Liability												
325 Accrued Interest Payable												
331 Accounts Payable - HUD PHA Programs										\$2,677		
332 Account Payable - PHA Projects												
333 Accounts Payable - Other Government					\$88,290		\$54,012		\$429,718	\$0		
341 Tenant Security Deposits												
342 Unearned Revenue										\$268		\$38,717
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue												
344 Current Portion of Long-term Debt - Operating Borrowings												
345 Other Current Liabilities												
346 Accrued Liabilities - Other												
347 Inter Program - Due To												
348 Loan Liability - Current												
310 Total Current Liabilities	\$0	\$0	\$0	\$0	\$97,093	\$0	\$54,012	\$4,756	\$1,431,487	\$14,201	\$1,023,476	\$38,717
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										\$9,905		
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	\$0	\$0	\$9,905	\$0	\$0
300 Total Liabilities	\$0	\$0	\$0	\$0	\$97,093	\$0	\$54,012	\$4,756	\$1,431,487	\$24,106	\$1,023,476	\$38,717
400 Deferred Inflow of Resources												
508.3 Nonspendable Fund Balance												
508.4 Net Investment in Capital Assets												
509.3 Restricted Fund Balance											\$53,165	
510.3 Committed Fund Balance												
511.3 Assigned Fund Balance												
511.4 Restricted Net Position										\$26,754	\$213,126,062	
512.3 Unassigned Fund Balance												
512.4 Unrestricted Net Position	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$747,970	\$36,492,632	\$0
513 Total Equity - Net Assets / Position	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$774,724	\$249,671,859	\$0
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$0	\$0	\$0	\$0	\$97,093	\$0	\$54,012	\$4,756	\$1,431,487	\$798,630	\$253,333,084	\$38,717

San Diego Housing Commission (CA0630)
San Diego, CA
Entry Wide Balance Sheet Summary
Fiscal Year End 06/30/2024

	14.870 Resident Opportunity and Supportive Services	14.231 Emergency Shelter Grants Program	14.238 Shelter Plus Care	14.CMT CARES Act Funding Transferred to MTW	14.EH/ Emergency Housing Voucher	14.MRC Moderate Rehabilitation CARES Act Funding	14.881 Moving to Work Demonstration Program	14.880 Family Unification Program (FUP)	21.027 Coronavirus State and Local Fiscal Recovery Funds	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
311 Bank Overdraft										\$0			
312 Accounts Payable <= 90 Days	\$169	\$35,048			\$2,250		\$984,254		\$446,698	\$0	\$14,741,380	-\$582,702	\$14,158,678
313 Accounts Payable >90 Days Past Due										\$0			
321 Accrued Wage/Payroll Taxes Payable					\$7,885		\$730,621	\$2,843		\$0	\$3,096,660		\$3,096,660
322 Accrued Compensated Absences - Current Portion					\$9,125		\$488,798	\$4,327		\$0	\$4,593,569		\$4,593,569
324 Accrued Contingency Liability										\$0			
325 Accrued Interest Payable										\$0	\$17,562,032		\$17,562,032
331 Accounts Payable - HUD PHA Programs					\$13,230		\$19,996	\$3,183		\$0	\$39,086		\$39,086
332 Account Payable - PHA Projects										\$0			
333 Accounts Payable - Other Government	\$4,676	\$98,472							\$1,985,930	\$0	\$6,589,318		\$6,589,318
341 Tenant Security Deposits							\$32,090			\$0	\$2,603,858		\$2,603,858
342 Unearned Revenue		\$0			\$59		\$10,814	\$0		\$0	\$10,961,242		\$10,961,242
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue										\$0	\$4,286,581		\$4,286,581
344 Current Portion of Long-term Debt - Operating Borrowings										\$0			
345 Other Current Liabilities					\$0					\$0	\$2,623,598		\$2,623,598
346 Accrued Liabilities - Other										\$0			
347 Inter Program - Due To										\$0			
348 Loan Liability - Current										\$0			
310 Total Current Liabilities	\$4,845	\$133,520	\$0	\$0	\$32,549	\$0	\$2,286,573	\$10,353	\$2,432,628	\$0	\$67,097,324	-\$582,702	\$66,514,622
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue										\$0	\$258,248,304		\$258,248,304
352 Long-term Debt, Net of Current - Operating Borrowings										\$0			
353 Non-current Liabilities - Other					\$28,816		\$357,050	\$63,362		\$0	\$16,889,629	-\$3,165,386	\$13,724,243
354 Accrued Compensated Absences - Non Current										\$0			
355 Loan Liability - Non Current										\$0			
356 FASB 5 Liabilities										\$0			
357 Accrued Pension and OPEB Liabilities										\$0			
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0	\$28,816	\$0	\$357,050	\$63,362	\$0	\$0	\$275,137,933	-\$3,165,386	\$271,972,547
300 Total Liabilities	\$4,845	\$133,520	\$0	\$0	\$61,365	\$0	\$2,623,623	\$73,715	\$2,432,628	\$0	\$342,235,257	-\$3,748,088	\$338,487,169
400 Deferred Inflow of Resources										\$0			\$89,481,950
508.3 Nonspendable Fund Balance										\$0			
508.4 Net Investment in Capital Assets							\$3,566,712	\$0	\$3,103,274	\$0	\$197,607,460		\$197,607,460
509.3 Restricted Fund Balance										\$0			
510.3 Committed Fund Balance										\$0			
511.3 Assigned Fund Balance										\$0			
511.4 Restricted Net Position					\$58,837		\$261,436	\$10,384		\$0	\$293,990,214		\$293,990,214
512.3 Unassigned Fund Balance										\$0			
512.4 Unrestricted Net Position	\$0	\$0	\$0	\$0	\$87,881	\$0	\$22,452,340	\$174,585	\$0	\$0	\$395,165,352	\$3,165,386	\$398,330,738
513 Total Equity - Net Assets / Position	\$0	\$0	\$0	\$0	\$146,718	\$0	\$26,280,488	\$184,969	\$3,103,274	\$0	\$886,763,026	\$3,165,386	\$889,928,412
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$4,845	\$133,520	\$0	\$0	\$208,083	\$0	\$28,904,111	\$258,684	\$5,535,902	\$0	\$1,318,480,233	-\$582,702	\$1,317,897,531

San Diego Housing Commission (CA0630)
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Entity Wide Revenue and Expense Summary
Fiscal Year End 06/30/2024

	Project Total	14.EFA FSS Escrow Forfeiture Account	14.218 Community Development Block Grants/Entitlement Grants	6.1 Component Unit Discretely Presented	6.2 Component Unit Blended	21.019 Coronavirus Relief Fund	1 Business Activities	2 State/Local	8 Other Federal Program 1	9 Other Federal Program 2	93.602 New Assets for Independence Demonstration Program	14.OPS MTW Demonstration Program for Low Rent	14.HCC HCV CARES Act Funding
70300 Net Tenant Rental Revenue	\$1,430,608			\$20,618,081	\$20,714,136		\$18,112,319						
70400 Tenant Revenue - Other	\$15,194			\$220,481	\$102,214		\$353,323						
70500 Total Tenant Revenue	\$1,445,802	\$0	\$0	\$20,838,562	\$20,816,350	\$0	\$18,465,642	\$0	\$0	\$0	\$0	\$0	\$0
70600 HUD PHA Operating Grants			\$1,393,078			\$0			\$80,200			\$546,037	
70610 Capital Grants						\$0							
70710 Management Fee													
70720 Asset Management Fee													
70730 Book Keeping Fee													
70740 Front Line Service Fee													
70750 Other Fees							\$6,907,033						
70700 Total Fee Revenue													
70800 Other Government Grants				\$421,291		\$0	\$26,656,712	\$29,857,895					
71100 Investment Income - Unrestricted	\$231,365		\$36,623	\$393,093	\$9,940	\$0	\$5,638,214	\$62,230		\$0			
71200 Mortgage Interest Income			\$935,264			\$0	\$8,713,613	\$434,969					
71300 Proceeds from Disposition of Assets Held for Sale						\$0							
71310 Cost of Sale of Assets						\$0							
71400 Fraud Recovery						\$0							
71500 Other Revenue	\$22,322	\$377,730	\$350	\$409,710	\$2,653,528	\$0	\$7,777,671	\$69,311					
71600 Gain or Loss on Sale of Capital Assets													
72000 Investment Income - Restricted	\$10,986			\$61,446	\$1,329		\$3,851						
70000 Total Revenue	\$1,710,475	\$377,730	\$2,365,315	\$22,124,102	\$23,481,147	\$0	\$74,159,880	\$30,424,405	\$80,200	\$0	\$0	\$546,037	\$0
91100 Administrative Salaries	\$203,572		\$342,370	\$851,362	\$715,435		\$22,319,056	\$330,700				\$46,747	
91200 Auditing Fees	\$15,800			\$191,809	\$63,450		\$152,065						
91300 Management Fee													
91310 Book-keeping Fee													
91400 Advertising and Marketing				\$10,871			\$23,951						
91500 Employee Benefit contributions - Administrative	\$73,259		\$16,737	\$197,395	\$290,841		\$7,058,177	\$53,350				\$11,392	
91600 Office Expenses	\$39,941			\$232,186	\$166,888		\$3,257,311	\$829					
91700 Legal Expense	\$25,848			\$132,972	\$141,461		\$1,808,498						
91800 Travel	\$75				\$426		\$72,461						
91810 Allocated Overhead	\$310,043		\$89,104		-\$340		-\$13,698,283	\$995,405				\$8,454	
91900 Other	\$62,959		\$0	\$2,725,618	\$1,162,872		\$5,145,931	\$8,600					
91000 Total Operating - Administrative	\$731,497	\$0	\$448,211	\$4,342,213	\$2,541,033	\$0	\$26,139,167	\$1,397,884	\$66,593	\$0	\$0	\$0	\$0
92000 Asset Management Fee													
92100 Tenant Services - Salaries				\$79,260			\$108,358						
92200 Relocation Costs	\$12,348			\$16,734	\$43,009		\$1,150,032	\$13,230					
92300 Employee Benefit Contributions - Tenant Services													
92400 Tenant Services - Other	\$4	\$5,144		\$171,150	\$67,187		\$220,395						
92500 Total Tenant Services	\$12,352	\$5,144	\$0	\$267,144	\$110,196	\$0	\$1,503,948	\$13,230	\$0	\$0	\$0	\$0	\$0
93100 Water	\$106,077			\$458,749	\$931,406		\$516,611	\$2,394					
93200 Electricity	\$31,968		\$180	\$660,559	\$124,437		\$1,579,710						
93300 Gas	\$50,383		\$46	\$267,044	\$241,293		\$175,738						
93400 Fuel													
93500 Labor													
93600 Sewer	\$50,612			\$287,868	\$508,168		\$314,500						
93700 Employee Benefit Contributions - Utilities													
93800 Other Utilities Expense				\$2,965			\$41,518						
93000 Total Utilities	\$239,040	\$0	\$236	\$1,677,185	\$1,805,304	\$0	\$2,628,077	\$2,394	\$0	\$0	\$0	\$0	\$0

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Entity Wide Revenue and Expense Summary
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	14.HCV MTW Demonstration Program for HCV program	14.PHC Public Housing CARES Act Funding	14.CFP MTW Demonstration Program for Capital Fund	93.268 Immunization Grants	14.MSC Mainstream CARES Act Funding	14.896 PIH Family Self-Sufficiency Program	91 Other Federal Program 3	14.267 Continuum of Care Program	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	21.023 Emergency Rental Assistance Program	14.870 Resident Opportunity and Supportive Services	14.231 Emergency Shelter Grants Program
70300 Net Tenant Rental Revenue													
70400 Tenant Revenue - Other									\$251				
70500 Total Tenant Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$251	\$0	\$0	\$0	\$0
70600 HUD PHA Operating Grants	\$298,277,789		\$764,438	\$80,806		\$604,581	\$108,877	\$7,363,583	\$4,890,133	\$3,543,606	\$176,331	\$87,997	\$1,069,933
70610 Capital Grants													
70710 Management Fee													
70720 Asset Management Fee													
70730 Book Keeping Fee													
70740 Front Line Service Fee													
70750 Other Fees													
70700 Total Fee Revenue													
70800 Other Government Grants													
71100 Investment Income - Unrestricted							\$0		\$16,059	\$18	\$0		\$0
71200 Mortgage Interest Income										\$6,491,552			
71300 Proceeds from Disposition of Assets Held for Sale													
71310 Cost of Sale of Assets													
71400 Fraud Recovery													
71500 Other Revenue										\$173,499			
71600 Gain or Loss on Sale of Capital Assets													
72000 Investment Income - Restricted													
70000 Total Revenue	\$298,277,789	\$0	\$764,438	\$80,806	\$0	\$604,581	\$108,877	\$7,363,583	\$4,906,443	\$10,208,675	\$176,331	\$87,997	\$1,069,933
91100 Administrative Salaries				\$44,278			\$79,354	\$641,599	\$67,393	\$789,398	\$27,847		
91200 Auditing Fees													
91300 Management Fee													
91310 Book-keeping Fee													
91400 Advertising and Marketing													
91500 Employee Benefit contributions - Administrative				\$11,393			\$24,249	\$99,808	\$23,041	\$245,392	\$1,651		
91600 Office Expenses							\$46			\$21,784	-\$413		
91700 Legal Expense										\$32,886	\$6,264		
91800 Travel													
91810 Allocated Overhead				\$8,289					\$68,026	\$604,436	\$37,641		\$62,722
91900 Other						\$5,167	\$3,329	\$5,619	\$752	\$16,637	\$98,000		
91000 Total Operating - Administrative	\$0	\$0	\$0	\$63,960	\$0	\$5,167	\$106,978	\$747,026	\$159,212	\$1,710,533	\$170,990	\$0	\$62,722
92000 Asset Management Fee													
92100 Tenant Services - Salaries						\$433,675						\$59,060	
92200 Relocation Costs													\$20,587
92400 Tenant Services - Other						\$153,582							\$74
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0	\$587,257	\$0	\$0	\$0	\$0	\$0	\$79,701	\$0
93100 Water													
93200 Electricity													
93300 Gas													
93400 Fuel													
93500 Labor													
93600 Sewer													
93700 Employee Benefit Contributions - Utilities													
93800 Other Utilities Expense													
93000 Total Utilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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	14.238 Shelter Plus Care	14.CMT CARES Act Funding Transferred to MTW	14.EHV Emergency Housing Voucher	14.MRC Moderate Rehabilitation CARES Act Funding	14.881 Moving to Work Demonstration Program	14.880 Family Unification Program (FUP)	21.027 Coronavirus State and Local Fiscal Recovery Funds	14.856 Lower Income Housing Assistance Program, Section 8 Moderate	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue								\$0	\$60,875,144		\$60,875,144
70400 Tenant Revenue - Other					\$844	\$25		\$0	\$692,332		\$692,332
70500 Total Tenant Revenue	\$0	\$0	\$0	\$0	\$844	\$25	\$0	\$0	\$61,567,476	\$0	\$61,567,476
70600 HUD PHA Operating Grants			\$12,246,800		\$0	\$3,488,891	\$8,947,766	\$0	\$343,670,846		\$343,670,846
70610 Capital Grants							\$15,325,382	\$0	\$15,325,382		\$15,325,382
70710 Management Fee								\$0			
70720 Asset Management Fee								\$0			
70730 Book Keeping Fee								\$0			
70740 Front Line Service Fee								\$0			
70750 Other Fees								\$0	\$6,907,033	-\$1,064,116	\$5,842,917
70700 Total Fee Revenue								\$0	\$0	-\$1,064,116	-\$1,064,116
70800 Other Government Grants								\$0	\$56,935,898		\$56,935,898
71100 Investment Income - Unrestricted			\$24,003		\$662,594	\$9,899	\$146,318	\$0	\$7,230,356		\$7,230,356
71200 Mortgage Interest Income								\$0	\$16,575,388		\$16,575,388
71300 Proceeds from Disposition of Assets Held for Sale								\$0	\$0		\$0
71310 Cost of Sale of Assets								\$0	\$0		\$0
71400 Fraud Recovery					\$39,494	\$4,026		\$0	\$43,520		\$43,520
71500 Other Revenue			\$298,947		\$8,586,675			\$0	\$20,969,943	-\$23,223	\$20,946,720
71600 Gain or Loss on Sale of Capital Assets								\$0	-\$3,056		-\$3,056
72000 Investment Income - Restricted								\$0	\$77,612		\$77,612
70000 Total Revenue	\$0	\$0	\$12,569,750	\$0	\$9,289,607	\$3,502,841	\$24,419,466	\$0	\$528,700,408	-\$1,087,339	\$527,613,069
91100 Administrative Salaries			\$123,838		\$9,531,720	\$85,283		\$0	\$36,208,952		\$36,208,952
91200 Auditing Fees								\$0	\$423,124		\$423,124
91300 Management Fee								\$0			
91310 Book-keeping Fee								\$0			
91400 Advertising and Marketing					\$14,273			\$0	\$49,095		\$49,095
91500 Employee Benefit contributions - Administrative		\$42,088			\$3,392,590	\$30,381		\$0	\$11,571,744		\$11,571,744
91600 Office Expenses					\$278,853		\$45	\$0	\$3,997,470		\$3,997,470
91700 Legal Expense					\$293,522			\$0	\$2,441,451		\$2,441,451
91800 Travel					\$14,300			\$0	\$87,262		\$87,262
91810 Allocated Overhead		\$110,640			\$11,313,342	\$90,520		\$0	-\$1		-\$1
91900 Other		\$2,134			\$787,463	\$1,419		\$0	\$10,026,500	-\$1,087,339	\$8,939,161
91000 Total Operating - Administrative	\$0	\$0	\$278,700	\$0	\$25,626,063	\$207,603	\$45	\$0	\$64,805,597	-\$1,087,339	\$63,718,258
92000 Asset Management Fee								\$0			
92100 Tenant Services - Salaries					\$683,397			\$0	\$1,363,750		\$1,363,750
92200 Relocation Costs								\$0	\$1,235,353		\$1,235,353
92300 Employee Benefit Contributions - Tenant Services					\$216,012			\$0	\$415,324		\$415,324
92400 Tenant Services - Other					\$26,140			\$0	\$490,094		\$490,094
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$925,549	\$0	\$0	\$0	\$3,504,521	\$0	\$3,504,521
93100 Water								\$0	\$2,015,237		\$2,015,237
93200 Electricity								\$0	\$2,396,864		\$2,396,864
93300 Gas								\$0	\$734,504		\$734,504
93400 Fuel								\$0			
93500 Labor								\$0			
93600 Sewer								\$0	\$1,161,148		\$1,161,148
93700 Employee Benefit Contributions - Utilities								\$0			
93800 Other Utilities Expense								\$0	\$44,483		\$44,483
93000 Total Utilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,352,236	\$0	\$6,352,236

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	Project Total	14.EFA FSS Escrow Forfeiture Account	14.218 Community Development Block Grants/Entitlement Grants	6.1 Component Unit Discretely Presented	6.2 Component Unit Blended	21.019 Coronavirus Relief Fund	1 Business Activities	2 State/Local	8 Other Federal Program 1	9 Other Federal Program 2	93.602 New Assets for Independence Demonstration Program	14.OPS MTW Demonstration Program for Low Rent	14.HCC HCV CARES Act Funding
94100 Ordinary Maintenance and Operations - Labor	\$135,872			\$895,984	\$888,123		\$519,965						
94200 Ordinary Maintenance and Operations - Materials and Other	\$52,021			\$106,312	\$255,664		\$257,088						
94300 Ordinary Maintenance and Operations - Contracts				\$1,576,076	\$2,359,354	\$0	\$3,382,114						
94500 Employee Benefit Contributions - Ordinary Maintenance	\$57,050				\$373,535		\$206,670						
94000 Total Maintenance	\$767,166	\$0	\$0	\$2,578,372	\$4,426,676	\$0	\$4,365,837	\$0	\$0	\$0	\$0	\$0	\$0
95100 Protective Services - Labor				\$680									
95200 Protective Services - Other Contract Costs	\$30,208			\$530,566	\$142,495		\$1,826,090	\$40,695					
95300 Protective Services - Other				\$90,262			\$1,440						
95500 Employee Benefit Contributions - Protective Services													
95000 Total Protective Services	\$30,208	\$0	\$0	\$621,508	\$142,495	\$0	\$1,827,530	\$40,695	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$39,510		\$819		\$289,184		\$519,533						
96120 Liability Insurance	\$15,482		\$164	\$564,976	\$104,911		\$354,591						
96130 Workers Compensation	\$16,507		\$1,234	\$136,066	\$98,680		\$657,100	\$3,972	\$1,257				
96140 All Other Insurance	\$30,686		\$94	\$19,931	\$129,969		\$477,554						
96100 Total Insurance Premiums	\$102,185	\$0	\$2,311	\$720,973	\$623,644	\$0	\$2,008,778	\$3,972	\$1,257	\$0	\$0	\$0	\$0
96200 Other General Expenses	\$4,205		\$1,362,975	\$1,297,973	\$1,087,606	\$0	\$24,588,658	\$24,317,032	\$10,084				
96210 Compensated Absences	\$7,441		\$0		\$24,334	\$0	\$933,765	\$-12,065	\$2,266				
96300 Payments in Lieu of Taxes	\$125		\$0	\$79,544	\$54,955		\$65,255						
96400 Bad debt - Tenant Rents	\$78,308			\$398,619	\$1,036,561		\$1,040,039						
96500 Bad debt - Mortgages			\$-103,190		\$0		\$945,097	\$218,404					
96600 Bad debt - Other	\$19,509			\$101,841	\$115,294		\$158,459	\$55,844					
96800 Severance Expense													
96000 Total Other General Expenses	\$109,588	\$0	\$1,259,785	\$1,877,977	\$2,318,750	\$0	\$27,731,273	\$24,579,215	\$12,350	\$0	\$0	\$0	\$0
96700 Total Interest Expense and Amortization Cost	\$136,645	\$0	\$1,598,285	\$6,741,265	\$3,170,134	\$0	\$1,556,607	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$2,128,681	\$5,144	\$3,308,828	\$18,826,637	\$15,138,232	\$0	\$67,761,217	\$26,037,390	\$80,200	\$0	\$0	\$0	\$0
97000 Excess of Operating Revenue over Operating Expenses	-\$418,206	\$372,586	-\$943,513	\$3,297,465	\$8,342,915	\$0	\$6,398,663	\$4,387,015	\$0	\$0	\$0	\$546,037	\$0
97100 Extraordinary Maintenance	\$59,209			\$13,657	\$793,103		\$653,911						
97200 Casualty Losses - Non-capitalized													
97300 Housing Assistance Payments							\$2,317,363	-\$2,880					
97400 Depreciation Expense	\$1,317,389			\$5,343,164	\$1,907,730		\$6,752,798						
97500 Fraud Losses													
97600 Capital Outlays - Governmental Funds													
97700 Debt Principal Payment - Governmental Funds													
97800 Dwelling Units Rent Expense													
90000 Total Expenses	\$3,505,279	\$5,144	\$3,308,828	\$24,183,458	\$17,839,065	\$0	\$77,485,289	\$26,034,510	\$80,200	\$0	\$0	\$0	\$0

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	14.HCV MTW Demonstration Program for HCV program	14.PHC Public Housing CARES Act Funding	14.CFP MTW Demonstration Program for Capital Fund	93.268 Immunization Grants	14.MSC Mainstream CARES Act Funding	14.896 PIH Family Self-Sufficiency Program	91 Other Federal Program 3	14.267 Continuum of Care Program	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	21.023 Emergency Rental Assistance Program	14.870 Resident Opportunity and Supportive Services	14.231 Emergency Shelter Grants Program
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	\$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	\$0
96110 Property Insurance													
96120 Liability Insurance									\$1,061	\$454	\$600		
96130 Workmen's Compensation				\$1,257		\$12,157	\$1,829	\$7,461	\$1,708	\$19,702	\$735	\$1,553	
96140 All Other Insurance									\$7	\$4	\$3		
96100 Total Insurance Premiums	\$0	\$0	\$0	\$1,257	\$0	\$12,157	\$1,829	\$7,461	\$2,776	\$20,160	\$1,338	\$1,593	\$0
96200 Other General Expenses				\$13,322			\$70	\$766,874	\$2,679	\$1,429,296		\$6,703	\$900,856
96210 Compensated Absences				\$2,267					\$1,703	\$26,308	\$527		
96300 Payments in Lieu of Taxes													
96400 Bad debt - Tenant Rents													
96500 Bad debt - Mortgages										\$124,629			
96600 Bad debt - Other													
96800 Severance Expense													
96000 Total Other General Expenses	\$0	\$0	\$0	\$15,589	\$0	\$0	\$70	\$766,874	\$4,382	\$1,580,233	\$527	\$6,703	\$900,856
96700 Total Interest Expense and Amortization Cost									\$2,677	\$0	\$0	\$0	\$0
96720 Interest on Notes Payable (Short and Long Term)													
96730 Amortization of Bond Issue Costs													
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,677	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$0	\$0	\$0	\$80,806	\$0	\$604,581	\$108,877	\$1,521,361	\$169,047	\$3,310,926	\$172,855	\$87,997	\$963,578
97000 Excess of Operating Revenue over Operating Expenses	\$298,277,789	\$0	\$764,438	\$0	\$0	\$0	\$0	\$5,842,222	\$4,737,396	\$6,897,749	\$3,476	\$0	\$106,355
97100 Extraordinary Maintenance													
97200 Casualty Losses - Non-capitalized													
97300 Housing Assistance Payments								\$5,842,222	\$4,539,479		\$3,476		\$106,355
97350 HAP Portability In													
97400 Depreciation Expense													
97500 Fraud Losses													
97600 Capital Outlays - Governmental Funds													
97700 Debt Principal Payment - Governmental Funds													
97800 Dwelling Units Rent Expense													
90000 Total Expenses	\$0	\$0	\$0	\$80,806	\$0	\$604,581	\$108,877	\$7,363,583	\$4,708,526	\$3,310,926	\$176,331	\$87,997	\$1,069,933

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	14.238 Shelter Plus Care	14.CMT CARES Act Funding Transferred to MTW	14.EHV Emergency Housing Voucher	14.MRC Moderate Rehabilitation CARES Act Funding	14.881 Moving to Work Demonstration Program	14.880 Family Unification Program (FUP)	21.027 Coronavirus State and Local Fiscal Recovery Funds	14.856 Lower Income Housing Assistance Program, Section 8 Moderate	Subtotal	ELIM	Total
94100 Ordinary Maintenance and Operations - Labor								\$0	\$2,439,944		\$2,439,944
94200 Ordinary Maintenance and Operations - Materials and Other								\$0	\$671,085		\$671,085
94300 Ordinary Maintenance and Operations - Contracts					\$1,985		\$58,085	\$0	\$8,449,837		\$8,449,837
94500 Employee Benefit Contributions - Ordinary Maintenance					\$72			\$0	\$637,327		\$637,327
94000 Total Maintenance	\$0	\$0	\$0	\$0	\$2,057	\$0	\$58,085	\$0	\$12,198,193	\$0	\$12,198,193
95100 Protective Services - Labor								\$0	\$680		\$680
95200 Protective Services - Other Contract Costs								\$0	\$2,570,054		\$2,570,054
95300 Protective Services - Other								\$0	\$91,702		\$91,702
95500 Employee Benefit Contributions - Protective Services								\$0			
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,662,436	\$0	\$2,662,436
96110 Property Insurance								\$0	\$849,046		\$849,046
96120 Liability Insurance			\$1,736		\$158,976	\$1,473		\$0	\$1,204,424		\$1,204,424
96130 Workers's Compensation			\$3,030		\$291,502	\$2,132		\$0	\$1,248,922		\$1,248,922
96140 All Other Insurance			\$12		\$1,689	\$10,012		\$0	\$669,961		\$669,961
96100 Total Insurance Premiums	\$0	\$0	\$4,778	\$0	\$442,167	\$13,617	\$0	\$0	\$3,972,253	\$0	\$3,972,253
96200 Other General Expenses			\$3,455		\$8,765,020		\$9,035,954	\$0	\$73,592,762		\$73,592,762
96210 Compensated Absences			\$2,315		\$278,049	\$861		\$0	\$1,267,771		\$1,267,771
96300 Payments in Lieu of Taxes								\$0	\$199,879		\$199,879
96400 Bad debt - Tenant Rents								\$0	\$2,553,527		\$2,553,527
96500 Bad debt - Mortgages								\$0	\$1,184,940		\$1,184,940
96600 Bad debt - Other					\$7,432	\$4,026		\$0	\$462,405		\$462,405
96800 Severance Expense								\$0			
96000 Total Other General Expenses	\$0	\$0	\$5,770	\$0	\$9,050,501	\$4,887	\$9,035,954	\$0	\$79,261,284	\$0	\$79,261,284
96710 Interest on Mortgage (or Bonds) Payable			\$13,230		\$19,996	\$3,183		\$0	\$13,242,022		\$13,242,022
96720 Interest on Notes Payable (Short and Long Term)								\$0			
96730 Amortization of Bond Issue Costs								\$0			
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$13,230	\$0	\$19,996	\$3,183	\$0	\$0	\$13,242,022	\$0	\$13,242,022
96900 Total Operating Expenses	\$0	\$0	\$302,478	\$0	\$36,066,333	\$229,290	\$9,094,084	\$0	\$185,998,542	-\$1,087,339	\$184,911,203
97000 Excess of Operating Revenue over Operating Expenses	\$0	\$0	\$12,267,272	\$0	-\$26,776,726	\$3,273,551	\$15,325,382	\$0	\$342,701,866	\$0	\$342,701,866
97100 Extraordinary Maintenance								\$0	\$1,519,880		\$1,519,880
97200 Casualty Losses - Non-capitalized								\$0			
97300 Housing Assistance Payments			\$11,624,607		\$254,625,334	\$3,441,790		\$0	\$282,497,746		\$282,497,746
97400 Depreciation Expense					\$350,012			\$0	\$15,671,093		\$15,671,093
97500 Fraud Losses								\$0			
97600 Capital Outlays - Governmental Funds								\$0			
97700 Debt Principal Payment - Governmental Funds								\$0			
97800 Dwelling Units Rent Expense								\$0			
90000 Total Expenses	\$0	\$0	\$12,215,387	\$0	\$299,527,686	\$3,671,080	\$9,094,084	\$0	\$494,461,570	-\$1,087,339	\$493,374,231

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	Project Total	14.EFA FSS Escrow Forfeiture Account	14.218 Community Development Block Grants/Entitlement Grants	6.1 Component Unit Discretely Presented	6.2 Component Unit Blended	21.019 Coronavirus Relief Fund	1 Business Activities	2 State/Local	8 Other Federal Program 1	9 Other Federal Program 2	93.602 New Assets for Independence Demonstration Program	14.OPS MTW Demonstration Program for Low Rent	14.HCC HCV CARES Act Funding
10010 Operating Transfer In					\$3,699		\$34,672,857	\$60,919					
10020 Operating transfer Out						\$0	\$17,596,688					-\$546,037	
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)				\$974,123	-\$10,359,994								
10091 Inter Project Excess Cash Transfer In	\$86,893												
10092 Inter Project Excess Cash Transfer Out	-\$86,893												
10093 Transfers between Program and Project - In	\$1,474,545												
10094 Transfers between Project and Program - Out							-\$164,070						
10100 Total Other financing Sources (Uses)	\$1,474,545	\$0	\$0	\$974,123	-\$10,359,994	\$0	\$16,912,099	\$60,919	\$0	\$0	\$0	-\$546,037	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$320,259	\$372,586	-\$943,513	-\$1,085,233	-\$4,713,912	\$0	\$13,586,690	\$4,450,814	\$0	\$0	\$0	\$0	\$0
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$1,286,530	\$1,911,548	\$0	\$901,810	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$19,050,107	\$149,447	\$32,594,628	-\$12,544,724	-\$12,431,683	\$0	\$550,125,206	\$18,289,215	\$0	\$21,625	\$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	2244			12720	14421		11943						
11210 Number of Unit Months Leased	2187			12160	14014		11007						
11270 Excess Cash	\$9,331,841												
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												

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	14.HCV MTW Demonstration Program for HCV program	14.PHC Public Housing CARES Act Funding	14.CFP MTW Demonstration Program for Capital Fund	93.268 Immunization Grants	14.MSC Mainstream CARES Act Funding	14.896 PIH Family Self-Sufficiency Program	91 Other Federal Program 3	14.267 Continuum of Care Program	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	21.023 Emergency Rental Assistance Program	14.870 Resident Opportunity and Supportive Services	14.231 Emergency Shelter Grants Program
10010 Operating Transfer In													
10020 Operating transfer Out	-\$298,277,789		-\$764,438										
10030 Operating Transfers from/to Primary Government													
10040 Operating Transfers from/to Component Unit													
10050 Proceeds from Notes, Loans and Bonds													
10060 Proceeds from Property Sales													
10070 Extraordinary Items, Net Gain/Loss													
10080 Special Items (Net Gain/Loss)													
10091 Inter Project Excess Cash Transfer In													
10092 Inter Project Excess Cash Transfer Out													
10093 Transfers between Program and Project - In													
10094 Transfers between Project and Program - Out													
10100 Total Other financing Sources (Uses)	-\$298,277,789	\$0	-\$764,438	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$197,917	\$6,897,749	\$0	\$0	\$0
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$576,807	\$242,774,110	\$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									3096				
11210 Number of Unit Months Leased									2833				
11270 Excess Cash													
11610 Land Purchases													
11620 Building Purchases													
11630 Furniture & Equipment - Dwelling Purchases													
11640 Furniture & Equipment - Administrative Purchases													
11650 Leasehold Improvements Purchases													
11660 Infrastructure Purchases													
13510 CFFP Debt Service Payments													
13901 Replacement Housing Factor Funds													

San Diego Housing Commission (CA0630)
San Diego, CA
Entity Wide Revenue and Expense Summary
Fiscal Year End 06/30/2024

	14.238 Shelter Plus Care	14.CMT CARES Act Funding Transferred to MTW	14.EHV Emergency Housing Voucher	14.MRC Moderate Rehabilitation CARES Act Funding	14.881 Moving to Work Demonstration Program	14.880 Family Unification Program (FUP)	21.027 Coronavirus State and Local Fiscal Recovery Funds	14.856 Lower Income Housing Assistance Program, Section 8 Moderate	Subtotal	ELIM	Total
10010 Operating Transfer In			\$0		\$299,588,264			\$0	\$334,325,739	-\$334,325,739	\$0
10020 Operating Transfer Out			-\$416,177		-\$4,502,502		-\$12,222,108	\$0	-\$334,325,739	\$334,325,739	\$0
10030 Operating Transfers from/to Primary Government								\$0			
10040 Operating Transfers from/to Component Unit								\$0			
10050 Proceeds from Notes, Loans and Bonds								\$0			
10060 Proceeds from Property Sales								\$0			
10070 Extraordinary Items, Net Gain/Loss								\$0			
10080 Special Items (Net Gain/Loss)								\$0	-\$9,385,570	\$10,359,693	\$974,123
10091 Inter Project Excess Cash Transfer In								\$0	\$86,893	-\$86,893	\$0
10092 Inter Project Excess Cash Transfer Out								\$0	-\$86,893	\$86,893	\$0
10093 Transfers between Program and Project - In								\$0	\$1,474,545	-\$1,474,545	\$0
10094 Transfers between Project and Program - Out					-\$1,310,475			\$0	-\$1,474,545	\$1,474,545	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	-\$416,177	\$0	\$293,775,287	\$0	-\$12,222,108	\$0	-\$9,385,570	\$10,359,693	\$974,123
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$0	\$0	-\$61,814	\$0	\$3,537,208	-\$168,239	\$3,103,274	\$0	\$24,853,258	\$10,359,693	\$35,212,961
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,099,888		\$4,099,888
11030 Beginning Equity	\$0	\$0	\$208,532	\$0	\$22,743,280	\$353,208	\$0	\$0	\$861,909,758		\$861,909,758
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors								\$0			
11050 Changes in Compensated Absence Balance								\$0			
11060 Changes in Contingent Liability Balance								\$0			
11070 Changes in Unrecognized Pension Transition Liability								\$0			
11080 Changes in Special Term/Severance Benefits Liability								\$0			
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents								\$0			
11100 Changes in Allowance for Doubtful Accounts - Other								\$0			
11170 Administrative Fee Equity								\$0			
11180 Housing Assistance Payments Equity								\$0			
11190 Unit Months Available			6012		188512	2100		0	241148		241148
11210 Number of Unit Months Leased			5807		183540	1990		0	233538		233538
11270 Excess Cash								\$0	\$9,331,841		\$9,331,841
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 132 to 134.

Revenue Capacity

This schedule contains information to help the reader assess SDHC's most significant revenue source. This schedule can be viewed on page 136.

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 138.

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 140 to 144.

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 146 to 151.

FINANCIAL TRENDS



San Diego Housing Commission
 Net Position by Component (Unaudited)
 Ten Years Ending June 30, 2024

Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
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
2024	196,658,948	247,613,645	459,285,778	903,558,371

Source: Annual Financial Statements



San Diego Housing Commission
 Revenue, Expenses and Changes in Net Position (Unaudited)
 Last Ten Years Ending June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Operating revenues										
Dwelling rental income	\$ 40,515,852	\$ 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
Land lease and other rental income	4,325,169	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
Fee revenue	5,844,766	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
Other revenue	15,866,575	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
Total operating revenues	66,552,362	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
Operating expenses										
Administrative expenses	61,447,952	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
Tenant services	3,335,044	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
Asset management	18,223,848	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
General expenses	6,504,721	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
Grant expense	69,959,728	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
Housing assistance	291,272,057	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
Depreciation & amortization	11,946,666	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
Total operating expenses	462,690,016	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
Operating loss	(396,137,654)	(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)
Nonoperating revenues (expenses):										
Grant revenue	415,510,835	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
Investment income	23,428,829	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
Gain/loss on sale of capital assets	(3,056)	(45,229)	(27,582)	(11,094)	-	(21,936)	2,376	-	3,844,578	-
Interest expense	(6,500,759)	(6,784,085)	(7,084,600)	(6,830,909)	(5,026,332)	(5,184,867)	(5,195,160)	(5,344,008)	(5,513,125)	(5,684,425)
Net nonoperating revenues	432,435,849	397,982,027	511,033,845	408,857,324	261,313,599	225,271,738	246,317,492	221,242,443	208,325,353	195,762,021
Income before capital transactions	36,298,195	43,847,570	19,603,002	100,299,125	18,869,094	20,495,316	50,213,822	48,522,079	34,852,639	26,783,812
Transfer of properties to component unit	-	-	-	33,163,970	-	-	13,681,464	-	-	-
Total revenues and expenses	36,298,195	43,847,570	19,603,002	133,463,094	18,869,094	20,495,316	63,895,286	48,522,079	34,852,639	26,783,812
Change in net position	\$ 36,298,195	\$ 43,847,570	\$ 19,603,002	\$ 133,463,094	\$ 18,869,094	\$ 20,495,316	\$ 63,895,286	\$ 48,522,079	\$ 34,852,639	\$ 26,783,812



San Diego Housing Commission
 Capital Assets by Category (Unaudited)
 Last Ten Years Ending June 30, 2024

CATEGORY	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Land	\$ 113,526,573	\$ 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
Construction in progress	5,682,862	1,505,459	550,253	757,855	3,093,157	532,390	879,290	2,772,651	8,296,759	2,267,262
Buildings	184,508,687	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
Building improvements	93,612,057	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
Furniture and equipment	7,795,997	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
Intangible - RTU - software agreements	6,446,369	5,225,357	-	-	-	-	-	-	-	-
Total capital assets	411,572,544	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
Less accumulated depreciation & amortization										
Buildings	44,693,670	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
Building improvements	50,067,762	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
Furniture and equipment	5,791,409	5,111,072	4,526,579	4,009,437	3,704,971	3,572,613	3,910,710	4,119,438	3,960,054	3,741,342
RTU - software agreements	2,447,427	828,690	-	-	-	-	-	-	-	-
Total accumulated depreciation & amortization	103,000,269	91,062,005	79,952,270	69,309,286	60,120,955	56,856,420	49,343,788	42,856,305	37,214,947	32,215,575
Net capital assets	308,572,275	298,110,543	300,620,511	307,534,102	197,048,426	215,634,257	211,805,942	199,369,868	178,135,008	174,817,601
Related debt	111,913,327	117,691,717	141,306,242	140,096,789	98,143,077	101,102,730	104,506,496	103,416,034	105,012,392	105,945,935
Net investment in capital assets	\$ 196,658,948	\$ 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

Source: Annual Financial Statements

REVENUE CAPACITY



San Diego Housing Commission
 Revenue on a Gross Basis (Unaudited)
 Last Ten Years Ending June 30, 2024

DESCRIPTION	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Revenues (gross):										
Operating revenues	\$ 66,552,362	\$ 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
Subsidies and grants	415,510,835	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
Investment income	23,428,829	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
Gain/(loss) on sale of capital assets	(3,056)	(45,229)	(27,582)	(11,094)	-	(21,936)	2,376	-	3,844,578	-
Total revenues	\$505,488,969	\$463,467,462	\$574,798,310	\$467,197,458	\$311,823,119	\$274,681,776	\$295,665,613	\$268,078,904	\$252,241,283	\$235,856,852

Source: Annual Financial Statements

DEBT CAPACITY



San Diego Housing Commission

Ratios of Outstanding Debt (Unaudited)

Last Ten Years Ending June 30, 2024

Fiscal year	Outstanding Debt¹		Capital Assets Less Accumulated Depreciation¹	Ratio of outstanding debt to capital assets	Ratio of outstanding debt to total personal income²
2015	109,913,912	(1)	174,814,601	62.87%	0.0007%
2016	106,884,501	(2)	178,135,008	60.00%	0.0007%
2017	103,813,347	(3)	199,369,868	52.07%	0.0006%
2018	103,369,851	(4)	211,805,942	48.80%	0.0006%
2019	100,054,425	(5)	215,634,258	46.40%	0.0005%
2020	96,949,826	(6)	197,048,425	49.20%	0.0005%
2021	143,591,386	(7)	307,534,101	46.69%	0.0007%
2022	139,390,632	(8)	300,620,511	46.37%	0.0007%
2023	112,277,744	(9)	298,110,542	37.66%	0.0005%
2024	109,456,069	(10)	308,572,277	35.47%	0.0005%

¹Source: Annual Financial Statements

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

- (1) The outstanding debt of \$110 million includes \$4 million of unspent loan proceeds.
- (2) The outstanding debt of \$107 million includes \$2 million of unspent loan proceeds.
- (3) The outstanding debt of \$103 million includes \$398,000 of unspent loan proceeds, and \$1.6 million of unamortized debt issuance costs.
- (4) The outstanding debt of \$103 million includes \$400,000 of unspent loan proceeds, and \$1.6 million of unamortized debt issuance costs.
- (5) The outstanding debt of \$100 million includes \$407,000 of unspent loan proceeds, and \$1.5 million of unamortized debt issuance costs.
- (6) The outstanding debt of \$97 million includes \$183,000 of unspent loan proceeds, and \$1.4 million of unamortized debt issuance costs.
- (7) The outstanding debt of \$144 million includes \$5 million of unspent loan proceeds, and \$1.3 million of unamortized debt issuance costs.
- (8) The outstanding debt of \$139 million includes \$1.2 million of unamortized debt issuance costs.
- (9) The outstanding debt of \$112 million includes \$1 million of unamortized debt issuance costs.
- (10) The outstanding debt of \$109 million includes \$949,000 of unamortized debt issuance costs.

DEMOGRAPHIC AND ECONOMIC INFORMATION



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

Population

<u>Year</u>	<u>United States</u>	<u>Change from Prior Period</u>	<u>City of San Diego</u>	<u>Change from Prior Period</u>
2014-15	321,188,034	0.73%	1,368,061	1.65%
2015-16	323,882,704	0.84%	1,391,676	1.73%
2016-17	325,337,675	0.45%	1,406,318	1.05%
2017-18	328,026,343	0.83%	1,419,845	0.96%
2018-19	329,152,485	0.34%	1,420,572	0.05%
2019-20	329,872,465	0.22%	1,430,489	0.70%
2020-21	332,472,594	0.79%	1,411,034	-1.36%
2021-22	332,834,417	0.11%	1,374,790	-2.57%
2022-23	334,989,125	0.65%	1,368,395	-0.47%
2023-24	336,668,224	0.50%	1,385,379	1.24%

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, 2024**

Population and Personal Income - City of San Diego

Year	Population¹	Personal Income² (1,000s)	Per Capita Personal Income	Unemployment Rate³(%)
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
2021-22	1,374,790	71,479,195	51,993	2.6
2022-23	1,368,395	82,985,439	60,644	3.4
2023-24	1,385,379	93,993,393	67,847	3.6

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, 2024		
Naval Base San Diego (1)	40,472	5.64%
University of California, San Diego (2)	39,688	5.53%
Sharp Health Care (3)	20,139	2.81%
County of San Diego	18,936	2.64%
Scripps Health (4)	14,732	2.05%
San Diego Unified School District	17,226	2.40%
Qualcomm Inc.	10,124	1.41%
City of San Diego	13,408	1.87%
Kaiser Permanente	7,687	1.07%
Northrop Grumman Corp	6,639	0.93%
Total Top Employers	189,051	26.35%
Total City Employment (5)	717,300	
For the Fiscal Year Ended June 30, 2015		
Naval Base San Diego (1)	29,948	4.32%
University of California, San Diego (2)	28,459	4.10%
Sharp Health Care (3)	16,896	2.44%
County of San Diego	16,427	2.37%
Qualcomm Inc.	13,725	1.98%
San Diego Unified School District	13,446	1.94%
City of San Diego	10,968	1.58%
Dex Com Inc.	10,540	1.52%
Kaiser Permanente	7,549	1.09%
Scripps Health (4)	6,111	0.88%
Total Top Employers	154,069	22.22%
Total City Employment (5)	693,600	

Source: MuniServices, LLC / Avenu Insights & Analytics

Source: FY2015 - City of San Diego ACFR Publication

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

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

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

(3) Employee count is countywide.

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

(5) Total City Labor Force provided by EDD Labor Force Data.



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

Resident Members Per Household			Number Bedrooms Per Household		
Categories	Households	Percent	Categories	Households	Percent
1 Member	9,449	52.9%	Studio	3,033	17.0%
2 Members	3,828	21.4%	1 Bedroom	5,452	30.5%
3 Members	1,848	10.3%	2 Bedrooms	5,409	30.2%
4 Members	1,262	7.1%	3 Bedrooms	2,945	16.5%
5 Members	739	4.1%	4 Bedrooms	870	4.9%
6 Members	383	2.1%	5 Bedrooms	161	0.8%
7 Members	173	1.0%	6 Bedrooms	14	0.1%
8 Members	97	0.5%	7 Bedrooms	2	0.0%
9 Members	48	0.3%	8 Bedrooms	0	0.0%
10 + Members	59	0.3%	9 Bedrooms	0	0.0%
Total	<u>17,886</u>	<u>100.0%</u>	Total	<u>17,886</u>	<u>100.0%</u>

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

Income Ranges (All Sources)

Annual Income Ranges	No. of Households	Percentage
\$ 0-99	1,365	7.6%
\$ 100-9,999	1,074	6.0%
\$ 10,000-19,999	8,136	45.5%
\$ 20,000-29,999	2,956	16.5%
\$ 30,000-39,999	1,568	8.8%
\$ 40,000-49,999	1,214	6.8%
\$ 50,000 +	1,573	8.8%
Total	<u>17,886</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	380	2.1%
1	1,159	6.5%
2	1,316	7.4%
3	1,091	6.1%
4	1,235	6.9%
5	1448	8.1%
6	718	4.0%
7	791	4.4%
8	525	2.9%
9	805	4.5%
10	627	3.5%
11	151	0.8%
12	541	3.0%
13	485	2.7%
14	226	1.3%
15	330	1.8%
16	269	1.5%
17	1271	7.2%
18	263	1.5%
19	616	3.4%
20+	3,639	20.4%
Total	17,886	100.0%

Source: San Diego Housing Commission Statistics

OPERATING INFORMATION



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

San Diego Housing Commission Owned

Address	No. Units	Year Built	
4720 - 4722	34th Street	3	1982
4756 - 4758	35th Street	4	1982
3010 #A - B	39th Street	2	1975
3617 - 3619	42nd Street	4	1984
2716 - 2718	44th Street	4	1983
2734 - 2736	44th Street	4	1983
4078 #A - D	47th Street	4	1964
4286 - 4292	48th Street	4	1960
3280	A Street	2	1982
4207 - 4209	Altadena Avenue	2	1984
4123	Arey Drive	1	1970
4080	Arizona Street	4	1987
2766	Cardinal Road	2	1982
7410-7412	Cuvier Street	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	46	1988
1865	Hotel Circle South - Valley Vista	192	1990
5400	Kearny Mesa Rd - Kearny Vista	144	1990
3737	Midway Drive - Pacific Village	63	1959
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 SDHC Owned	1,204	

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	

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	44th Street	8	1982
3222 - 24	Camulos Street	12	1982
3919 #1 - 8	Mason Street	8	1982
5385 - 5389	Trojan Avenue	3	1982
4095 #A - D	Valeta Street	4	1982
605 - 695	Picador Boulevard	78	1984
325-415	South 33rd Street	40	1999
2055 - 2095	Via Las Cumbres	36	1984
Total Public Housing		189	

Housing Development Partners (HDP)

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

Total SDHC, LLC, Public Housing Units and HDP **3,538**

Other Program Housing Units - Partnerships

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

Combined Total Units **4,591**

* SDHC retains ownership in the land



**San Diego Housing Commission
Employee Demographics - Unaudited
As of June 30, 2024**

Seniority of Employees			Racial Composition		
<u>Categories</u>	<u>Number</u>	<u>Percent</u>	<u>Categories</u>	<u>Number</u>	<u>Percent</u>
Less than 3 years	87	24.30%	American Indian or Alaska Native, White geo	3	0.84%
3 to 5 years	71	19.83%	Asian	22	6.14%
6 to 9 years	89	24.86%	Black or African American	35	9.78%
10 to 19 years	69	19.28%	Hispanic or Latino	145	40.50%
20 to 29 years	28	7.82%	Native Hawaiian or Other Pacific Islander	14	3.91%
30 years and over	<u>14</u>	3.91%	Two or More Races	13	3.63%
Grand Total	<u><u>358</u></u>		White	111	31.01%
			Other	<u>15</u>	4.19%
			Grand Total	<u><u>358</u></u>	

Source: Information provided by San Diego Housing Commission HR Department



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

Department:	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Board & Executive Functions	9	8	4	6	6	9	8	9	7	6
Business Services	45	46	47	46	39	38	37	40	44	41
Community Relations & Communications	8	0	6	6	7	7	7	7	8	6
External Affairs	0	0	0	0	0	0	0	0	0	0
Financial Services	29	27	24	28	25	25	26	26	22	24
Housing Finance	16	16	16	15	15	16	16	16	12	0
Housing Innovations	44	30	35	33	31	32	25	20	12	6
Housing Development Partners	7	6	9	9	8	8	5	5	4	3
Policy & Public Affairs	8	5	4	4	5	0	0	0	0	0
Real Estate Development	70	69	71	72	67	74	77	77	70	75
Rental Assistance Program	122	113	115	100	112	114	114	106	115	105
	358	320	331	319	315	323	315	306	294	266

Source: Information provided by San Diego Housing Commission Payroll Department

San Diego Housing Commission

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

Year Ended June 30, 2024

San Diego Housing Commission

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

To the Board of Commissioners
San Diego Housing Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities, the aggregate discretely presented component units and the fiduciary fund of the San Diego Housing Commission ("SDHC"), a component unit of the City of San Diego, California, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise SDHC's basic financial statements, and have issued our report thereon dated November 7, 2024. Our report includes a reference to the other auditor who audited the financial statements of SDHC's fiduciary fund, as described in our report on SDHC's financial statements. The financial statements of the aggregate discretely presented component units and the fiduciary fund were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the aggregate discretely presented component units and the fiduciary fund of SDHC.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



Sacramento, California
November 7, 2024

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

To the Board of Commissioners
San Diego Housing Commission

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the San Diego Housing Commission's ("SDHC"), a component unit of the City of San Diego, California, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of SDHC's major federal programs for the year ended June 30, 2024. SDHC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

SDHC's financial statements include the operations of Southern SDHC FHA LLC, Northern SDHC FHA LLC, and Central SDHC FHA LLC ("Blended Component Units"), which expended \$18,804,838, \$13,154,540, and \$11,792,289, respectively, in federal awards which is not included in SDHC's schedule of expenditures of federal awards during the year ended June 30, 2024. Our compliance audit, described below, did not include the operations of the Blended Component Units because their federal expenditures have been separately audited and reported to HUD.

In our opinion, SDHC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units and the fiduciary fund of SDHC, a component unit of the City of San Diego, California, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise SDHC's basic financial statements. We issued our report thereon, dated November 7, 2024, which contained unmodified opinions on those financial statements. Our report includes a reference to the other auditor who audited the financial statements of the fiduciary fund of SDHC, as described in our report on SDHC's basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CohnReznick LLP

Sacramento, California
November 7, 2024

San Diego Housing Commission

Schedule of Expenditures of Federal Awards Year Ended June 30, 2024

Federal Grantor / Pass - Through Grantor / Program and / or Cluster Title	Federal Assistance Listing Number	Direct Programs	Passed Through Programs	Federal Expenditures Amount	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development					
<u>CDBG - Entitlement/Special Purpose Grants Cluster</u>					
CDBG (City) - Passed through the City of San Diego B-23-MC-06-0542	14.218	\$ -	\$ 1,318,078	\$ 1,318,078	\$ 1,228,974
CDBG (County) - Passed-through the County of San Diego Contract: 570698	14.218	-	75,000	75,000	-
Subtotal - CDBG - Entitlement/Special Purpose Grants Cluster	14.218	-	1,393,078	1,393,078	1,228,974
<u>Emergency Solutions Grant Program</u>					
Passed through the City of San Diego E-23-MC-06-0542	14.231	-	1,069,933	1,069,933	844,528
Subtotal - ESG	14.231	-	1,069,933	1,069,933	844,528
<u>Continuum of Care Program</u>					
Special Needs Assistance CA0534L9D012115	14.267	4,397,078	-	4,397,078	4,134,752
CA1208L9D012209	14.267	727,975	-	727,975	711,114
CA1602L9D012206	14.267	729,414	-	729,414	701,058
CA2168L9D012200	14.267	1,509,116	-	1,509,116	-
Subtotal - Continuum of Care Program	14.267	7,363,583	-	7,363,583	5,546,924
<u>HOME Investment Partnerships Program</u>					
Passed through the City of San Diego M-23-MC-06-0533	14.239	-	361,058	361,058	-
M-22-MC-06-0532	14.239	-	145,594	145,594	-
M-20-MC-06-0533	14.239	-	1,718,453	1,718,453	-
HOME-American Rescue Plan - Passed through the City of San Diego M-21-MP-06-0533	14.239	-	1,318,500	1,318,500	-
Subtotal - HOME Investment Partnerships Program	14.239	-	3,543,605	3,543,605	-
<u>Resident Opportunity and Supportive Services - Service Coordinators (ROSS)</u>					
ROSS221679	14.870	87,997	-	87,997	-
Subtotal - ROSS Program	14.870	87,997	-	87,997	-
<u>Family Self-Sufficiency Program</u>					
FSS23CA5447	14.896	299,132	-	299,132	-
FSS23CA5447-01-01	14.896	305,449	-	305,449	-
Subtotal - FSS Program	14.896	604,581	-	604,581	-

San Diego Housing Commission

Schedule of Expenditures of Federal Awards Year Ended June 30, 2024

Federal Grantor / Pass - Through Grantor / Program and / or Cluster Title	Federal Assistance Listing Number	Direct Programs	Passed Through Programs	Federal Expenditures Amount	Passed Through to Subrecipients
<u>Moving to Work Demonstration Program (MTW)</u>					
Housing Assistance Payments Program:					
Section 8 Housing Choice Vouchers					
For Low Income Families - CA06VOW113--/ CA063VOW128	14.HCV	255,121,210	-	255,121,210	-
For Low Income Families - CA063AF0273---/ CA063AF0280	14.HCV	20,539,083	-	20,539,083	-
VASH Program - CA063VO458--/CA063VO472	14.HCV	22,617,495	-	22,617,495	-
Subtotal - Housing Assistance Payments Program		<u>298,277,788</u>	<u>-</u>	<u>298,277,788</u>	<u>-</u>
Public Housing Capital Fund					
CA16P06350120	14.CFP	109,616	-	109,616	-
CA16P06350121	14.CFP	1,810	-	1,810	-
CA16P06350122	14.CFP	480,455	-	480,455	-
CA16P06350123	14.CFP	172,556	-	172,556	-
Subtotal - Public Housing Capital Fund		<u>764,437</u>	<u>-</u>	<u>764,437</u>	<u>-</u>
Public and Indian Housing					
CA06300000723D	14.OPS	22,714	-	22,714	-
CA06300000724D	14.OPS	18,012	-	18,012	-
CA06300000823D	14.OPS	53,112	-	53,112	-
CA06300000824D	14.OPS	60,138	-	60,138	-
CA06300000923D	14.OPS	157,611	-	157,611	-
CA06300000924D	14.OPS	136,236	-	136,236	-
CA06300001024D	14.OPS	98,214	-	98,214	-
Subtotal - Public and Indian Housing		<u>546,037</u>	<u>-</u>	<u>546,037</u>	<u>-</u>
Subtotal - Moving to Work Demonstration Program	14.881¹	<u>299,588,262</u>	<u>-</u>	<u>299,588,262</u>	<u>-</u>
<u>Housing Voucher Cluster</u>					
Section 8 Housing Choice Vouchers					
Emergency Housing Voucher CA063EH0001-- /CA063ES0002	14.871	12,246,800	-	12,246,800	-
Family Unification Program CA063VO0451-- /CA063VO0473	14.871	3,488,891	-	3,488,891	-
Subtotal - Section 8 Housing Choice Vouchers	14.871	<u>15,735,691</u>	<u>-</u>	<u>15,735,691</u>	<u>-</u>
Mainstream Voucher Program					
CA063DV0030-CA063DV0035	14.879	4,495,138	-	4,495,138	-
CA0638F0028-CA0638F0032	14.879	394,995	-	394,995	-
Subtotal - Mainstream Vouchers	14.879	<u>4,890,133</u>	<u>-</u>	<u>4,890,133</u>	<u>-</u>
Subtotal - Housing Voucher Cluster	14.871/14.879	<u>20,625,824</u>	<u>-</u>	<u>20,625,824</u>	<u>-</u>
Total - U.S. Department of Housing and Urban Development		<u>328,270,247</u>	<u>6,006,616</u>	<u>334,276,863</u>	<u>7,620,426</u>
U.S. Department of the Treasury					
<u>Emergency Rental Assistance Program</u>					
Passed through the City of San Diego					
State ERA ERAE0321	21.023	-	176,331	176,331	-
Subtotal - Emergency Rental Assistance Program	21.023	<u>-</u>	<u>176,331</u>	<u>176,331</u>	<u>-</u>

San Diego Housing Commission

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024**

<u>Federal Grantor / Pass - Through Grantor / Program and / or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Direct Programs</u>	<u>Passed Through Programs</u>	<u>Federal Expenditures Amount</u>	<u>Passed Through to Subrecipients</u>
<u>Coronavirus State and Local Fiscal Recovery Funds</u>					
Passed through the State of California					
Homekey 3 Pacific Village 23-HK-17989	21.027	-	15,383,512	15,383,512	-
Homekey 2 Path - Villas El Cerrito Phase 1 22-HK-17487	21.027	-	4,989,636	4,989,636	-
Abbott St HCD- Homekey 3 23-HK-17988	21.027	-	3,900,000	3,900,000	-
Subtotal - Coronavirus State and Local Fiscal Recovery Funds	21.027¹	-	24,273,148	24,273,148	-
Total - U.S. Department of the Treasury		-	24,449,479	24,449,479	-
U.S. Department of Health and Human Services					
<u>Immunization Cooperative Agreements</u>					
Passed through the State of California					
Health Ambassador Grant IZB 22-10930	93.268	-	80,806	80,806	-
Subtotal - Immunization Cooperative Agreements	93.268	-	80,806	80,806	-
<u>Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)</u>					
Passed through the State of California					
Health Ambassador Grant ELC 22-10930	93.323	-	80,200	80,200	-
Subtotal - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	-	80,200	80,200	-
Total - U.S. Department of Health and Human Services		-	161,006	161,006	-
Federal Communications Commission					
FCC - Affordable Connectivity Outreach Grant Program ACOGP2340020	32.011	108,878	-	108,878	-
Subtotal - Affordable Connectivity Outreach Grant Program	32.011	108,878	-	108,878	-
Total - Federal Communications Commission		108,878	-	108,878	-
TOTAL		\$ 328,379,125	\$ 30,617,101	\$ 358,996,226	\$ 7,620,426

1 – audited as a major program

See notes to Schedule of Expenditures of Federal Awards

San Diego Housing Commission

Notes to Schedule of Expenditures of Federal Awards June 30, 2024

Note 1 - Reporting Entity

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

Note 2 - Indirect Cost Rate

For its Emergency Rental Assistance Program (Federal Assistance Listing Number 21.023), SDHC elected to use the 10-percent de minimis indirect cost rate allowed under the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). For all other federal programs, SDHC has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - Summary of Significant Accounting Policies

Basis of Presentation

The Schedule of Expenditures of Federal Awards (the "Schedule") presents the federal awards activity of SDHC under programs of the federal government for the year ended June 30, 2024. Federal awards received directly from federal agencies, as well as federal awards passed through from nonfederal agencies or other organizations are included in the Schedule. The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. As the Schedule presents only the federal awards activity of SDHC, it is not intended to and does not present the financial position, change in net position or cash flows of SDHC as a whole.

Significant Accounting Policies

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

San Diego Housing Commission

**Notes to Schedule of Expenditures of Federal Awards
June 30, 2024**

Note 4 - Blended Component Units Federal Expenditures

SDHC has three blended component units: Southern SDHC FHA LLC, Northern SDHC FHA LLC and Central SDHC FHA LLC whose federal expenditures are excluded from the Schedule because their federal expenditures have been separately audited and reported to HUD. The federal expenditures for the programs of Southern SDHC FHA LLC, Northern SDHC FHA LLC and Central SDHC FHA LLC for the year ended June 30, 2024 are as follows:

<u>Federal Grantor / Passthrough Grantor / Program Title:</u>	<u>Federal Assistance Listing Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures Amount</u>
<i>Direct Programs</i>			
U.S. Department of Housing and Urban Development			
<u>Federal Housing Administration - Insured loans under Section 223(f)</u>			
FHA Insured Loan - Southern SDHC FHA LLC	14.134	FHA # 12911055	\$18,804,838
FHA Insured Loan - Northern SDHC FHA LLC	14.134	FHA # 12911053	13,154,540
FHA Insured Loan - Central SDHC FHA LLC	14.134	FHA # 12911054	<u>11,792,289</u>
TOTAL			<u><u>\$43,751,667</u></u>

San Diego Housing Commission

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2024**

A. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

*Material weakness(es) identified? _____ Yes x No
 *Significant deficiency(ies) identified? _____ Yes x None reported
 Noncompliance material to financial statements noted? _____ Yes x No

Federal Awards

Internal control over major federal programs:

*Material weakness(es) identified? _____ Yes x No
 *Significant deficiency(ies) identified? _____ Yes x None reported

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

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

Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
14.881	Moving to Work Demonstration Program
21.027	Coronavirus State and Local Fiscal Recovery Fund

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

Auditee qualified as low-risk auditee x Yes _____ No

San Diego Housing Commission
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

B. Findings - Financial Statement Audit

None reported.

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

None reported.



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San Diego Housing Commission

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

June 30, 2024

November 7, 2024

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

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary fund of San Diego Housing Commission ("SDHC"), a component unit of the City of San Diego, California as of and for the year ended June 30, 2024, and have issued our report thereon dated November 7, 2024. 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, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free 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.

Significant Risk Identified

We have identified the following significant risks:

- Management override
- Revenue recognition

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. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended. 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 and related disclosures are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive estimates affecting the financial statements were:

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

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

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

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

Financial Statement Disclosures

Certain financial statement disclosures 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 7, 2024.

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. We noted no instances or limitations in which the evaluation of the work of the auditor of the fiduciary fund raised concerns about the quality of their work.

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

Very truly yours,

CohnReznick LLP

Sacramento, California



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

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

June 30, 2024 and 2023

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, 2024

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, 2024 and, to the best of my knowledge and belief, these financial statements and supplementary information are complete and accurate.

San Diego Housing Commission

Signed by:


4C3E9D2FACCE404

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, 2024

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, 2024, to the best of my knowledge and belief, the same are complete and accurate.

Signed by:

4C3E9D2EACCE404...

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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023, 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, 2024, 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, 2024

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

**Statements of Net Position
June 30, 2024 and 2023**

	<u>Assets</u>	
	2024	2023
Current assets		
Cash and cash equivalents	\$ 245,217	\$ 256,591
Tenants' accounts receivable, net	6,733	12,852
Accounts receivable - other	5,779	68,086
Total current assets	257,729	337,529
Other assets		
Investments - operations	653,890	560,002
Restricted deposits and funded reserves	1,117,809	1,067,442
Total other assets	1,771,699	1,627,444
Capital assets		
Buildings and improvements	6,308,558	6,285,947
Accumulated depreciation	(4,817,729)	(4,485,090)
	1,490,829	1,800,857
Land	1,087,727	1,087,727
Total capital assets	2,578,556	2,888,584
Total assets	\$ 4,607,984	\$ 4,853,557

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

**Statements of Net Position
June 30, 2024 and 2023**

Liabilities and Net Position

	2024	2023
Current liabilities		
Accounts payable - operations	\$ 37,242	\$ 46,931
Accrued expenses	14,824	6,937
Accrued interest payable - first mortgage, current portion	13,230	13,230
Prepaid rent	16,414	19,219
	81,710	86,317
Deposits and prepaid liability		
Tenants' security deposits liability	37,438	41,913
	37,438	41,913
Long-term liabilities		
Mortgage payable - first mortgage	3,150,000	3,150,000
Accrued interest payable - first mortgage, net of current portion	726,922	785,907
	3,876,922	3,935,907
Total long-term liabilities	3,876,922	3,935,907
Total liabilities	3,996,070	4,064,137
Net position		
Net investment in capital assets	(571,444)	(261,416)
Restricted for operating and replacement reserves	1,080,371	1,025,529
Unrestricted	102,987	25,307
	611,914	789,420
Total net position	611,914	789,420
Total liabilities and net position	\$ 4,607,984	\$ 4,853,557

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, 2024 and 2023

	2024	2023
Operating revenue		
Rental income	\$ 594,762	\$ 543,588
Subsidy income	293,847	279,699
Other operating income	8,054	35,105
Total operating revenue	896,663	858,392
Operating expenses		
Administrative	241,254	176,096
Utilities	122,678	129,351
Operating and maintenance	246,457	262,097
Taxes and insurance	87,829	77,496
Depreciation	332,639	335,279
Total operating expenses	1,030,857	980,319
Net operating loss	(134,194)	(121,927)
Nonoperating revenue (expense)		
Financial revenue - investments	44,340	31,317
Realized and unrealized gain (loss) on investments	1,243	(72,071)
Interest expense - first mortgage	(94,500)	(94,500)
Total nonoperating revenue (expense)	(48,917)	(135,254)
Change in net position before capital transactions	(183,111)	(257,181)
Contributions	5,605	-
Change in net position	(177,506)	(257,181)
Net position		
Beginning of year	789,420	1,046,601
End of year	\$ 611,914	\$ 789,420

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, 2024 and 2023**

	2024	2023
Cash flows from operating activities		
Cash received from tenants and operations	\$ 898,929	\$ 805,875
Less cash payments for operations and administration		
Administrative expenses paid	(32,230)	(34,413)
Management fee and sponsor overhead paid	(73,008)	(73,008)
Utilities paid	(140,788)	(144,725)
Salaries and wages paid	(127,076)	(149,044)
Operating and maintenance paid	(173,013)	(173,641)
Property insurance paid	(28,775)	(23,414)
Other operating expenses paid	(63,529)	(52,282)
	(638,419)	(650,527)
Cash payments for operations and administration		
Net cash provided by operating activities	260,510	155,348
Cash flows from capital and related financing activities		
Contributions from owner	5,605	-
Purchase of capital assets	(22,611)	-
Interest paid	(153,485)	(13,230)
	(170,491)	(13,230)
Net cash (used in) provided by capital and related financing activities		
Cash flows from investing activities		
Net deposits to replacement reserve	(53,172)	(51,490)
Net deposits to operating reserve	(1,670)	(1,300)
Interest on investments	42,862	28,259
Net (purchases) sales of investments	(89,413)	(202,455)
	(101,393)	(226,986)
Net cash (used in) provided by investing activities		
Net decrease in cash and cash equivalents	(11,374)	(84,868)
Cash and cash equivalents, beginning	256,591	341,459
Cash and cash equivalents, end	\$ 245,217	\$ 256,591

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

**Statements of Cash Flows
Years Ended June 30, 2024 and 2023**

	2024	2023
Reconciliation of net operating loss to net cash provided by (used in) operating activities		
Net operating loss	\$ (134,194)	\$ (121,927)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities		
Depreciation	332,639	335,279
Bad debt	52,510	(4,722)
Changes in		
Tenants' accounts receivable	(46,391)	(3,576)
Accounts receivable - other	60,553	(40,012)
Prepaid revenue	(2,805)	8,099
Accounts payable - operations	(9,689)	(17,326)
Accrued expenses	7,887	(467)
Net cash provided by operating activities	\$ 260,510	\$ 155,348

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, 2024 and 2023

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 \$21,179,970 and \$9,334,904 of which \$245,217 and \$256,591 belongs to the Project as of June 30, 2024 and 2023 respectively.

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

Notes to Financial Statements
June 30, 2024 and 2023

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 \$936 and \$1,004 as of June 30, 2024 and 2023, respectively.

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

**Notes to Financial Statements
June 30, 2024 and 2023**

Capital assets

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

Building and improvements	5 - 40 years
---------------------------	--------------

Impairment of capital assets

SDHC reviews the capital assets of the Project for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. There has been no impairment of the capital assets as of June 30, 2024 and 2023.

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 \$293,847 and \$279,699 of operating subsidy income which is included in the statements of revenue, expenses and changes in net position for the years ended June 30, 2024 and 2023, 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, 2024 and 2023**

Note 3 - Restricted deposits and funded reserves

As of June 30, 2024 and 2023, 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 \$37,438 and \$41,913 as of June 30, 2024 and 2023, 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 \$856,052 and \$802,880 as of June 30, 2024 and 2023, respectively. During the years ended June 30, 2024 and 2023, the replacement reserve activity was as follows:

	2024	2023
Beginning balance	\$ 802,880	\$ 751,390
Deposits (\$600 x 78 units)	46,800	46,800
Interest earned	6,372	4,690
Ending balance	\$ 856,052	\$ 802,880

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 \$224,319 and \$222,649 as of June 30, 2024 and 2023, respectively.

Other investments

The Project has other investments with a balance of \$653,890 and \$560,002 as of June 30, 2024 and 2023, 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, 2024 and 2023

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, 2024 and 2023, respectively. Outstanding principal and accrued interest is \$3,150,000 and \$740,152, respectively, as of June 30, 2024 and \$3,150,000 and \$799,137, respectively, as of June 30, 2023.

Note 5 - Management fee and sponsor overhead

The Project incurs management fees and overhead costs from SDHC for central office services which includes but is not limited to clerical and management overhead expenses, such as salaries and benefits, office supplies and equipment, data processing or computer services, postage, training and telephone services. This does not include the salary of the project manager whether onsite or offsite. SDHC allocated to the Project management fees and overhead expenses in the amount of \$73,008 and \$73,008 for the years ended June 30, 2024 and 2023, 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, 2024.

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, 2024, 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, 2024 and 2023**

Schedules of Operating Revenue

<u>Account No.</u>	<u>2024</u>	<u>2023</u>
Rental revenue		
5120 Rent revenue - gross potential	\$ 594,762	\$ 543,588
5121 Tenant assistance payments	293,847	279,699
5100T Total rental revenue	<u>888,609</u>	<u>823,287</u>
5152N Net rental revenue	<u>888,609</u>	<u>823,287</u>
Financial revenue		
5410 Financial revenue - project operations	36,297	25,327
5440 Revenue from investments - replacement reserve	6,373	4,690
5490 Revenue from investments - miscellaneous	2,913	(70,771)
5400T Total financial revenue	<u>45,583</u>	<u>(40,754)</u>
Other revenue		
5910 Laundry and vending	4,629	4,551
5920 Tenant charges	3,425	5,375
5990 Miscellaneous revenue	-	25,179
5900T Total other revenue	<u>8,054</u>	<u>35,105</u>
5000T Total revenue	<u>942,246</u>	<u>817,638</u>

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

**Supplementary Information
Years Ended June 30, 2024 and 2023**

Schedules of Operating Expenses

<u>Account No.</u>	<u>2024</u>	<u>2023</u>
Administrative expenses		
6250 Other renting expenses	2,110	1,344
6310 Office salaries	61,519	60,121
6311 Office expenses	11,112	9,562
6320 Management fee	73,008	73,008
6331 Administrative rent free unit	13,566	15,228
6340 Legal expense - project	7,824	2,757
6350 Auditing expense	7,900	7,500
6351 Bookkeeping fees/accounting services	8,892	8,892
6370 Bad debts	52,510	(4,722)
6390 Miscellaneous administrative expenses	2,813	2,406
	<hr/>	<hr/>
6263T Total administrative expenses	241,254	176,096
	<hr/>	<hr/>
Utilities expense		
6450 Electricity	16,274	21,029
6451 Water	63,283	63,228
6452 Gas	18,415	20,051
6453 Sewer	24,706	25,043
	<hr/>	<hr/>
6400T Total utilities expense	122,678	129,351
	<hr/>	<hr/>
Operating and maintenance expenses		
6510 Payroll	58,380	58,545
6515 Supplies	25,979	17,055
6520 Contracts	122,612	129,722
6525 Garbage and trash removal	23,267	23,453
6530 Security payroll/contract	15,064	29,911
6570 Vehicle and maintenance equipment operation and repairs	1,155	3,411
	<hr/>	<hr/>
6500T Total operating and maintenance expenses	246,457	262,097
	<hr/>	<hr/>

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

**Supplementary Information
Years Ended June 30, 2024 and 2023**

<u>Account No.</u>	<u>2024</u>	<u>2023</u>
<u>Taxes and insurance</u>		
6720	28,775	23,414
6722	7,262	5,567
6723	51,792	48,515
6700T	87,829	77,496
<u>Financial expenses</u>		
6820	94,500	94,500
6800T	94,500	94,500
6000T	792,718	739,540
5060T	149,528	78,098
<u>Depreciation</u>		
6600	332,639	335,279
	332,639	335,279
5060N	(183,111)	(257,181)
	1,125,357	1,074,819
3250	\$ (183,111)	\$ (257,181)

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

**Supplementary Information
Years Ended June 30, 2024 and 2023**

Schedules of Miscellaneous Account Details

	2024	2023
Revenue from Investments - Miscellaneous (Account No. 5490)		
Interest from investments - operating reserve	\$ 1,670	\$ 1,300
Realized gain\loss on investments	1,243	(1,243)
Unrealized loss on investments	-	(70,828)
	\$ 2,913	\$ (70,771)
Miscellaneous Other Revenue (Account No. 5990)		
Insurance proceeds	\$ -	\$ 25,132
Tax refund	-	47
	\$ -	\$ 25,179
Miscellaneous Administrative Expenses (Account No. 6390)		
Professional consultants	\$ 169	\$ 1,599
Business expense	824	534
Mileage reimbursement	1,483	146
Parking fees and permits	11	-
Training - local	25	(126)
Education and training classes	37	(3)
Parking garage	264	256
	\$ 2,813	\$ 2,406

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

**Supplementary Information
June 30, 2024**

Cash on Hand and in Banks

Unrestricted cash operating accounts	
Operating account	\$ 245,217
	\$ 245,217
Restricted cash accounts	
Tenant security deposits - checking	\$ 37,438
Replacement reserve	856,052
Operating reserve	224,319
	\$ 1,117,809

Mortgage Impound Accounts

None.

Reserves for Replacement and Operating Expenses

	Replacement reserve	Operating Reserve
Beginning balance	\$ 802,880	\$ 222,649
Deposits (\$600 x 78 units)	46,800	-
Interest earned	6,372	1,670
Ending balance	\$ 856,052	\$ 224,319

Property, Equipment and Improvements

Following are the details of property, equipment and improvements:

	Property, equipment and improvements			
	Balance 6/30/23	Additions	Deletions	Balance 6/30/24
Land	\$ 1,087,727	\$ -	\$ -	\$ 1,087,727
Buildings	6,285,947	17,005	-	6,302,952
Office furniture and equipment	-	5,606	-	5,606
	\$ 7,373,674	\$ 22,611	\$ -	\$ 7,396,285

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

**Supplementary Information
June 30, 2024**

Accounts Payable and Accrued Expenses

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

Current	\$ 37,242
Total	<u>\$ 37,242</u>

Gross Potential Rents

Gross potential rents includes the following:

Tenant rental payments	\$ 528,686
Housing assistance payments	293,847
Employee unit shown as an expense	13,566
Bad debt	<u>52,510</u>
Total gross potential rents	<u>\$ 888,609</u>

Management Fee

The management fee and sponsor overhead authorized by RHCP totals \$73,008 for the year ended June 30, 2024.

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

**Supplementary Information
Year Ended June 30, 2024**

Operating Cash Flow/Surplus Cash Computation

Operating income	
Total income	\$ 942,246
Interest earned on restricted reserve accounts	(8,043)
	934,203
Adjusted operating income	934,203
Operating expenses	(698,218)
	235,985
Adjusted net income	235,985
Other activity	
Deposits into replacement reserve account	(46,800)
Purchase of capital assets	(22,611)
HCD required annual payment	(13,230)
	(82,641)
Total other activity	(82,641)
Operating cash flow/surplus cash	153,344
	153,344
Total cash available for distributions (net cash flow)	\$ 153,344

Reconciliation to RHCP Form 181

Total operating revenue	\$ 896,663
Interest income	45,584
Less interest on reserves	(8,043)
Other differences	2,438
	936,642
Effective gross rent per RHCP Form 181	\$ 936,642

Reconciliation to RHCP Form 180

Total operating expenses	\$ 1,030,857
Less depreciation	(332,639)
Other differences	2,438
	700,656
Total operating costs per RHCP Form 180	\$ 700,656

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

**Supplementary Information
Year Ended June 30, 2024**

Rental Housing Construction Program -- Original

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

Contract No: 80-RHC-026

Reporting Period: 7/1/23 to 6/30/24

Project Name: OTAY VILLAS

Prepared by: Maria Gimutao

Date Prepared: 8/5/24

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	325	389	1,260	1,508	0	0
5 Office Salaries	6310	11,160	12,619	43,247	48,900	0	0
6 Office Supplies	6311	1,446	2,274	5,603	8,810	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	2,783	12,104	10,783	0	0
10 Legal Expense - Project	6340	1,641	2,099	6,359	8,134	0	0
11 Audit Expense - Project	6350	1,538	1,621	5,962	6,279	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	11,000	52,510	0	0
15 Miscellaneous Administrative Expenses (specify)	6390	715	632	2,770	2,450	0	0
16 TOTAL ADMINISTRATIVE EXPENSES	6200/6300T	21,774	24,241	95,372	146,442	0	0
UTILITIES EXPENSES: 6400							
17 Fuel Oil/Coal	6420	0	0	0	0	0	0
18 Electricity	6450	3,726	3,338	14,438	12,935	0	0
19 Water	6451	16,246	12,981	62,954	50,302	0	0
20 Gas	6452	4,004	3,778	15,514	14,638	0	0
21 Sewer	6453	7,897	5,068	30,603	19,638	0	0
22 TOTAL UTILITIES EXPENSES	6400T	31,873	25,165	123,509	97,513	0	0
OPERATING AND MAINTENANCE EXPENSES: 6500							
23 Janitor and Cleaning Payroll	6510	10,891	11,975	42,205	46,405	0	0
24 Janitor and Cleaning Supplies	6515	6,586	5,329	25,523	20,650	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	27,176	25,350	105,305	98,230	0	0
28 Garbage and Trash Removal	6525	4,403	4,561	17,062	17,673	0	0
29 Security Payroll/Contract	6530	5,662	3,090	21,938	11,974	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	48	251	185	971	0	0
43 Misc. Operating and Maintenance Expenses (specify)	6590	0	0	0	0	0	0
44 TOTAL OPERATING & MAINTENANCE EXPENSES	6500T	54,766	50,556	212,218	195,903	0	0
TAXES AND INSURANCE: 6700							
45 Real Estate Taxes	6710	0	0	0	0	0	0
46 Payroll Taxes (Project's Share)	6711	0	0	0	0	0	0
47 Misc. Taxes, Licenses and Permits	6719	0	0	0	0	0	0
48 Property and Liability Insurance (Hazard)	6720	4,821	5,902	18,682	22,872	0	0
49 Fidelity Bond Insurance	6721	0	0	0	0	0	0
50 Worker's Compensation	6722	1,563	1,490	6,057	5,772	0	0
51 Health Insurance and Other Employee Benefits	6723	9,277	10,624	35,947	41,168	0	0
52 Other Insurance	6729	0	0	0	0	0	0
53 TOTAL TAXES AND INSURANCE	6700T	15,661	18,016	60,686	69,812	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		139,050	132,954	549,817	567,702	0	0

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

Supplementary Information
Year Ended June 30, 2024

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: 7/1/23 to 6/30/24

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

Rev 9/28/16

Unit Months: 936

ACCOUNT NAME	Account Codes	ASSISTED UNITS		NON-ASSISTED UNITS		COMMERCIAL		TOTAL PROJECT		PROJECT VARIANCE
		Approved Cashflow (A)	Actual Cashflow (B)	Approved Cashflow (C)	Actual Cashflow (D)	Proposed Cashflow (E)	Actual Cashflow (F)	Approved Cashflow (G)	Actual Cashflow (H)	Cashflow Variance (I)
REVENUE ACCOUNTS/RENT REVENUE: 5100										
1 Rent Revenue	5120	102,225	122,002	459,984	472,759	0	0	562,209	594,761	32,552
2 Tenant Assistance Payments	5121	68,877	60,276	266,898	233,571	0	0	335,775	293,847	(41,928)
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	171,102	182,278	726,882	706,330	0	0	897,984	888,608	(9,376)
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	5,579	7,700	17,355	29,839	0	0	22,934	37,539	14,605
Total Financial Revenue	5400T	5,579	7,700	17,355	29,839	0	0	22,934	37,539	14,605
OTHER REVENUE: 5900										
22 Laundry and Vending Revenue	5910	1,132	950	4,388	3,680	0	0	5,520	4,630	(890)
23 NSF and Late Charges	5920	1,231	1,203	4,769	4,662	0	0	6,000	5,865	(135)
24 Damages and Cleaning Fees	5930	0	0	0	0	0	0	0	0	0
25 Forfeited Tenant Security Deposits	5940	0	0	0	0	0	0	0	0	0
26 Other Revenue	5990	0	0	0	0	0	0	0	0	0
Total Other Revenue	5900T	2,363	2,153	9,157	8,342	0	0	11,520	10,495	(1,025)
27 EFFECTIVE GROSS RENT (EGR)	5152T	179,044	192,131	753,394	744,511	0	0	932,438	936,642	4,204
28 TOTAL OPERATING EXPENSES	6000T	143,221	132,954	566,312	567,702	0	0	709,533	700,656	8,877
29 NET OPERATING INCOME (NOI)	5000T	35,823	59,177	187,082	176,809	0	0	222,905	235,986	13,081
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	9,600	9,600	37,200	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		9,600	9,600	37,200	37,200	0	0	46,800	46,800	0
38 PROJECT CASH FLOW (CF)		26,223	49,577	136,652	126,379	0	0	162,875	175,956	13,081
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/Prtrshp Costs (MHP/HOME under UMR)		0	0	0	0	0	0	0	0	0
46 Borrower Distributions		0	0	0	0	0	0	0	0	0
47 Residual Receipt Loan Payments		0	0	0	0	0	0	0	0	0
48 Other (specify)		0	0	0	0	0	0	0	0	0
Total Use of Cash Flow		0	0	0	0	0	0	0	0	0

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

To the Board of Commissioners
San Diego Housing Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003, which comprise the statement of net position as of June 30, 2024, 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, 2024 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, 2024

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

**Schedule of Finding and Responses
Year Ended June 30, 2024**

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



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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, 2024 and 2023

**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 30,2024

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, 2024 and, to the best of my knowledge and belief, these financial statements and supplementary information are complete and accurate.

San Diego Housing Commission

Signed by:



4C3E9D2EACCE204
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 30,2024

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, 2024, to the best of my knowledge and belief, the same is complete and accurate.

Signed by:

Suket Dayal

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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023, 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 30, 2024, 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.

CohnReznick LLP

Sacramento, California
September 30, 2024

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

**Statements of Net Position
June 30, 2024 and 2023**

	<u>Assets</u>	
	2024	2023
Current assets		
Cash and cash equivalents	\$ 139,036	\$ 123,979
Tenants' accounts receivable, net	1,725	4,376
Accounts receivable - grants	-	14,406
Accounts receivable - other	2,381	1,144
	143,142	143,905
 Other assets		
Investments	317,009	219,762
Restricted deposits and funded reserves	413,071	389,027
	730,080	608,789
 Capital assets		
Buildings and improvements	7,169,306	6,802,810
Accumulated depreciation	(3,710,532)	(3,301,434)
	3,458,774	3,501,376
Land	484,372	484,372
	3,943,146	3,985,748
 Total assets	\$ 4,816,368	\$ 4,738,442

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

**Statements of Net Position
June 30, 2024 and 2023**

	<u>Liabilities and Net Position</u>	
	<u>2024</u>	<u>2023</u>
Current liabilities		
Accounts payable - operations	\$ 36,643	\$ 29,685
Accrued expenses	6,538	5,343
Accrued interest payable - first mortgage, current	5,900	5,900
Prepaid rent	6,137	8,127
	<u>55,218</u>	<u>49,055</u>
Deposits and prepaid liability		
Tenants' security deposits liability	17,586	17,486
	<u>17,586</u>	<u>17,486</u>
Long-term liabilities		
Mortgage payable - first mortgage	1,404,849	1,404,849
Accrued interest payable - first mortgage, net of current portion	345,535	314,611
	<u>1,750,384</u>	<u>1,719,460</u>
Total long-term liabilities	<u>1,750,384</u>	<u>1,719,460</u>
Total liabilities	<u>1,823,188</u>	<u>1,786,001</u>
Net Position		
Net investment in capital assets	2,538,297	2,580,899
Restricted for operating and replacement reserves	395,485	371,541
Unrestricted	59,398	1
	<u>2,993,180</u>	<u>2,952,441</u>
Total net position	<u>2,993,180</u>	<u>2,952,441</u>
Total liabilities and net position	<u>\$ 4,816,368</u>	<u>\$ 4,738,442</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, 2024 and 2023**

	2024	2023
Operating revenue		
Rental income	\$ 290,283	\$ 261,074
Subsidy income	98,214	92,739
Other operating income	6,481	6,722
Total operating revenue	394,978	360,535
Operating expenses		
Administrative	92,298	88,414
Utilities	58,334	70,009
Operating and maintenance	122,179	142,767
Taxes and insurance	34,913	37,871
Depreciation	409,098	414,339
Total operating expenses	716,822	753,400
Net operating loss	(321,844)	(392,865)
Nonoperating revenue (expense)		
Financial revenue - investments	17,186	11,821
Realized and unrealized gain (loss) on investments	465	(26,960)
Interest expense - first mortgage	(42,145)	(42,145)
Total nonoperating expense	(24,494)	(57,284)
Change in net position before capital transactions	(346,338)	(450,149)
Contributions	387,077	58,983
Change in net position	40,739	(391,166)
Net position		
Beginning of year	2,952,441	3,343,607
End of year	\$ 2,993,180	\$ 2,952,441

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, 2024 and 2023**

	2024	2023
Cash flows from operating activities		
Cash received from tenants and operations	\$ 389,711	\$ 357,669
Less cash payments for operations and administration		
Administrative expenses paid	(6,963)	(24,448)
Management fee and sponsor overhead paid	(32,761)	(32,762)
Utilities paid	(68,220)	(63,172)
Salaries and wages paid	(69,305)	(52,322)
Operating and maintenance paid	(67,075)	(136,759)
Property insurance paid	(10,588)	(8,612)
Net tenant security deposits received	100	72
Other operating expenses paid	(24,325)	(29,259)
	(279,137)	(347,262)
Cash payments for operations and administration		
Net cash provided by operating activities	110,574	10,407
Cash flows from capital and related financing activities		
Contributions from owner	387,077	58,983
Purchase of fixed assets	(366,496)	-
Interest paid	(11,221)	(5,900)
	9,360	53,083
Net cash provided by capital and related financing activities		
Cash flows from investing activities		
Net deposits to replacement reserve	(23,347)	(22,705)
Net deposits to operating reserve	(597)	(465)
Interest on investments	16,414	11,356
Net (purchases) sales of investments	(97,347)	(52,518)
	(104,877)	(64,332)
Net cash (used in) provided by investing activities		
Net increase (decrease) in cash and cash equivalents	15,057	(842)
Cash and cash equivalents, beginning	123,979	124,821
Cash and cash equivalents, end	\$ 139,036	\$ 123,979

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

**Statements of Cash Flows
Years Ended June 30, 2024 and 2023**

	2024	2023
Reconciliation of net operating loss to net cash provided by operating activities		
Net operating loss	\$ (321,844)	\$ (392,865)
Adjustments to reconcile net operating loss to net cash provided by operating activities		
Depreciation	409,098	414,339
Bad debt	5,928	4,207
Changes in:		
Tenants' accounts receivable	(3,277)	(6,040)
Accounts receivable - grants	14,406	(7,729)
Prepaid revenue	(1,990)	3,174
Accounts payable - operations	6,958	(5,185)
Accrued expenses	1,195	434
Tenants' security deposits liability	100	72
Net cash provided by operating activities	\$ 110,574	\$ 10,407

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, 2024 and 2023**

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, 2024 and 2023, the reconciled balance of SDHC's general cash account is \$21,179,970 and \$9,334,904, respectively, of which \$139,036 and \$123,979 belong to the Project as of June 30, 2024 and 2023, respectively.

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

**Notes to Financial Statements
June 30, 2024 and 2023**

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 \$266 and \$336 as of June 30, 2024 and 2023, respectively.

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

**Notes to Financial Statements
June 30, 2024 and 2023**

Capital assets

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

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

Impairment of capital assets

SDHC reviews the capital assets of the Project for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. There has been no impairment of the capital assets during the years ended June 30, 2024 and 2023.

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 \$98,214 and \$92,739 of operating subsidy income during the years ended June 30, 2024 and 2023, respectively, of which \$0 and \$14,406 is receivable as of June 30, 2024 and 2023, 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
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**Notes to Financial Statements
June 30, 2024 and 2023**

Note 3 - Restricted deposits and funded reserves

As of June 30, 2024 and 2023, 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 \$17,586 and \$17,486 as of June 30, 2024 and 2023, 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 \$315,266 and \$291,919 as of June 30, 2024 and 2023, respectively. During the years ended June 30, 2024 and 2023, the replacement reserve activity was as follows:

	2024	2023
Beginning balance	\$ 291,919	\$ 269,214
Deposits (\$600 x 35 units)	21,000	21,000
Interest earned	2,347	1,705
Ending balance	\$ 315,266	\$ 291,919

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 \$80,219 and \$79,622 as of June 30, 2024 and 2023, respectively.

Other investments

The Project has other investments with a balance of \$317,009 and \$219,762 as of June 30, 2024 and 2023, 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
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**Notes to Financial Statements
June 30, 2024 and 2023**

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, 2024 and 2023, respectively. Outstanding principal and accrued interest is \$1,404,849 and \$351,435, respectively, as of June 30, 2024, and \$1,404,849 and \$320,511, respectively, as of June 30, 2023.

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 \$32,761 and \$32,762 for the years ended of June 30, 2024 and 2023, 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, 2024.

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 30, 2024, 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, 2024 and 2023**

Schedules of Operating Revenue

<u>Account No.</u>	<u>2024</u>	<u>2023</u>
Rental revenue		
5120 Rent revenue - gross potential	\$ 290,283	\$ 261,074
5121 Tenant assistance payments	98,214	92,739
5100T Total rental revenue	<u>388,497</u>	<u>353,813</u>
5152N Net rental revenue	<u>388,497</u>	<u>353,813</u>
Financial revenue		
5410 Financial revenue - project operations	14,242	9,651
5440 Revenue from investments - replacement reserve	2,347	1,705
5490 Revenue from investments - miscellaneous	1,062	(26,495)
5400T Total financial revenue	<u>17,651</u>	<u>(15,139)</u>
Other revenue		
5910 Laundry and vending	4,231	4,372
5920 Tenant charges	2,250	2,350
5900T Total other revenue	<u>6,481</u>	<u>6,722</u>
5000T Total revenue	<u>412,629</u>	<u>345,396</u>

**Adaptable Housing Development
Project No. 12-HLCP-0004
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**Supplementary Information
Years Ended June 30, 2024 and 2023**

Schedules of Operating Expenses

<u>Account No.</u>	<u>2024</u>	<u>2023</u>
Administrative expenses		
6250 Other renting expenses	3,012	476
6310 Office salaries	32,240	35,183
6311 Office expenses	2,800	2,565
6320 Management fee	32,761	32,762
6340 Legal expense - project	2,453	1,119
6350 Auditing expense	7,900	7,500
6351 Bookkeeping fees/accounting services	3,990	3,990
6370 Bad debts	5,928	4,207
6390 Miscellaneous administrative expenses	1,214	612
6263T Total administrative expenses	<u>92,298</u>	<u>88,414</u>
Utilities expense		
6450 Electricity	3,306	3,684
6451 Water	15,093	21,375
6452 Gas	29,588	30,199
6453 Sewer	10,347	14,751
6400T Total utilities expense	<u>58,334</u>	<u>70,009</u>
Operating and maintenance expenses		
6510 Payroll	21,928	17,573
6515 Supplies	3,971	8,881
6520 Contracts	79,488	116,197
6530 Security payroll/contract	16,332	-
6570 Vehicle and maintenance equipment operation and repairs	460	116
6500T Total operating and maintenance expenses	<u>122,179</u>	<u>142,767</u>

**Adaptable Housing Development
Project No. 12-HLCP-0004
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**Supplementary Information
Years Ended June 30, 2024 and 2023**

Account No.	2024	2023
Taxes and insurance		
6710 Real estate taxes	34	14
6720 Property and liability insurance	10,588	8,612
6722 Workmen's compensation	2,153	2,024
6723 Health insurance and other employee benefits	22,138	27,221
6700T Total taxes and insurance	34,913	37,871
Financial expenses		
6820 Interest on first mortgage payable	42,145	42,145
6800T Total financial expenses	42,145	42,145
6000T Total cost of operations before depreciation	349,869	381,206
5060T Income (loss) before depreciation	62,760	(35,810)
Depreciation		
6600 Depreciation expense	409,098	414,339
Total depreciation	409,098	414,339
5060N Operating income (loss)	(346,338)	(450,149)
Total expenses	758,967	795,545
3250 Change in net assets	\$ (346,338)	\$ (450,149)

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

**Supplementary Information
Years Ended June 30, 2024 and 2023**

Schedules of Miscellaneous Account Details

	2024	2023
Revenue from Investments - Miscellaneous (Account No. 5490)		
Unrealized loss	\$ -	\$ (26,495)
Realized gain (loss)	465	(465)
Interest on investments	597	465
	\$ 1,062	\$ (26,495)
Miscellaneous Administrative Expenses (Account No. 6390)		
Professional consultants	\$ 75	\$ 717
Business expense	349	237
Mileage reimbursement	27	11
Parking fees and permits	137	150
Training	54	(55)
Employee bilingual testing	-	(1)
Tenant relocation due to maintenance	572	(447)
	\$ 1,214	\$ 612

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

**Supplementary Information
June 30, 2024**

Cash on Hand and in Banks

Unrestricted cash operating accounts		\$	139,036
Operating account			-
Operating account			-
			-
		\$	139,036
Restricted cash accounts			
Tenant security deposits		\$	17,586
Replacement reserve			315,266
Operating Reserve			80,219
Investments			317,009
			317,009
		\$	730,080

Mortgage Impound Accounts

None.

Reserves for Replacements and Operating Expenses

	Reserve for replacements	Operating expense reserve
Balance, June 30, 2023	\$ 291,919	\$ 79,622
Deposits (\$1,750 x 12 months)	21,000	-
Interest earned	2,347	597
	2,347	597
Balance, June 30, 2024	\$ 315,266	\$ 80,219

Property, Equipment and Improvements

Following are the details of property, equipment and improvements:

	Property, equipment and improvements			
	Balance 6/30/23	Additions	Deletions	Balance 6/30/24
Land	\$ 484,372	\$ -	\$ -	\$ 484,372
Buildings	6,802,810	342,175	-	7,144,985
Office furniture and equipment	-	24,321	-	24,321
	\$ 7,287,182	\$ 366,496	\$ -	\$ 7,653,678

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

**Supplementary Information
June 30, 2024**

Accounts Payable and Accrued Expenses

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

Current	\$ 36,643
Total	<u>\$ 36,643</u>

Gross Potential Rents

Gross potential rents includes the following:

Tenant rental payments	\$ 290,283
Tenant assistance payments	<u>98,214</u>
Total gross potential rents	<u>\$ 388,497</u>

**Adaptable Housing Development
Project No. 12-HLCP-0004
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**Supplementary Information
Year Ended June 30, 2024**

Management Fee

The management fee and sponsor overhead authorized by RHCP totals \$32,761 for the year ended June 30, 2024.

Operating Cash Flow/Surplus Cash Computation

Operating income	
Total income	\$ 412,629
Interest earned on restricted reserve accounts	<u>(2,944)</u>
Adjusted operating income	409,685
Operating expenses	<u>(307,724)</u>
Adjusted net income	101,961
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>75,061</u>
Total cash available for distributions (net cash flow)	<u><u>\$ 75,061</u></u>

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

**Supplementary Information
Year Ended June 30, 2024**

Reconciliation to RHCP Form 181

Total operating revenue	\$ 394,978
Interest income	17,651
Less interest on reserves	(2,944)
Other difference	(2)
	<hr/>
Effective gross rent per RHCP Form 181	<u>\$ 409,683</u>

Reconciliation to RHCP Form 180

Total operating expenses	\$ 716,822
Less depreciation	(409,098)
Other difference	2
	<hr/>
Total operating costs per RHCP Form 180	<u>\$ 307,726</u>

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

**Supplementary Information
Year Ended June 30, 2024**

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

Contract No: 80-RHC-002
Project Name: ADAPTABLE HOUSING
Prepared by: Maria Gimutao
Date Prepared: 8/5/24

Reporting Period: 7/1/23 to 6/30/24

Units/Sq. Ft. - Assisted: 12
Units/Sq. Ft. - Total: 35

Rev 9/28/16

Unit Months: 420

ACCOUNT NAME	Account Codes	ASSISTED UNITS		NON-ASSISTED UNITS		COMMERCIAL		TOTAL PROJECT		PROJECT VARIANCE
		Approved Cashflow (A)	Actual Cashflow (B)	Approved Cashflow (C)	Actual Cashflow (D)	Proposed Cashflow (E)	Actual Cashflow (F)	Approved Cashflow (G)	Actual Cashflow (H)	Cashflow Variance (I)
REVENUE ACCOUNTS/RENT REVENUE: 5100										
1 Rent Revenue	5120	81,566	99,526	182,328	190,758	0	0	263,894	290,284	26,390
2 Tenant Assistance Payments	5121	34,773	33,673	66,649	64,541	0	0	101,422	98,214	(3,208)
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	116,339	133,199	248,977	255,299	0	0	365,316	388,498	23,182
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	2,805	5,042	5,376	9,663	0	0	8,181	14,705	6,524
Total Financial Revenue	5400T	2,805	5,042	5,376	9,663	0	0	8,181	14,705	6,524
OTHER REVENUE: 5900										
22 Laundry and Vending Revenue	5910	1,594	1,450	3,056	2,780	0	0	4,650	4,230	(420)
23 NSF and Late Charges	5920	926	771	1,774	1,479	0	0	2,700	2,250	(450)
24 Damages and Cleaning Fees	5930	0	0	0	0	0	0	0	0	0
25 Forfeited Tenant Security Deposits	5940	0	0	0	0	0	0	0	0	0
26 Other Revenue	5990	0	0	0	0	0	0	0	0	0
Total Other Revenue	5900T	2,520	2,221	4,830	4,259	0	0	7,350	6,480	(870)
27 EFFECTIVE GROSS RENT (EGR)	5152T	121,664	140,462	259,183	269,221	0	0	380,847	409,683	28,836
28 TOTAL OPERATING EXPENSES	6000T	124,008	103,475	243,861	204,251	0	0	367,869	307,726	60,143
29 NET OPERATING INCOME (NOI)	5000T	(2,344)	36,987	15,322	64,970	0	0	12,978	101,957	88,979
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	1320	7,200	7,200	13,800	13,800	0	0	21,000	21,000	0
36 Operating Reserve-Deposit	1300	0	0	0	0	0	0	0	0	0
37 Other Reserves (specify)		0	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		7,200	7,200	13,800	13,800	0	0	21,000	21,000	0
38 PROJECT CASH FLOW (CF)		(9,544)	29,787	(4,378)	45,270	0	0	(13,922)	75,057	88,979
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/Prtrshp Costs (MHP/HOME under UMR)		0	0	0	0	0	0	0	0	0
46 Borrower Distributions		0	0	0	0	0	0	0	0	0
47 Residual Receipt Loan Payments		0	0	0	0	0	0	0	0	0
48 Other (specify)		0	0	0	0	0	0	0	0	0
Total Use of Cash Flow		0	0	0	0	0	0	0	0	0

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

To the Board of Commissioners
San Diego Housing Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of San Diego Housing Commission's Adaptable Housing Development Project No. 12-HLCP-0004, which comprise the statement of net position as of June 30, 2024, 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 30, 2024 which included an emphasis of matter paragraph as indicated at page 4.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Diego Housing Commission's Adaptable Housing Development Project No. 12-HLCP-0004's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Diego Housing Commission's Adaptable Housing Development Project No. 12-HLCP-0004's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of San Diego Housing Commission's Adaptable Housing Development Project No. 12-HLCP-0004's internal control over financial reporting.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Diego Housing Commission's Adaptable Housing Development Project No. 12-HLCP-0004's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not

an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

CohnReznick LLP

Sacramento, California
September 30, 2024

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

**Schedule of Finding and Responses
Year Ended June 30, 2024**

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



Independent Member of Nexia International

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

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

June 30, 2024

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

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

June 30, 2024

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

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

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

June 30, 2024

Managing Agent's Certification

We hereby certify that we have examined the accompanying financial statements and supplementary data of Northern SDHC FHA LLC and, to the best of our knowledge and belief, the same are complete and accurate.

Managing Agent

San Diego Housing Commission

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

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, 2024, 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, 2024, 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 25, 2024 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.

CohnReznick LLP

Sacramento, California
September 25, 2024

Taxpayer Identification Number:
22-1478099

Lead Auditor: Ahamadou Alainchar Bocar, CPA

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

**Balance Sheet
June 30, 2024**

Assets

Current assets	
Cash - operations	\$ 749,121
Tenant accounts receivable	30,278
Allowance for doubtful accounts	(4,427)
Accounts and notes receivable - operations	272,944
Prepaid expenses	<u>19,857</u>
Total current assets	<u>1,067,773</u>
Deposits held in trust - funded	
Tenant deposits	<u>118,849</u>
Restricted deposits and funded reserves	
Escrow deposits	53,166
Reserve for replacements	<u>188,176</u>
Total restricted deposits and funded reserves	<u>241,342</u>
Rental property	
Land	3,690,974
Buildings	11,069,327
Building equipment - portable	<u>55,380</u>
	14,815,681
Less accumulated depreciation	<u>(6,023,590)</u>
Total rental property	<u>8,792,091</u>
Total assets	<u><u>\$ 10,220,055</u></u>

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

Balance Sheet
June 30, 2024

Liabilities and Member's Equity (Deficit)

Current liabilities	
Accounts payable - operations	\$ 158,025
Accounts payable - entity	99,844
Accrued wages payable	37,143
Accrued management fee payable	14,503
Accrued interest payable - first mortgage	41,218
Mortgage payable - first mortgage (short-term)	412,296
Prepaid revenue	51,261
	<hr/>
Total current liabilities	814,290
	<hr/>
Deposits liability	
Tenant deposits held in trust (contra)	118,840
	<hr/>
Long-term liabilities	
Mortgage payable- first mortgage, net	12,492,365
	<hr/>
Total long-term liabilities	12,492,365
	<hr/>
Total liabilities	13,425,495
	<hr/>
Contingency	-
	<hr/>
Member's equity (deficit)	(3,205,440)
	<hr/>
Total liabilities and member's equity (deficit)	\$ 10,220,055
	<hr/> <hr/>

See Notes to Financial Statements.

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

Statement of Operations
Year Ended June 30, 2024

Rental revenue	
Rent revenue - gross potential	\$ 2,612,772
Tenant assistance payments	<u>811,638</u>
Total rental revenue	<u>3,424,410</u>
Vacancies	
Apartments	<u>(54,610)</u>
Total vacancies	<u>(54,610)</u>
Net rental revenue	<u>3,369,800</u>
Financial revenue	
Financial revenue - project operations	1,905
Revenue from investments - replacement reserve	<u>135</u>
Total financial revenue	<u>2,040</u>
Other revenue	
Laundry and vending	48,957
Tenant charges	10,733
Miscellaneous revenue	<u>166,148</u>
Total other revenue	<u>225,838</u>
Total revenue	<u>3,597,678</u>

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

Statement of Operations
Year Ended June 30, 2024

Administrative expenses	
Other renting expenses	1,117
Office salaries	120,401
Office expenses	14,109
Management fee	170,122
Administrative rent free unit	27,048
Legal expense - project	22,371
Auditing expense	14,083
Bad debts	120,027
Miscellaneous administrative expenses	7,881
	<hr/>
Total administrative expenses	497,159
	<hr/>
Utilities expense	
Electricity	14,164
Water	122,876
Gas	37,993
Sewer	83,258
	<hr/>
Total utilities expense	258,291
	<hr/>
Operating and maintenance expenses	
Payroll	99,207
Supplies	35,890
Contracts	593,564
Garbage and trash removal	44,972
Security payroll/contract	900
Vehicle and maintenance equipment operation and repairs	2,650
	<hr/>
Total operating and maintenance expenses	777,183
	<hr/>

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

Statement of Operations
Year Ended June 30, 2024

Taxes and insurance	
Real estate taxes	2,427
Property and liability insurance	72,813
Workmen's compensation	13,144
Health insurance and other employee benefits	114,442
Miscellaneous taxes, licenses, permits and insurance	<u>6,800</u>
Total taxes and insurance	<u>209,626</u>
Financial expenses	
Interest on first mortgage payable	519,168
Mortgage insurance premium/service charge	<u>60,162</u>
Total financial expenses	<u>579,330</u>
Total cost of operations before depreciation	<u>2,321,589</u>
Income (loss) before depreciation	<u>1,276,089</u>
Depreciation	
Depreciation expense	<u>399,061</u>
Total depreciation	<u>399,061</u>
Total expenses	<u>2,720,650</u>
Net income (loss)	<u><u>\$ 877,028</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, 2024

Member's equity (deficit) June 30, 2023	\$ (3,293,247)
Distributions	(791,126)
Contributions	1,905
Net income (loss)	<u>877,028</u>
Member's equity (deficit) June 30, 2024	<u><u>\$ (3,205,440)</u></u>

See Notes to Financial Statements.

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

Statement of Cash Flows
Year Ended June 30, 2024

Cash flows from operating activities	
Rental receipts	\$ 3,174,703
Interest receipts	2,040
Other operating receipts	<u>225,838</u>
Total receipts	<u>3,402,581</u>
Administrative expenses paid	(59,561)
Management fees paid	(169,193)
Utilities paid	(258,291)
Salaries and wages paid	(204,388)
Operating and maintenance paid	(665,989)
Real estate taxes paid	(2,427)
Property insurance paid	(72,813)
Miscellaneous taxes and insurance paid	(6,800)
Net tenant security deposits received (paid)	2,919
Other operating expenses paid	(127,586)
Interest paid on first mortgage	(502,745)
Mortgage insurance premium paid	<u>(59,571)</u>
Total disbursements	<u>(2,126,445)</u>
Net cash provided by operating activities	<u>1,276,136</u>
Cash flows from investing activities	
Net withdrawals from mortgage escrows	1,347
Net deposits to reserve for replacements	(135)
Net purchases of fixed assets	<u>(9,118)</u>
Net cash used in investing activities	<u>(7,906)</u>
Cash flows from financing activities	
Mortgage principal payments - first mortgage	(397,106)
Distribution to sole member	(791,126)
Contributions by member	<u>1,905</u>
Net cash used in financing activities	<u>(1,186,327)</u>
Net increase in cash and restricted cash	81,903
Cash and restricted cash, beginning	<u>786,067</u>
Cash and restricted cash, end	<u><u>\$ 867,970</u></u>

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

Statement of Cash Flows
Year Ended June 30, 2024

Reconciliation of net income (loss) to net cash provided by operating activities	
Net income (loss)	\$ 877,028
Adjustments to reconcile net income (loss) to net cash provided by operating activities	
Depreciation	399,061
Amortization of debt issuance costs	17,667
Bad debts	120,027
Changes in asset and liability accounts	
(Increase) decrease in assets	
Tenant accounts receivable	(154,061)
Prepaid expenses	591
Increase (decrease) in liabilities	
Accounts payable	(24,085)
Accrued liabilities	17,049
Accrued interest payable	(1,244)
Tenant security deposits held in trust	2,919
Prepaid revenue	(13,988)
Entity/construction liability accounts (include detail)	
Accounts payable- entity	35,172
	<hr/>
Total adjustments	399,108
	<hr/>
Net cash provided by operating activities	\$ 1,276,136
	<hr/> <hr/>

See Notes to Financial Statements.

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

Notes to Financial Statements
June 30, 2024

Note 1 - Organization and nature of operations

Northern SDHC FHA LLC (the "Company") was formed as a limited liability company under the laws of the State of California on July 13, 2010 for the purpose of owning and operating rental housing projects under Section 207, pursuant to Section 223(f) of the National Housing Act as regulated by the U.S. Department of Housing and Urban Development ("HUD") and is subject to restrictions as to the operating policies, rental charges, operating expenditures and distributions to the sole member. The Company has executed a limited liability company operating agreement (the "operating agreement") dated August 20, 2010. The properties of the Company consist of 14 apartment complexes totaling 154 units and are located in San Diego, California (the "Projects"). The Projects are currently operating under the name of SDHC North Portfolio.

The Company is wholly-owned by San Diego Housing Commission ("SDHC"). The Company is also a blended component unit of SDHC.

The Company will continue to operate until July 13, 2065, unless dissolved earlier in accordance with the operating agreement.

Cash distributions are limited by agreements between the Company and HUD to the extent of surplus cash as defined by HUD.

Note 2 - Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, income is recognized as earned and expensed as incurred, regardless of the timing of payments.

Tenant accounts receivable

Tenant accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenants' accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2024, the allowance for doubtful accounts is \$4,427.

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, 2024

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, 2024.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Rental revenue

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

Income taxes

The Company is a single member limited liability company and is a disregarded entity for federal income tax purposes and is not subject to income taxes. The Company's federal tax status as a pass-through entity is based on its legal status as a single member limited liability company. SDHC, the sole member of the Company, is a state agency which is exempt from filing any income tax returns. Accordingly, these financial statements do not reflect a provision for income taxes and the Company has no other tax positions which must be considered for disclosure.

Advertising costs

Advertising and marketing costs are expensed as incurred.

Use of estimates

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

Note 3 - Restricted deposits and funded reserves

Escrow deposits

Under agreements with the mortgage lender and HUD, the Company is required to make monthly deposits to escrow accounts. Funds deposited are used to pay mortgage insurance premiums. As of June 30, 2024, the balance in the escrow deposits is \$53,166.

Reserve for replacements

The Company is required to make monthly deposits to a reserve for replacements account to fund future maintenance and replacement costs. Monthly payments of \$4,839 are required to be deposited with the mortgage lender. During the year ended June 30, 2024, 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, 2024, the balance in the reserve for replacements is \$188,176.

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

Notes to Financial Statements
June 30, 2024

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	\$ 749,121
Tenant deposits	<u>118,849</u>
Total cash and restricted cash shown in the statement of cash flows	<u>\$ 867,970</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, 2024, the outstanding principal and accrued interest is \$13,154,540 and \$41,218, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$249,879 as of June 30, 2024, 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 \$17,667 for the year ended June 30, 2024 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, 2024

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, 2024, the Company received BABs interest rebate of \$165,520, 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, 2024 are as follows:

2025	\$ 412,296
2026	428,068
2027	444,444
2028	461,446
2029	479,099
Thereafter	<u>10,929,187</u>
Subtotal	13,154,540
Less unamortized debt issuance costs	<u>(249,879)</u>
Total	<u><u>\$ 12,904,661</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, 2024, management fees of \$170,122 were incurred and charged to operations, of which \$14,503 remain payable as of June 30, 2024.

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, 2024, the Company recognized housing assistance payments revenue amounting to \$811,638.

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, 2024, \$99,844 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, 2024

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, 2024.

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 25, 2024, 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, 2024**

<u>Account No.</u>	<u>Assets</u>		
Current assets			
1120	Cash - operations		\$ 749,121
1130	Tenant accounts receivable	\$ 30,278	
1131	Allowance for doubtful accounts	<u>(4,427)</u>	
1130N	Net tenants accounts receivable		25,851
1140	Accounts and notes receivable - operations		272,944
1200	Prepaid expenses		<u>19,857</u>
1100T	Total current assets		1,067,773
Deposits held in trust - funded			
1191	Tenant deposits		118,849
Restricted deposits and funded reserves			
1310	Escrow deposits	53,166	
1320	Reserve for replacements	<u>188,176</u>	
1300T	Total deposits		241,342
Rental property			
1410	Land	3,690,974	
1420	Buildings	11,069,327	
1440	Building equipment - portable	<u>55,380</u>	
1400T	Total fixed assets	14,815,681	
1495	Less accumulated depreciation	<u>(6,023,590)</u>	
1400N	Net fixed assets		<u>8,792,091</u>
1000T	Total assets		<u><u>\$ 10,220,055</u></u>

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

Supplementary Information

Balance Sheet Data
June 30, 2024

Liabilities and Member's Equity (Deficit)

<u>Account No.</u>			
<u>Current liabilities</u>			
2110	Accounts payable - operations		\$ 158,025
2113	Accounts payable - entity		99,844
2120	Accrued wages payable		37,143
2123	Accrued management fee payable		14,503
2131	Accrued interest payable - first mortgage		41,218
2170	Mortgage payable - first mortgage (short-term)		412,296
2210	Prepaid revenue		<u>51,261</u>
2122T	Total current liabilities		814,290
<u>Deposits liability</u>			
2191	Tenant deposits held in trust (contra)		118,840
<u>Long-term liabilities</u>			
2320	Mortgage payable - first mortgage	\$ 12,492,365	
2300T	Total long-term liabilities		<u>12,492,365</u>
2000T	Total liabilities		13,425,495
3130	Member's equity (deficit)		<u>(3,205,440)</u>
2033T	Total liabilities and member's equity (deficit)		<u>\$ 10,220,055</u>

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2024

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 2,612,772	
5121	Tenant assistance payments	<u>811,638</u>	
5100T	Total rental revenue		\$ 3,424,410
Vacancies			
5220	Apartments	<u>(54,610)</u>	
5200T	Total vacancies		<u>(54,610)</u>
5152N	Net rental revenue		3,369,800
Financial revenue			
5410	Financial revenue - project operations	1,905	
5440	Revenue from investments - replacement reserve	<u>135</u>	
5400T	Total financial revenue		2,040
Other revenue			
5910	Laundry and vending	48,957	
5920	Tenant charges	10,733	
5990	Miscellaneous revenue	<u>166,148</u>	
5900T	Total other revenue		<u>225,838</u>
5000T	Total revenue		<u>3,597,678</u>

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

Supplementary Information

**Statement of Operations Data
Year Ended June 30, 2024**

<u>Account No.</u>			
Administrative expenses			
6250	Other renting expenses	1,117	
6310	Office salaries	120,401	
6311	Office expenses	14,109	
6320	Management fee	170,122	
6331	Administrative rent free unit	27,048	
6340	Legal expense - project	22,371	
6350	Auditing expense	14,083	
6370	Bad debts	120,027	
6390	Miscellaneous administrative expenses	<u>7,881</u>	
6263T	Total administrative expenses		497,159
Utilities expense			
6450	Electricity	14,164	
6451	Water	122,876	
6452	Gas	37,993	
6453	Sewer	<u>83,258</u>	
6400T	Total utilities expense		258,291
Operating and maintenance expenses			
6510	Payroll	99,207	
6515	Supplies	35,890	
6520	Contracts	593,564	
6525	Garbage and trash removal	44,972	
6530	Security payroll/contract	900	
6570	Vehicle and maintenance equipment operation and repairs	<u>2,650</u>	
6500T	Total operating and maintenance expenses		777,183

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2024

<u>Account No.</u>			
Taxes and insurance			
6710	Real estate taxes	2,427	
6720	Property and liability insurance	72,813	
6722	Workmen's compensation	13,144	
6723	Health insurance and other employee benefits	114,442	
6790	Miscellaneous taxes, licenses, permits and insurance	<u>6,800</u>	
6700T	Total taxes and insurance		209,626
Financial expenses			
6820	Interest on first mortgage payable	519,168	
6850	Mortgage insurance premium/service charge	<u>60,162</u>	
6800T	Total financial expenses		<u>579,330</u>
6000T	Total cost of operations before depreciation		<u>2,321,589</u>
5060T	Income (loss) before depreciation		<u>1,276,089</u>
Depreciation			
6600	Depreciation expense	<u>399,061</u>	
	Total depreciation		<u>399,061</u>
5060N	Operating income (loss)		<u>877,028</u>
	Total expenses		<u>2,720,650</u>
3250	Net income (loss)		<u><u>\$ 877,028</u></u>

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2024

<u>Account No.</u>		
S1000-010	Total first mortgage (or bond) principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.	<u>\$ 397,106</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>\$ -</u>
S1000-040	Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statement of operations.	<u>\$ -</u>
S3100-120	Mortgage payable note detail (Section 236 only) Interest reduction payments from subsidy.	<u>\$ -</u>

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

Supplementary Information

Statement of Member's Equity (Deficit) Data
Year Ended June 30, 2024

<u>Account No.</u>		
S1100-010	Member's equity (deficit) June 30, 2023	\$ (3,293,247)
S1200-420	Distributions	(791,126)
S1200-430	Contributions	1,905
3250	Net income (loss)	<u>877,028</u>
3130	Member's equity (deficit) June 30, 2024	<u><u>\$ (3,205,440)</u></u>

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

Supplementary Information

**Statement of Cash Flows Data
Year Ended June 30, 2024**

<u>Account No.</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 3,174,703
S1200-020	Interest receipts	2,040
S1200-030	Other operating receipts	<u>225,838</u>
S1200-040	Total receipts	<u>3,402,581</u>
S1200-050	Administrative expenses paid	(59,561)
S1200-070	Management fees paid	(169,193)
S1200-090	Utilities paid	(258,291)
S1200-100	Salaries and wages paid	(204,388)
S1200-110	Operating and maintenance paid	(665,989)
S1200-120	Real estate taxes paid	(2,427)
S1200-140	Property insurance paid	(72,813)
S1200-150	Miscellaneous taxes and insurance paid	(6,800)
S1200-160	Net tenant security deposits received (paid)	606
S1200-170	Other operating expenses paid	(127,586)
S1200-180	Interest paid on first mortgage	(502,745)
S1200-210	Mortgage insurance premium paid	<u>(59,571)</u>
S1200-230	Total disbursements	<u>(2,128,758)</u>
S1200-240	Net cash provided by operating activities	<u>1,273,823</u>
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	1,347
S1200-250	Net deposits to reserve for replacements	(135)
S1200-330	Net purchases of fixed assets	<u>(9,118)</u>
S1200-350	Net cash used in investing activities	<u>(7,906)</u>
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	(397,106)
S1200-420	Distributions to member	(791,126)
S1200-430	Contributions by member	<u>1,905</u>
S1200-460	Net cash used in financing activities	<u>(1,186,327)</u>
S1200-470	Net increase in cash	79,590
S1200-480	Cash, beginning	<u>669,531</u>
S1200T	Cash, end	<u>\$ 749,121</u>

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

Supplementary Information

**Statement of Cash Flows Data
Year Ended June 30, 2024**

<u>Account No.</u>		
	Reconciliation of net income (loss) to net cash provided by operating activities	
3250	Net income (loss)	<u>\$ 877,028</u>
	Adjustments to reconcile net income (loss) to net cash provided by operating activities	
6600	Depreciation	399,061
S1200-486	Amortization of debt issuance costs	17,667
	Changes in asset and liability accounts	
	(Increase) decrease in assets	
S1200-490	Tenant accounts receivable	(154,061)
S1200-520	Prepaid expenses	591
S1200-530	Tenant security deposits funded	(2,313)
	Increase (decrease) in liabilities	
S1200-540	Accounts payable	(24,085)
S1200-560	Accrued liabilities	17,049
S1200-570	Accrued interest payable	(1,244)
S1200-580	Tenant security deposits held in trust	2,919
S1200-590	Prepaid revenue	(13,988)
S1200-605	Entity/construction liability accounts (include detail)	
S1200-606	Accounts payable- entity	<u>\$ 35,172</u>
		35,172
S1200-600	Other adjustments (include detail)	
S1200-601	Bad debts	<u>120,027</u>
		<u>120,027</u>
	Total adjustments	<u>396,795</u>
S1200-610	Net cash provided by operating activities	<u><u>\$ 1,273,823</u></u>

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

Supplementary Information
Year Ended June 30, 2024

Reserve for Replacements

<u>Account No.</u>		
1320P	Balance at June 30, 2023	\$ 188,041
1320INT	Interest income	<u>135</u>
1320	Balance at June 30, 2024	<u><u>\$ 188,176</u></u>

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

**Supplementary Information
Period Ended December 31, 2023**

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)	\$ 955,721
S1400-030	Accounts receivable - HUD	-
		<hr/>
S1400-050	Total cash	955,721
		<hr/>
S1400-060	Accrued mortgage interest payable	41,846
S1400-070	Delinquent mortgage principal payments	-
S1400-080	Delinquent deposits to reserve for replacements	-
S1400-090	Accounts payable (due within 30 days)	26,055
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)	58,255
S1400-140	Tenant security deposits liability (Account 2191)	117,644
		<hr/>
S1400-180	Less total current obligations	243,800
		<hr/>
S1400-190	Surplus cash (deficiency)	\$ 711,921
		<hr/> <hr/>
S1400-240	Amount available for distribution during next fiscal period	\$ 711,921
		<hr/> <hr/>

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

**Supplementary Information
Year Ended June 30, 2024**

Computation of Surplus Cash

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1300-010	Cash (Accounts 1120, 1170 and 1191)	\$ 867,970
1135	Accounts receivable - HUD	<u>-</u>
S1300-040	Total cash	<u>867,970</u>
S1300-050	Accrued mortgage interest payable	41,218
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	158,025
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)	51,646
2210	Prepaid revenue (Account 2210)	51,261
2191	Tenant security deposits liability (Account 2191)	118,840
S1300-110	Other current obligations (describe in detail)	
S1300-120	Accounts payable - entity	<u>\$ 99,844</u>
		<u>99,844</u>
S1300-140	Less total current obligations	<u>520,834</u>
S1300-150	Surplus cash (deficiency)	<u>\$ 347,136</u>
S1300-200	Amount available for distribution during next fiscal period	<u>\$ 347,136</u>

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

**Supplementary Information
Year Ended June 30, 2024**

Changes in Fixed Asset Accounts

	Assets			Balance 6/30/24
	Balance 6/30/23	Additions	Deletions	
Land	\$ 3,690,974	\$ -	\$ -	\$ 3,690,974
Buildings	11,060,209	9,118	-	11,069,327
Building equipment - portable	55,380	-	-	55,380
	\$ 14,806,563	\$ 9,118	\$ -	\$ 14,815,681
Accumulated depreciation	\$ 5,624,529	\$ 399,061	\$ -	\$ 6,023,590
Total net book value				\$ 8,792,091

Fixed Asset Detail

Additions to Buildings Account

Item and quantity	Amount
Building Improvements	\$ 9,118

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

**Supplementary Information
Year Ended June 30, 2024**

Detail of Accounts - Balance Sheet

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

Other	
Insurance Claims Proceeds	\$ 107,424
Interest Rebate- Build America Bonds	<u>165,520</u>
	<u><u>\$ 272,944</u></u>

Detail of Accounts - Statement of Operations

Miscellaneous Other Revenue (Account No. 5990)

Miscellaneous Income	\$ 628
Interest Rebate- Build America Bonds	<u>165,520</u>
	<u><u>\$ 166,148</u></u>

Other Information

Related party transactions detail:

Account No.	Entity name	Amount paid
S3100-210	Management fee paid to SDHC	<u><u>\$ 169,193</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, 2024, 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 25, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

CohnReznick LLP

Sacramento, California
September 25, 2024

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, 2024. 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, 2024.

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 25, 2024

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

**Schedule of Findings, Questioned Costs and Recommendations
June 30, 2024**

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, 2024**

1. Audit Report, dated September 20, 2023 for the year ended June 30, 2023, issued by CohnReznick LLP.
 - There are no open findings from the prior audit period.
2. There were no reports issued by HUD OIG or other federal agencies or contract administrators during the period covered by this audit.
3. There were no letters or reports issued by HUD management during the period covered by this audit.



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

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

June 30, 2024

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

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

June 30, 2024

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

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

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

June 30, 2024

Managing Agent's Certification

We hereby certify that we have examined the accompanying financial statements and supplementary data of Southern SDHC FHA LLC and, to the best of our knowledge and belief, the same are complete and accurate.

Managing Agent

San Diego Housing Commission

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

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, 2024, 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, 2024, 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 26, 2024 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 26, 2024

Taxpayer Identification Number:
22-1478099

Lead Auditor: Ahamadou Alainchar Bocar, CPA

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

Balance Sheet
June 30, 2024

Assets

Current assets	
Cash - operations	\$ 1,223,823
Tenant accounts receivable	48,985
Allowance for doubtful accounts	(6,677)
Accounts receivable - HUD	849
Accounts and notes receivable - operations	172,285
Prepaid expenses	28,386
	<hr/>
Total current assets	1,467,651
	<hr/>
Deposits held in trust - funded	
Tenant deposits	224,256
	<hr/>
Restricted deposits and funded reserves	
Escrow deposits	76,002
Reserve for replacements	461,808
	<hr/>
Total restricted deposits and funded reserves	537,810
	<hr/>
Rental property	
Land	3,682,655
Building and improvements	13,202,837
Dwelling equipment	185,617
	<hr/>
	17,071,109
Less accumulated depreciation	(6,217,732)
	<hr/>
Total rental property	10,853,377
	<hr/>
Total assets	\$ 13,083,094
	<hr/> <hr/>

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

Balance Sheet
June 30, 2024

Liabilities and Member's Equity (Deficit)

Current liabilities	
Accounts payable - operations	\$ 865,203
Accrued wages payable	50,809
Accrued management fee payable	23,591
Accrued interest payable - first mortgage	58,922
Mortgage payable - first mortgage (short-term)	589,391
Prepaid revenue	<u>68,712</u>
Total current liabilities	<u>1,656,628</u>
Deposits liability	
Tenant deposits held in trust (contra)	<u>224,240</u>
Long-term liabilities	
Mortgage payable - first mortgage, net	<u>17,873,063</u>
Total long-term liabilities	<u>17,873,063</u>
Total liabilities	<u>19,753,931</u>
Member's equity (deficit)	<u>(6,670,837)</u>
Total liabilities and member's equity (deficit)	<u><u>\$ 13,083,094</u></u>

See Notes to Financial Statements.

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

Statement of Operations
Year Ended June 30, 2024

Rental revenue	
Rent revenue - gross potential	\$ 4,013,104
Tenant assistance payments	<u>1,548,421</u>
Total rental revenue	<u>5,561,525</u>
Vacancies	
Apartments	(63,600)
Rental concessions	<u>(12,504)</u>
Total vacancies	<u>(76,104)</u>
Net rental revenue	<u>5,485,421</u>
Financial revenue	
Financial revenue - project operations	3,187
Revenue from investments - replacement reserve	<u>331</u>
Total financial revenue	<u>3,518</u>
Other revenue	
Laundry and vending	47,764
Tenant charges	32,660
Miscellaneous revenue	<u>236,617</u>
Total other revenue	<u>317,041</u>
Total revenue	<u>5,805,980</u>

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

**Statement of Operations
Year Ended June 30, 2024**

Administrative expenses	
Management consultants	726
Other renting expenses	1,746
Office salaries	169,416
Office expenses	29,032
Management fee	275,768
Administrative rent free unit	38,501
Legal expense - project	35,978
Auditing expense	14,083
Bad debts	164,922
Miscellaneous administrative expenses	39,032
	<hr/>
Total administrative expenses	769,204
	<hr/>
Utilities expense	
Electricity	29,522
Water	236,038
Gas	66,543
Sewer	105,337
	<hr/>
Total utilities expense	437,440
	<hr/>
Operating and maintenance expenses	
Payroll	198,097
Supplies	60,456
Contracts	702,814
Garbage and trash removal	77,480
Security payroll/contract	50,772
Vehicle and maintenance equipment operation and repairs	9,089
	<hr/>
Total operating and maintenance expenses	1,098,708
	<hr/>

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

Statement of Operations
Year Ended June 30, 2024

Taxes and insurance	
Property and liability insurance	128,046
Workmen's compensation	22,805
Health insurance and other employee benefits	149,952
Miscellaneous taxes, licenses, permits and insurance	<u>12,590</u>
Total taxes and insurance	<u>313,393</u>
Financial expenses	
Interest on first mortgage payable	741,127
Mortgage insurance premium/service charge	<u>86,003</u>
Total financial expenses	<u>827,130</u>
Total cost of operations before depreciation	<u>3,445,875</u>
Income (loss) before depreciation	<u>2,360,105</u>
Depreciation	
Depreciation expense	<u>521,694</u>
Total depreciation	<u>521,694</u>
Total expenses	<u>3,967,569</u>
Net income (loss)	<u><u>\$ 1,838,411</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, 2024

Member's equity (deficit), June 30, 2023	\$ (8,214,992)
Distributions	(1,749,806)
Contributions	1,455,550
Net income (loss)	<u>1,838,411</u>
Member's equity (deficit), June 30, 2024	<u><u>\$ (6,670,837)</u></u>

See Notes to Financial Statements.

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

Statement of Cash Flows
Year Ended June 30, 2024

Cash flows from operating activities	
Rental receipts	\$ 5,203,132
Interest receipts	3,518
Other operating receipts	<u>232,568</u>
Total receipts	<u>5,439,218</u>
Administrative expenses paid	(36,124)
Management fees paid	(274,489)
Utilities paid	(437,440)
Salaries and wages paid	(406,426)
Operating and maintenance paid	(1,463,805)
Property insurance paid	(128,046)
Miscellaneous taxes and insurance paid	(12,590)
Net tenant security deposits received (paid)	3,710
Other operating expenses paid	(172,757)
Interest paid on first mortgage	(718,690)
Mortgage insurance premium paid	<u>(85,158)</u>
Total disbursements	<u>(3,731,815)</u>
Net cash provided by operating activities	<u>1,707,403</u>
Cash flows from investing activities	
Net withdrawals from mortgage escrows	1,927
Net deposits to reserve for replacements	(17,090)
Net purchases of fixed assets	<u>(849,414)</u>
Net cash used in investing activities	<u>(864,577)</u>
Cash flows from financing activities	
Mortgage principal payments - first mortgage	(567,673)
Distributions to sole member	(1,749,806)
Contributions by sole member	<u>1,455,550</u>
Net cash used in financing activities	<u>(861,929)</u>
Net decrease in cash and restricted cash	(19,103)
Cash and restricted cash, beginning	<u>1,467,182</u>
Cash and restricted cash, end	<u><u>\$ 1,448,079</u></u>

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

Statement of Cash Flows
Year Ended June 30, 2024

Reconciliation of net income (loss) to net cash provided by operating activities	
Net income (loss)	<u>\$ 1,838,411</u>
Adjustments to reconcile net income (loss) to net cash provided by operating activities	
Depreciation	521,694
Amortization of debt issuance costs	24,216
Bad debts	164,922
Changes in asset and liability accounts	
(Increase) decrease in assets	
Tenant accounts receivable	(215,108)
Accounts receivable - other	(849)
Prepaid expenses	845
Increase (decrease) in liabilities	
Accounts payable	(613,966)
Accrued liabilities	13,138
Accrued interest payable	(1,779)
Tenant security deposits held in trust	3,710
Prepaid revenue	<u>(27,831)</u>
 Total adjustments	 <u>(131,008)</u>
 Net cash provided by operating activities	 <u><u>\$ 1,707,403</u></u>
 Significant noncash investing and financing activities	
Increase in rental property included in accounts payable	<u><u>\$ 664,856</u></u>
 Total	 <u><u>\$ 664,856</u></u>

See Notes to Financial Statements.

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

Notes to Financial Statements
June 30, 2024

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 \$6,677.

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, 2024

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, 2024.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Rental revenue

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

Income taxes

The Company is a single member limited liability company and is a disregarded entity for federal income tax purposes and, as such, is not subject to income taxes. The Company's federal tax status as a pass-through entity is based on its legal status as a single member limited liability company. SDHC, the sole member of the Company, is a state agency which is exempt from filing any income tax returns. Accordingly, these financial statements do not reflect a provision for income taxes and the Company has no other tax positions which must be considered for disclosure.

Advertising costs

Advertising and marketing costs are expensed as incurred.

Use of estimates

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

Note 3 - Restricted deposits and funded reserves

Escrow deposits

Under agreements with the mortgage lender and HUD, the Company is required to make monthly deposits to escrow accounts. Funds deposited are used to pay mortgage insurance premiums. As of June 30, 2024, the balance in the escrow deposits is \$76,002.

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. In a prior year, the Company suspended making 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. During the year ended June 30, 2024, the Company resumed making deposits to the replacement reserve. As of June 30, 2024, the balance in the reserve for replacements is \$461,808.

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

Notes to Financial Statements
June 30, 2024

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, 2024, the outstanding principal and accrued interest is \$18,804,839 and \$58,922, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$342,385 as of June 30, 2024, 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 \$24,216 for the year ended June 30, 2024, 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, 2024, the Company received BABs interest rebate of \$236,617, 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, 2024 are as follows:

	2025	\$	589,391
	2026		611,938
	2027		635,347
	2028		659,652
	2029		684,887
	Thereafter		<u>15,623,624</u>
	Subtotal		18,804,839
	Less unamortized debt issuance costs		<u>(342,385)</u>
	Total	\$	<u><u>18,462,454</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, 2024, management fees of \$275,768 were incurred and charged to operations, of which \$23,591 remain payable at June 30, 2024.

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

Notes to Financial Statements
June 30, 2024

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	\$ 1,223,823
Tenant deposits	<u>224,256</u>
Total cash and restricted cash shown in the statement of cash flows	<u><u>\$ 1,448,079</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, 2024, the Company recognized housing assistance payments revenue amounting to \$1,548,421.

Note 8 - Concentration of credit risk

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

Cash deposits are secured by pledging securities as collateral. Collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits are considered to be held in SDHC's name. The fair value of pledged securities must equal at least 110% of SDHC's cash deposits. California law also allows institutions to secure SDHC deposits by pledging first trust deed mortgage notes having a value of 150% of SDHC's total cash deposits. SDHC may waive collateral requirements for cash deposits that are fully insured by the Federal Deposit Insurance Corporation.

The Company believes that no significant concentration of credit risks exists with respect to these cash balances at June 30, 2024.

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.

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

Notes to Financial Statements
June 30, 2024

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 26, 2024 (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, 2024

<u>Account No.</u>	<u>Assets</u>		
Current assets			
1120	Cash - operations		\$ 1,223,823
1130	Tenant accounts receivable	\$ 48,985	
1131	Allowance for doubtful accounts	(6,677)	
1130N	Net tenants accounts receivable		42,308
1135	Accounts receivable - HUD		849
1140	Accounts and notes receivable - operations		172,285
1200	Prepaid expenses		<u>28,386</u>
1100T	Total current assets		1,467,651
Deposits held in trust - funded			
1191	Tenant deposits		224,256
Restricted deposits and funded reserves			
1310	Escrow deposits	76,002	
1320	Reserve for replacements	<u>461,808</u>	
1300T	Total deposits		537,810
Rental property			
1410	Land	3,682,655	
1420	Buildings	13,202,837	
1470	Maintenance equipment	<u>185,617</u>	
1400T	Total fixed assets	17,071,109	
1495	Less accumulated depreciation	<u>(6,217,732)</u>	
1400N	Net fixed assets		<u>10,853,377</u>
1000T	Total assets		<u><u>\$ 13,083,094</u></u>

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

Supplementary Information

**Balance Sheet Data
June 30, 2024**

		<u>Liabilities and Member's Equity (Deficit)</u>	
<u>Account No.</u>			
Current liabilities			
2110	Accounts payable - operations	\$	865,203
2120	Accrued wages payable		50,809
2123	Accrued management fee payable		23,591
2131	Accrued interest payable - first mortgage		58,922
2170	Mortgage payable - first mortgage (short-term)		589,391
2210	Prepaid revenue		<u>68,712</u>
2122T	Total current liabilities		1,656,628
Deposits liability			
2191	Tenant deposits held in trust (contra)		224,240
Long-term liabilities			
2320	Mortgage payable - first mortgage	<u>\$ 17,873,063</u>	
2300T	Total long-term liabilities		<u>17,873,063</u>
2000T	Total liabilities		19,753,931
3130	Member's equity (deficit)		<u>(6,670,837)</u>
2033T	Total liabilities and member's equity (deficit)	<u>\$</u>	<u>13,083,094</u>

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

Supplementary Information

**Statement of Operations Data
Year Ended June 30, 2024**

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 4,013,104	
5121	Tenant assistance payments	<u>1,548,421</u>	
5100T	Total rental revenue		\$ 5,561,525
Vacancies			
5220	Apartments	(63,600)	
5250	Rental concessions	<u>(12,504)</u>	
5200T	Total vacancies		<u>(76,104)</u>
5152N	Net rental revenue		5,485,421
Financial revenue			
5410	Financial revenue - project operations	3,187	
5440	Revenue from investments - replacement reserve	<u>331</u>	
5400T	Total financial revenue		3,518
Other revenue			
5910	Laundry and vending	47,764	
5920	Tenant charges	32,660	
5990	Miscellaneous revenue	<u>236,617</u>	
5900T	Total other revenue		<u>317,041</u>
5000T	Total revenue		<u>5,805,980</u>

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

Supplementary Information

**Statement of Operations Data
Year Ended June 30, 2024**

<u>Account No.</u>			
Taxes and insurance			
6720	Property and liability insurance	128,046	
6722	Workmen's compensation	22,805	
6723	Health insurance and other employee benefits	149,952	
6790	Miscellaneous taxes, licenses, permits and insurance	<u>12,590</u>	
6700T	Total taxes and insurance		<u>313,393</u>
Financial expenses			
6820	Interest on first mortgage payable	741,127	
6850	Mortgage insurance premium/service charge	<u>86,003</u>	
6800T	Total financial expenses		<u>827,130</u>
6000T	Total cost of operations before depreciation		<u>3,445,875</u>
5060T	Income (loss) before depreciation		<u>2,360,105</u>
Depreciation			
6600	Depreciation expense	<u>521,694</u>	
	Total depreciation		<u>521,694</u>
5060N	Operating income (loss)		<u>1,838,411</u>
	Total expenses		<u>3,967,569</u>
3250	Net income (loss)		<u>\$ 1,838,411</u>

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

Supplementary Information

**Statement of Operations Data
Year Ended June 30, 2024**

<u>Account No.</u>	
S1000-010	Total first mortgage (or bond) principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.
	<u>\$ 567,673</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>\$ 67,500</u>
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations.
	<u>\$ 50,742</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, 2024

<u>Account No.</u>		<u>Total</u>
S1100-010	Member's equity (deficit) June 30, 2023	\$ (8,214,992)
S1200-420	Distributions	(1,749,806)
S1200-430	Contributions	1,455,550
3250	Net income (loss)	<u>1,838,411</u>
3130	Member's equity (deficit) June 30, 2024	<u>\$ (6,670,837)</u>

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

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2024

<u>Account No.</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 5,203,132
S1200-020	Interest receipts	3,518
S1200-030	Other operating receipts	<u>232,568</u>
S1200-040	Total receipts	<u>5,439,218</u>
S1200-050	Administrative expenses paid	(36,124)
S1200-070	Management fees paid	(274,489)
S1200-090	Utilities paid	(437,440)
S1200-100	Salaries and wages paid	(406,426)
S1200-110	Operating and maintenance paid	(1,463,805)
S1200-140	Property insurance paid	(128,046)
S1200-150	Miscellaneous taxes and insurance paid	(12,590)
S1200-160	Net tenant security deposits received (paid)	11
S1200-170	Other operating expenses paid	(172,757)
S1200-180	Interest paid on first mortgage	(718,690)
S1200-210	Mortgage insurance premium paid	<u>(85,158)</u>
S1200-230	Total disbursements	<u>(3,735,514)</u>
S1200-240	Net cash provided by operating activities	<u>1,703,704</u>
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	1,927
S1200-250	Net deposits to reserve for replacements	(17,090)
S1200-330	Net purchases of fixed assets	<u>(849,414)</u>
S1200-350	Net cash used in investing activities	<u>(864,577)</u>
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	(567,673)
S1200-420	Distributions to member	(1,749,806)
S1200-430	Contributions by member	<u>1,455,550</u>
S1200-460	Net cash used in financing activities	<u>(861,929)</u>
S1200-470	Net decrease in cash	(22,802)
S1200-480	Cash, beginning	<u>1,246,625</u>
S1200T	Cash, end	<u><u>\$ 1,223,823</u></u>

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

Supplementary Information

**Statement of Cash Flows Data
Year Ended June 30, 2024**

<u>Account No.</u>			
	Reconciliation of net income (loss) to net cash provided by operating activities		
3250	Net income (loss)		<u>\$ 1,838,411</u>
	Adjustments to reconcile net income (loss) to net cash provided by operating activities		
6600	Depreciation		521,694
S1200-486	Amortization of debt issuance costs		24,216
	Changes in asset and liability accounts		
	(Increase) decrease in assets		
S1200-490	Tenant accounts receivable		(215,108)
S1200-500	Accounts receivable - other		(849)
S1200-520	Prepaid expenses		845
S1200-530	Tenant security deposits funded		(3,699)
	Increase (decrease) in liabilities		
S1200-540	Accounts payable		(613,966)
S1200-560	Accrued liabilities		13,138
S1200-570	Accrued interest payable		(1,779)
S1200-580	Tenant security deposits held in trust		3,710
S1200-590	Prepaid revenue		(27,831)
S1200-600	Other adjustments (include detail)		
S1200-601	Bad debts	<u>\$ 164,922</u>	
			<u>164,922</u>
	Total adjustments		<u>(134,707)</u>
S1200-610	Net cash provided by operating activities		<u>\$ 1,703,704</u>
S1200-620	Comments		
	Increase in rental property included in accounts payable		<u>\$ 664,856</u>

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

Supplementary Information
Year Ended June 30, 2024

Reserve for Replacements

<u>Account No.</u>		
1320P	Balance at June 30, 2023	\$ 444,718
1320DT	Total monthly deposits	67,500
1320INT	Interest income	331
1320WT	Approved withdrawals	<u>(50,741)</u>
1320	Balance at June 30, 2024	<u><u>\$ 461,808</u></u>

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

**Supplementary Information
Period Ended December 31, 2023**

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)	\$ 2,078,937
S1400-030	Accounts receivable - HUD	<u>3,712</u>
S1400-050	Total cash	<u>2,082,649</u>
S1400-060	Accrued mortgage interest payable	59,820
S1400-070	Delinquent mortgage principal payments	-
S1400-080	Delinquent deposits to reserve for replacements	-
S1400-090	Accounts payable (due within 30 days)	39,723
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)	79,169
S1400-140	Tenant security deposits liability (Account 2191)	<u>222,882</u>
S1400-180	Less total current obligations	<u>401,594</u>
S1400-190	Surplus cash (deficiency)	<u>\$ 1,681,055</u>
S1400-240	Amount available for distribution during next fiscal period	<u><u>\$ 1,681,055</u></u>

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

**Supplementary Information
Year Ended June 30, 2024**

Computation of Surplus Cash

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1300-010	Cash (Accounts 1120, 1170 and 1191)	\$ 1,448,079
1135	Accounts receivable - HUD	849
		<hr/>
S1300-040	Total cash	1,448,928
		<hr/>
S1300-050	Accrued mortgage interest payable	58,922
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	865,203
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)	74,400
2210	Prepaid revenue (Account 2210)	68,712
2191	Tenant security deposits liability (Account 2191)	224,240
		<hr/>
S1300-140	Less total current obligations	1,291,477
		<hr/>
S1300-150	Surplus cash (deficiency)	\$ 157,451
		<hr/> <hr/>
S1300-200	Amount available for distribution during next fiscal period	\$ 157,451
		<hr/> <hr/>

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

Supplementary Information
Year Ended June 30, 2024

Changes in Fixed Asset Accounts

	Assets			Balance 6/30/24
	Balance 6/30/23	Additions	Deletions	
Land	\$ 3,682,655	\$ -	\$ -	\$ 3,682,655
Buildings	11,523,864	1,678,973	-	13,202,837
Maintenance equipment	153,054	32,563	-	185,617
Miscellaneous fixed assets	197,266	-	197,266	-
	<u>\$ 15,556,839</u>	<u>\$ 1,711,536</u>	<u>\$ 197,266</u>	<u>\$ 17,071,109</u>
Accumulated depreciation	<u>\$ 5,696,038</u>	<u>\$ 521,694</u>	<u>\$ -</u>	<u>\$ 6,217,732</u>
Total net book value				<u>\$ 10,853,377</u>

Fixed Asset Detail

Additions to Buildings Account

Item and quantity	Amount
Plumbing Re-Pipe - Phases 3, 4 and 5	<u>\$ 1,678,973</u>

Additions to Maintenance Equipment Account

Item and quantity	Amount
Backflow device replacements and water heater	<u>\$ 32,563</u>

Deductions from Miscellaneous Fixed Assets Account

Item and quantity	Amount
Place in Service Alaquinas Plumbing Repipe Phase 3, 4 and 5	<u>\$ 197,266</u>

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

**Supplementary Information
Year Ended June 30, 2024**

Detail of Accounts - Balance Sheet

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

Other		
Interest Rebate - Build America Bonds		\$ 144,719
E & F Insurance claim		<u>27,566</u>
		<u><u>\$ 172,285</u></u>

Detail of Accounts - Statement of Operations

Miscellaneous Other Revenue (Account No. 5990)

Interest Rebate - Build America Bond	<u>\$ 236,617</u>
--------------------------------------	-------------------

Other Information

Related party transactions detail:

Account No.	Entity name	Amount paid
S3100-210	Management fee paid to SDHC	<u>\$ 274,489</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, 2024, 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 26, 2024.

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.

CohnReznick LLP

Sacramento, California
September 26, 2024

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, 2024. 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, 2024.

Basis for Opinion on the Major HUD Program

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

We are required to be independent of Southern SDHC FHA LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that our audit provides a reasonable basis for our opinion on compliance for the major HUD program. Our audit does not provide a legal determination of Southern SDHC FHA LLC's compliance.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

CohnReznick LLP

Sacramento, California
September 26, 2024

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

**Schedule of Findings, Questioned Costs and Recommendations
June 30, 2024**

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, 2024**

1. Audit Report, dated September 21, 2023, for the year ended June 30, 2023, 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 May 28, 2024, 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 96. There were no other letters or reports issued by HUD management during the period covered by this audit.



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

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

June 30, 2024

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

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

June 30, 2024

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

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

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

June 30, 2024

Managing Agent's Certification

We hereby certify that we have examined the accompanying financial statements and supplementary data of Central SDHC FHA LLC and, to the best of our knowledge and belief, the same are complete and accurate.

Managing Agent

San Diego Housing Commission

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

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, 2024, 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, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

Other Matters

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2024 on our consideration of Central SDHC FHA LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Central SDHC FHA LLC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central SDHC FHA LLC's internal control over financial reporting and compliance.

CohnReznick LLP

Sacramento, California
September 25, 2024

Taxpayer Identification Number:
22-1478099

Lead Auditor: Ahamadou Alainchar Bocar, CPA

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

Balance Sheet
June 30, 2024

Assets

Current assets	
Cash - operations	\$ 762,774
Tenant accounts receivable	259,743
Allowance for doubtful accounts	(34,547)
Accounts receivable - HUD	3,291
Accounts and notes receivable - operations	1,673
Prepaid expenses	<u>22,195</u>
Total current assets	<u>1,015,129</u>
Deposits held in trust - funded	
Tenant deposits	<u>166,566</u>
Restricted deposits and funded reserves	
Escrow deposits	43,001
Reserve for replacements	<u>319,022</u>
Total restricted deposits and funded reserves	<u>362,023</u>
Rental property	
Land	3,852,360
Buildings	9,961,167
Maintenance equipment	<u>103,065</u>
	13,916,592
Less accumulated depreciation	<u>(4,919,341)</u>
Total rental property	<u>8,997,251</u>
Total assets	<u><u>\$ 10,540,969</u></u>

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

Balance Sheet
June 30, 2024

Liabilities and Member's Equity (Deficit)

Current liabilities	
Accounts payable - operations	\$ 193,730
Accounts payable - entity	197,612
Accrued wages payable	54,463
Accrued management fee payable	18,456
Accrued interest payable - first mortgage	35,868
Mortgage payable - first mortgage (short-term)	372,190
Prepaid revenue	<u>36,946</u>
Total current liabilities	<u>909,265</u>
Deposits liability	
Tenant deposits held in trust (contra)	<u>166,554</u>
Long-term liabilities	
Mortgage payable - first mortgage, net	<u>11,191,746</u>
Total long-term liabilities	<u>11,191,746</u>
Total liabilities	<u>12,267,565</u>
Contingency	-
Member's equity (deficit)	<u>(1,726,596)</u>
Total liabilities and member's equity (deficit)	<u>\$ 10,540,969</u>

See Notes to Financial Statements.

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

Statement of Operations
Year Ended June 30, 2024

Rental revenue	
Rent revenue - gross potential	\$ 3,261,239
Tenant assistance payments	<u>1,288,836</u>
Total rental revenue	<u>4,550,075</u>
Vacancies	
Apartments	<u>(218,967)</u>
Total vacancies	<u>(218,967)</u>
Net rental revenue	<u>4,331,108</u>
Financial revenue	
Financial revenue - project operations	1,233
Revenue from investments - replacement reserve	<u>240</u>
Total financial revenue	<u>1,473</u>
Other revenue	
Laundry and vending	21,016
Tenant charges	<u>35,366</u>
Total other revenue	<u>56,382</u>
Total revenue	<u>4,388,963</u>

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

Statement of Operations
Year Ended June 30, 2024

Administrative expenses	
Other renting expenses	11,528
Office salaries	192,678
Office expenses	21,960
Management fee	218,069
Administrative rent free unit	26,113
Legal expense - project	33,514
Auditing expense	14,084
Bad debts	413,096
Miscellaneous administrative expenses	3,736
	<hr/>
Total administrative expenses	934,778
	<hr/>
Utilities expense	
Electricity	23,616
Water	281,407
Gas	56,905
Sewer	142,334
	<hr/>
Total utilities expense	504,262
	<hr/>
Operating and maintenance expenses	
Payroll	207,920
Supplies	115,681
Contracts	640,891
Garbage and trash removal	71,966
Security payroll/contract	58,543
Vehicle and maintenance equipment operation and repairs	5,473
Miscellaneous operating and maintenance expenses	529
	<hr/>
Total operating and maintenance expenses	1,101,003
	<hr/>

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

Statement of Operations
Year Ended June 30, 2024

Taxes and insurance	
Real estate taxes	1,313
Property and liability insurance	93,090
Workmen's compensation	23,611
Health insurance and other employee benefits	163,981
Miscellaneous taxes, licenses, permits and insurance	<u>6,800</u>
Total taxes and insurance	<u>288,795</u>
Financial expenses	
Interest on first mortgage payable	452,605
Mortgage insurance premium/service charge	<u>53,938</u>
Total financial expenses	<u>506,543</u>
Total cost of operations before depreciation	<u>3,335,381</u>
Income (loss) before depreciation	<u>1,053,582</u>
Depreciation	
Depreciation expense	<u>419,605</u>
Total depreciation	<u>419,605</u>
Total expenses	<u>3,754,986</u>
Net income (loss)	<u><u>\$ 633,977</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, 2024

Member's equity (deficit) June 30, 2023	\$ (1,630,627)
Distributions	(729,946)
Net income (loss)	<u>633,977</u>
Member's equity (deficit) June 30, 2024	<u><u>\$ (1,726,596)</u></u>

See Notes to Financial Statements.

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

Statement of Cash Flows
Year Ended June 30, 2024

Cash flows from operating activities	
Rental receipts	\$ 3,899,364
Interest receipts	1,473
Other operating receipts	<u>56,382</u>
Total receipts	<u>3,957,219</u>
Administrative expenses paid	(157,254)
Management fees paid	(217,449)
Utilities paid	(662,078)
Salaries and wages paid	(434,947)
Operating and maintenance paid	(768,612)
Real estate taxes paid	(1,313)
Property insurance paid	(93,090)
Miscellaneous taxes and insurance paid	(6,800)
Net tenant security deposits received (paid)	(396)
Other operating expenses paid	(187,592)
Interest paid on first mortgage	(437,554)
Mortgage insurance premium paid	<u>(53,268)</u>
Total disbursements	<u>(3,020,353)</u>
Net cash provided by operating activities	<u>936,866</u>
Cash flows from investing activities	
Net withdrawals from mortgage escrows	1,097
Net deposits to reserve for replacements	<u>(4,400)</u>
Net cash used in investing activities	<u>(3,303)</u>
Cash flows from financing activities	
Mortgage principal payments - first mortgage	(358,870)
Distributions to sole member	<u>(729,946)</u>
Net cash used in financing activities	<u>(1,088,816)</u>
Net decrease in cash and restricted cash	(155,253)
Cash and restricted cash, beginning	<u>1,084,593</u>
Cash and restricted cash, end	<u><u>\$ 929,340</u></u>

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

Statement of Cash Flows
Year Ended June 30, 2024

Reconciliation of net income (loss) to net cash provided by operating activities	
Net income (loss)	\$ 633,977
Adjustments to reconcile net income (loss) to net cash provided by operating activities	
Depreciation	419,605
Amortization of debt issuance costs	16,143
Bad debts	413,096
Changes in asset and liability accounts	
(Increase) decrease in assets	
Tenant accounts receivable	(387,535)
Accounts receivable - other	(2,411)
Prepaid expenses	670
Increase (decrease) in liabilities	
Accounts payable	(230,248)
Accrued liabilities	24,814
Accrued interest payable	(1,092)
Tenant security deposits held in trust	(396)
Prepaid revenue	(15,685)
Entity/construction liability accounts (include detail)	
Accounts payable - entity	65,928
	302,889
Total adjustments	302,889
Net cash provided by operating activities	\$ 936,866

See Notes to Financial Statements.

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

Notes to Financial Statements
June 30, 2024

Note 1 - Organization and nature of operations

Central SDHC FHA LLC (the "Company") was formed as a limited liability company under the laws of the State of California on July 13, 2010 for the purpose of owning and operating rental housing projects under Section 207, pursuant to Section 223(f) of the National Housing Act as regulated by the U.S. Department of Housing and Urban Development ("HUD") and is subject to restrictions as to the operating policies, rental charges, operating expenditures and distributions to the sole member. The Company has executed a limited liability company operating agreement (the "operating agreement") dated August 20, 2010. The Company properties, which consist of 22 apartment complexes totaling 234 units, are located in San Diego, California (the "Projects"). The Company began operation in September 2010. The Projects are currently operating under the name of SDHC Central Portfolio.

The Company is wholly owned by San Diego Housing Commission ("SDHC"). The Company is also a blended component unit of SDHC.

The Company will continue to operate until July 13, 2065, unless dissolved earlier in accordance with the operating agreement.

Cash distributions are limited by agreements between the Company and HUD to the extent of surplus cash as defined by HUD.

Note 2 - Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, income is recognized as earned and expensed as incurred, regardless of the timing of payments.

Tenant accounts receivable

Tenant accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on the historical collection experience and a review of the current status of tenants' accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2024, the allowance for doubtful accounts is \$34,547.

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, 2024

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, 2024.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Rental revenue

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

Income taxes

The Company is a single member limited liability company and is a disregarded entity for income tax purposes and is not subject to income taxes. The Company's federal tax status as a disregarded entity is based on its legal status as a single member limited liability company. SDHC, the sole member of the Company, is a state agency which is exempt from filing any income tax returns. Accordingly, these financial statements do not reflect a provision for income taxes and the Company has no other tax positions which must be considered for disclosure.

Advertising costs

Advertising and marketing costs are expensed as incurred.

Use of estimates

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

Note 3 - Restricted deposits and funded reserves

Escrow deposits

Under agreements with the mortgage lender and HUD, the Company is required to make monthly deposits to escrow accounts. Funds deposited are used to pay mortgage insurance premiums. As of June 30, 2024, the balance in the escrow deposits is \$43,001.

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, 2024, the Company resumed making monthly deposits to the replacement reserve. In a prior year, the lender and HUD approved a waiver of the deposit requirement as long as the replacement reserve balance exceeds \$1,000 per unit or \$234,000. As of June 30, 2024, the balance in the reserve for replacements is \$319,022.

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

Notes to Financial Statements
June 30, 2024

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, 2024, the outstanding principal and accrued interest is \$11,792,290 and \$35,868, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$228,354 as of June 30, 2024, 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 \$16,143 for the year ended June 30, 2024 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, 2024 are as follows:

2025	\$	372,190
2026		386,004
2027		400,332
2028		415,191
2029		430,601
Thereafter		<u>9,787,972</u>
Subtotal		11,792,290
Less unamortized debt issuance costs		<u>(228,354)</u>
Total	\$	<u><u>11,563,936</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, 2024, management fees of \$218,069 were incurred and charged to operations. As of June 30, 2024, management fees of \$18,456 remain payable.

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

Notes to Financial Statements
June 30, 2024

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	\$ 762,774
Tenant deposits	<u>166,566</u>
Total cash and restricted cash shown in the statement of cash flows	<u>\$ 929,340</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, 2024, the Company recognized housing assistance payments revenue amounting to \$1,288,836.

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, 2024, \$197,612 is due.

Note 9 - Concentration of credit risk

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

Cash deposits are secured by pledging securities as collateral. Collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits are considered to be held in SDHC's name. The fair value of pledged securities must equal at least 110% of SDHC's cash deposits. California law also allows institutions to secure SDHC deposits by pledging first trust deed mortgage notes having a value of 150% of SDHC's total cash deposits. SDHC may waive collateral requirements for cash deposits that are fully insured by the Federal Deposit Insurance Corporation.

The Company believes that no significant concentration of credit risks exists with respect to these cash balances at June 30, 2024.

Note 10 - Current vulnerability due to certain concentrations

The Company's principal assets consist of 234 units within various apartment projects. The Company's operations are concentrated in the multifamily real estate market. In addition, the Company operates in a heavily regulated environment. The operations of the Company are subject

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

Notes to Financial Statements
June 30, 2024

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 25, 2024, 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, 2024**

<u>Account No.</u>	<u>Assets</u>		
Current assets			
1120	Cash - operations		\$ 762,774
1130	Tenant accounts receivable	\$ 259,743	
1131	Allowance for doubtful accounts	<u>(34,547)</u>	
1130N	Net tenants accounts receivable		225,196
1135	Accounts receivable - HUD		3,291
1140	Accounts and notes receivable - operations		1,673
1200	Prepaid expenses		<u>22,195</u>
1100T	Total current assets		1,015,129
Deposits held in trust - funded			
1191	Tenant deposits		166,566
Restricted deposits and funded reserves			
1310	Escrow deposits	43,001	
1320	Reserve for replacements	<u>319,022</u>	
1300T	Total deposits		362,023
Rental property			
1410	Land	3,852,360	
1420	Buildings	9,961,167	
1470	Maintenance equipment	<u>103,065</u>	
1400T	Total fixed assets	13,916,592	
1495	Less accumulated depreciation	<u>(4,919,341)</u>	
1400N	Net fixed assets		<u>8,997,251</u>
1000T	Total assets		<u><u>\$ 10,540,969</u></u>

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

Supplementary Information

Balance Sheet Data
June 30, 2024

Liabilities and Member's Equity (Deficit)

<u>Account No.</u>			
<u>Current liabilities</u>			
2110	Accounts payable - operations		\$ 193,730
2113	Accounts payable - entity		197,612
2120	Accrued wages payable		54,463
2123	Accrued management fee payable		18,456
2131	Accrued interest payable - first mortgage		35,868
2170	Mortgage payable - first mortgage (short-term)		372,190
2210	Prepaid revenue		<u>36,946</u>
2122T	Total current liabilities		909,265
<u>Deposits liability</u>			
2191	Tenant deposits held in trust (contra)		166,554
<u>Long-term liabilities</u>			
2320	Mortgage payable - first mortgage	<u>\$ 11,191,746</u>	
2300T	Total long-term liabilities		<u>11,191,746</u>
2000T	Total liabilities		12,267,565
3130	Member's equity (deficit)		<u>(1,726,596)</u>
2033T	Total liabilities and member's equity (deficit)		<u><u>\$ 10,540,969</u></u>

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2024

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 3,261,239	
5121	Tenant assistance payments	<u>1,288,836</u>	
5100T	Total rental revenue		\$ 4,550,075
Vacancies			
5220	Apartments	<u>(218,967)</u>	
5200T	Total vacancies		<u>(218,967)</u>
5152N	Net rental revenue		4,331,108
Financial revenue			
5410	Financial revenue - project operations	1,233	
5440	Revenue from investments - replacement reserve	<u>240</u>	
5400T	Total financial revenue		1,473
Other revenue			
5910	Laundry and vending	21,016	
5920	Tenant charges	<u>35,366</u>	
5900T	Total other revenue		<u>56,382</u>
5000T	Total revenue		<u>4,388,963</u>

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

Supplementary Information

**Statement of Operations Data
Year Ended June 30, 2024**

<u>Account No.</u>			
Administrative expenses			
6250	Other renting expenses	11,528	
6310	Office salaries	192,678	
6311	Office expenses	21,960	
6320	Management fee	218,069	
6331	Administrative rent free unit	26,113	
6340	Legal expense - project	33,514	
6350	Auditing expense	14,084	
6370	Bad debts	413,096	
6390	Miscellaneous administrative expenses	3,736	
6263T	Total administrative expenses		934,778
Utilities expense			
6450	Electricity	23,616	
6451	Water	281,407	
6452	Gas	56,905	
6453	Sewer	142,334	
6400T	Total utilities expense		504,262
Operating and maintenance expenses			
6510	Payroll	207,920	
6515	Supplies	115,681	
6520	Contracts	640,891	
6525	Garbage and trash removal	71,966	
6530	Security payroll/contract	58,543	
6570	Vehicle and maintenance equipment operation and repairs	5,473	
6590	Miscellaneous operating and maintenance expenses	529	
6500T	Total operating and maintenance expenses		1,101,003

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2024

<u>Account No.</u>			
Taxes and insurance			
6710	Real estate taxes	1,313	
6720	Property and liability insurance	93,090	
6722	Workmen's compensation	23,611	
6723	Health insurance and other employee benefits	163,981	
6790	Miscellaneous taxes, licenses, permits and insurance	<u>6,800</u>	
6700T	Total taxes and insurance		288,795
Financial expenses			
6820	Interest on first mortgage payable	452,605	
6850	Mortgage insurance premium/service charge	<u>53,938</u>	
6800T	Total financial expenses		<u>506,543</u>
6000T	Total cost of operations before depreciation		<u>3,335,381</u>
5060T	Income (loss) before depreciation		<u>1,053,582</u>
Depreciation			
6600	Depreciation expense	<u>419,605</u>	
	Total depreciation		<u>419,605</u>
5060N	Operating income (loss)		<u>633,977</u>
	Total expenses		<u>3,754,986</u>
3250	Net income (loss)		<u><u>\$ 633,977</u></u>

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2024

<u>Account No.</u>		
S1000-010	Total first mortgage (or bond) principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.	<u>\$ 358,870</u>
S1000-020	Total of 12 monthly deposits in the audit year made to the replacement reserve account, as required by the regulatory agreement, even if payments may be temporarily suspended or reduced.	<u>\$ 70,200</u>
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations.	<u>\$ 66,040</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>

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

Supplementary Information

Statement of Member's Equity (Deficit) Data
Year Ended June 30, 2024

<u>Account No.</u>		
S1100-010	Member's equity (deficit) June 30, 2023	\$ (1,630,627)
S1200-420	Distributions	(729,946)
3250	Net income (loss)	<u>633,977</u>
3130	Member's equity (deficit) June 30, 2024	<u>\$ (1,726,596)</u>

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

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2024

<u>Account No.</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 3,899,364
S1200-020	Interest receipts	1,473
S1200-030	Other operating receipts	<u>56,382</u>
S1200-040	Total receipts	<u>3,957,219</u>
S1200-050	Administrative expenses paid	(157,254)
S1200-070	Management fees paid	(217,449)
S1200-090	Utilities paid	(662,078)
S1200-100	Salaries and wages paid	(434,947)
S1200-110	Operating and maintenance paid	(768,612)
S1200-120	Real estate taxes paid	(1,313)
S1200-140	Property insurance paid	(93,090)
S1200-150	Miscellaneous taxes and insurance paid	(6,800)
S1200-160	Net tenant security deposits received (paid)	8
S1200-170	Other operating expenses paid	(187,592)
S1200-180	Interest paid on first mortgage	(437,554)
S1200-210	Mortgage insurance premium paid	<u>(53,268)</u>
S1200-230	Total disbursements	<u>(3,019,949)</u>
S1200-240	Net cash provided by operating activities	<u>937,270</u>
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	1,097
S1200-250	Net deposits to reserve for replacements	<u>(4,400)</u>
S1200-350	Net cash used in investing activities	<u>(3,303)</u>
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	(358,870)
S1200-420	Distributions to member	<u>(729,946)</u>
S1200-460	Net cash used in financing activities	<u>(1,088,816)</u>
S1200-470	Net decrease in cash	(154,849)
S1200-480	Cash, beginning	<u>917,623</u>
S1200T	Cash, end	<u><u>\$ 762,774</u></u>

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

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2024

<u>Account No.</u>			
	Reconciliation of net income (loss) to net cash provided by operating activities		
3250	Net income (loss)	\$	<u>633,977</u>
	Adjustments to reconcile net income (loss) to net cash provided by operating activities		
6600	Depreciation		419,605
S1200-486	Amortization of debt issuance costs		16,143
	Changes in asset and liability accounts		
	(Increase) decrease in assets		
S1200-490	Tenant accounts receivable		(387,535)
S1200-500	Accounts receivable - other		(2,411)
S1200-520	Prepaid expenses		670
S1200-530	Tenant security deposits funded		404
	Increase (decrease) in liabilities		
S1200-540	Accounts payable		(230,248)
S1200-560	Accrued liabilities		24,814
S1200-570	Accrued interest payable		(1,092)
S1200-580	Tenant security deposits held in trust		(396)
S1200-590	Prepaid revenue		(15,685)
S1200-605	Entity/construction liability accounts (include detail)		
S1200-606	Accounts payable - entity	\$	<u>65,928</u>
			65,928
S1200-600	Other adjustments (include detail)		
S1200-601	Bad debts	413,096	
			<u>413,096</u>
	Total adjustments		<u>303,293</u>
S1200-610	Net cash provided by operating activities	\$	<u><u>937,270</u></u>

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

Supplementary Information
Year Ended June 30, 2024

Reserve for Replacements

<u>Account No.</u>		
1320P	Balance at June 30, 2023	\$ 314,622
1320DT	Total monthly deposits	70,200
1320INT	Interest income	240
1320WT	Approved withdrawals	<u>(66,040)</u>
1320	Balance at June 30, 2024	<u><u>\$ 319,022</u></u>

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

Supplementary Information
Period Ended December 31, 2023

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

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1400-020	Cash (Accounts 1120, 1170 and 1191)	\$ 919,822
S1400-030	Accounts receivable - HUD	1,284
		<hr/>
S1400-050	Total cash	921,106
		<hr/>
S1400-060	Accrued mortgage interest payable	36,419
S1400-070	Delinquent mortgage principal payments	-
S1400-080	Delinquent deposits to reserve for replacements	-
S1400-090	Accounts payable (due within 30 days)	44,101
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)	53,086
S1400-140	Tenant security deposits liability (Account 2191)	166,754
		<hr/>
S1400-180	Less total current obligations	300,360
		<hr/>
S1400-190	Surplus cash (deficiency)	\$ 620,746
		<hr/> <hr/>
S1400-240	Amount available for distribution during next fiscal period	\$ 620,746
		<hr/> <hr/>

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

Supplementary Information
Year Ended June 30, 2024

Computation of Surplus Cash, Distributions and Residual Receipts

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1300-010	Cash (Accounts 1120, 1170 and 1191)	\$ 929,340
1135	Accounts receivable - HUD	<u>3,291</u>
S1300-040	Total cash	<u>932,631</u>
S1300-050	Accrued mortgage interest payable	35,868
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	193,730
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)	72,919
2210	Prepaid revenue (Account 2210)	36,946
2191	Tenant security deposits liability (Account 2191)	166,554
S1300-110	Other current obligations (describe in detail)	
S1300-120	Accounts payable - entity	<u>\$ 197,612</u>
		<u>197,612</u>
S1300-140	Less total current obligations	<u>703,629</u>
S1300-150	Surplus cash (deficiency)	<u>\$ 229,002</u>
S1300-200	Amount available for distribution during next fiscal period	<u>\$ 229,002</u>

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

Supplementary Information
Year Ended June 30, 2024

Changes in Fixed Asset Accounts

	Assets			
	Balance 6/30/23	Additions	Deletions	
Land	\$ 3,852,360	\$ -	\$ -	\$ 3,852,360
Buildings	9,961,167	-	-	9,961,167
Maintenance equipment	103,065	-	-	103,065
	<u>\$ 13,916,592</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,916,592</u>
Accumulated depreciation	<u>\$ 4,499,736</u>	<u>\$ 419,605</u>	<u>\$ -</u>	<u>\$ 4,919,341</u>
Total net book value				<u>\$ 8,997,251</u>

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

Supplementary Information
Year Ended June 30, 2024

Detail of Accounts - Balance Sheet

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

Other	
Insurance settlement receivable	<u>\$ 1,673</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>\$ 217,449</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, 2024, 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 25, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

CohnReznick LLP

Sacramento, California
September 25, 2024

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, 2024. 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, 2024.

Basis for Opinion on the Major HUD Program

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

We are required to be independent of Central SDHC FHA LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that our audit provides a reasonable basis for our opinion on compliance for the major HUD program. Our audit does not provide a legal determination of Central SDHC FHA LLC's compliance.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

CohnReznick LLP

Sacramento, California
September 25, 2024

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

**Schedule of Findings, Questioned Costs and Recommendations
June 30, 2024**

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, 2024**

1. Audit Report, dated September 20, 2023, for the year ended June 30, 2023, issued by CohnReznick LLP.
 - There are no open findings from the prior audit report.
2. There were no reports issued by HUD OIG or other federal agencies or contract administrators during the period covered by this audit.
3. There were no letters or reports issued by HUD management during the period covered by this audit.



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SAN DIEGO
HOUSING
COMMISSION

San Diego Housing Commission

A Component Unit of the City of San Diego

Popular Annual Financial Report

Fiscal Year Ended June 30, 2024

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





Housing Authority of the City of San Diego*

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

SDHC Board of Commissioners*

- Chair of the Board Eugene “Mitch” Mitchell
- Vice Chair Ryan Clumpner
- Stephen P. Cushman
- Johanna Hester
- Kellee Hubbard
- Antoine “Tony” Jackson
- Melinda Vasquez

SDHC President & CEO

Lisa Jones

Visit SDHC’s website: www.SDHC.org

* As of June 30, 2024



SDHC Headquarters

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The San Diego Housing Commission’s (SDHC) Popular Annual Financial Report (PAFR) for the Fiscal Year that ended on June 30, 2024, was prepared by the SDHC Financial Services Department to provide readers an easy-to-understand summary of SDHC’s financial activities.

This report provides a condensed presentation of SDHC’s significant financial highlights for Fiscal Year 2024 (July 1, 2023 – June 30, 2024). The Annual Comprehensive Financial Report (ACFR) is the source of the data for this summary report. The ACFR is a more detailed financial report audited by CohnReznick, LLP and fully conforms to Generally Accepted Accounting Principles (GAAP). The ACFR is available on SDHC’s website at:

www.sdhc.org/about-us/budget-finance

SDHC welcomes any questions or comments on any of the information provided in this report. Requests for additional information should be addressed to Suket Dayal, Executive Vice President of Business Administration and Chief Financial Officer, San Diego Housing Commission, 1122 Broadway, Suite 300, San Diego, California 92101.



SDHC is a public agency formed by local ordinance pursuant to the provisions of applicable Housing Authority law of the State of California. The organizational meeting of the SDHC Board of Commissioners occurred on January 5, 1979, at which Commissioners were sworn in and established a regular meeting schedule and guidelines for conducting business.

Governing Body and Strategic Guidance

SDHC is governed by the San Diego City Council, sitting as the Housing Authority of the City of San Diego (Housing Authority). SDHC President & CEO Lisa Jones is the Executive Director of the Housing Authority.

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

A seven-member Board of Commissioners (Board) oversees SDHC's operations and makes recommendations to the Housing Authority. The Commissioners are appointed through the process set forth in the San Diego Municipal Code.



SDHC Board Meeting

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

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

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

Purpose Help individuals, families and the San Diego community thrive.

Core Values At SDHC, we:

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

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

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



SDHC Strategic Plan Fiscal Years 2022 - 2024

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

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

The Strategic Plan includes following five strategic priority areas, with metrics to monitor progress and areas of focus.

- 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**



*Leslie
Emergency Housing Voucher Participant*



*Federal Funding for LGBTQ+ Affirming Shelter for
Transition-Age Youth
April 26, 2024*



*SDHC Healthcare Career Catalyst for Young Adults
Program
Graduation Ceremony*



Established in 1979, SDHC is an award-winning public agency dedicated to creating and preserving affordable housing within the City of San Diego.



Popular Annual Financial Reporting Awards

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to SDHC for its Popular Annual Financial Report (PAFR) for the fiscal year that ended on June 30, 2023. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government popular reports.

To receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a PAFR whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. SDHC has received a Popular Award for the last 14 consecutive years (fiscal years ended 2010-2023). SDHC believes this current report continues to conform to the Popular Annual Financial Reporting requirements, and SDHC is submitting it to GFOA to determine its eligibility for another award.

The PAFR is available on SDHC's website:

<https://sdhc.org/about-us/budget-finance/>

Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

**San Diego Housing Commission
California**

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill
Executive Director/CEO

Annual Comprehensive Financial Report Awards

SDHC's Annual Comprehensive Financial Report (ACFR) for the fiscal years ended 2008-2023, from which information on pages 9-10 has been drawn, were awarded the Certificate of Achievement for Excellence in Financial Reporting by the GFOA. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

To be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized ACFR, whose contents conform to program standards. Such ACFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. SDHC believes its ACFR continues to conform to the Certificate of Achievement program requirements, and SDHC will be submitting its ACFR for the Fiscal Year 2024 to the GFOA.

Chief Financial Officer's Message

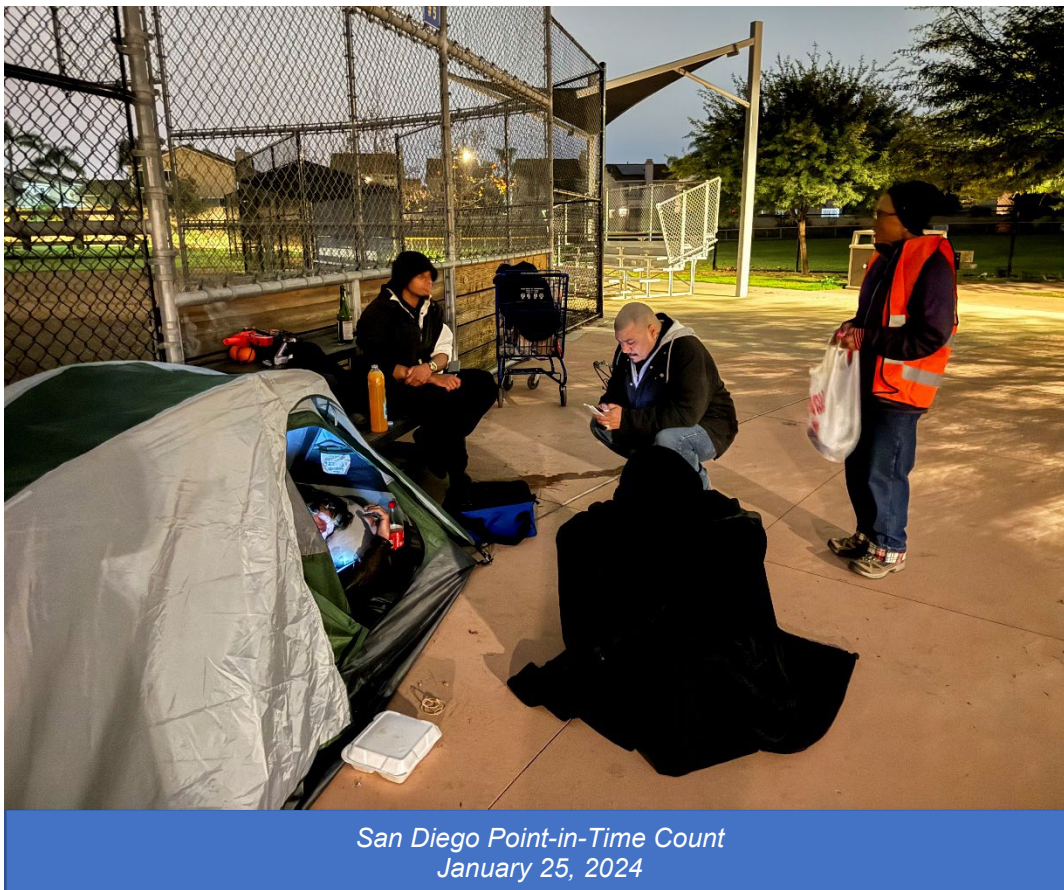


The majority of SDHC's programs depend on federal financial assistance from the U.S. Department of Housing and Urban Development (HUD) to continue operations. In Fiscal Year 2024, SDHC received 75% of its revenue from HUD and the U.S. Treasury, most of which was awarded to SDHC for Moving to Work (MTW) initiatives. SDHC's budget and financial condition are greatly affected by the financial condition of the federal government and Congress' annual appropriation to HUD.

HUD grants for housing programs and program administration funding may decrease due to the national economic and political climate. As stewards of the taxpayer's money, SDHC strives to do more with less. Through a combination of expense reduction and the prudent utilization of available programmatic reserves, SDHC maintained a balanced budget in Fiscal Year 2024 and will have a balanced budget in Fiscal Year 2025.

Annually, SDHC submits an MTW Plan to HUD that describes initiatives to be implemented over the next fiscal year. Following each year, SDHC issues an MTW Report that gives an accounting of activities put into action during the fiscal year. HUD approved SDHC's Fiscal Year 2025 MTW Plan on September 5, 2024. HUD's fiscal year runs from October to September. SDHC's MTW plans can be viewed at:

<http://www.sdhc.org/about-us/plans-policies/mtw-annual-plans/>



Local employment is an indicator of the economy. According to a report issued on August 16, 2024, by the State of California Employment Development Department, the unemployment rate in San Diego County was 4.9 percent in July 2024, up from a revised 4.5 percent in June 2024, and above the year-ago estimate of 4.0 percent. This compares with an unadjusted unemployment rate of 5.8 percent for California and 4.5 percent for the nation during the same period. The report can be viewed here: [https://labormarketinfo.edd.ca.gov/file/lfmonth/sand\\$pds.pdf](https://labormarketinfo.edd.ca.gov/file/lfmonth/sand$pds.pdf)



The high cost of living and affordability of homes continue to be a challenge in San Diego and contribute to the homelessness crisis. HUD requires regions to complete an annual count of people experiencing homelessness, known as the Point-in-Time Count, if the region receives federal funding to address homelessness. The San Diego Point-in-Time Count, known as WeAllCount, occurred January 25, 2024, and was coordinated by the Regional Task Force on Homelessness (RTFH). The count typically identifies both sheltered and unsheltered individuals. This year's count of unhoused persons identified 10,605 individuals in the San Diego Region. This number is up 3 percent from the 2023 count 10,264. RTFH's 2024 report is online here:

<https://www.rtfhsd.org/wp-content/uploads/2024-San-Diego-Regional-Breakdown-1.pdf>

SDHC's Vision

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

Through the execution of SDHC's original Fiscal Year 2025 budget of \$711.4 million, SDHC will continue to demonstrate the prudent and responsible management of its financial resources, all with a high quality of service, while helping vulnerable San Diegans obtain or maintain affordable housing, achieve greater financial self-reliance, and access homelessness solutions.

Suket Dayal

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



Earl
Affordable Housing Resident



Statement of Net Position

The abbreviated Statement of Net Position presented in this report (in thousands) is a useful indicator of SDHC's financial position. In Fiscal Year 2024, SDHC's assets exceeded liabilities and deferred inflows by \$903.6 million, an increase of 2 percent from Fiscal Year 2023.

Total assets increased by \$26.0 million. The increase in current and other assets of \$15.5 million is primarily attributed to increases of \$13.40 million in short-term investments and \$11.9 million in cash and cash equivalents, offset by a \$12.5 million decrease in accounts receivable. Capital assets net of depreciation increased \$10.5 million primarily due to the acquisition of the Pacific Village property, a former motel that SDHC is converting into affordable apartments with supportive services for people experiencing homelessness.

Total liabilities decreased by \$8.7 million, or 5 percent. This is primarily due to decreases of \$3.0 million in unearned revenue, \$2.7 million in accounts payable, and \$3.0 million in notes payable, related to the payments on loans.

Deferred inflows of resource decreased \$1.6 million as a result of the annual income recognized on long-term leases.

Net investment in capital assets increased \$16.3 million from \$180.4 million to \$196.7 million. This was principally due to the acquisition of the Pacific Village property and renovations on multiple SDHC-owned affordable housing properties.

Unrestricted net position increased \$7.7 million from \$451.6 million to \$459.3 million. Although these funds are defined as unrestricted under the applicable accounting standards, these funds are not necessarily indicative of funds available for discretionary use.

Restricted net position increased \$12.3 million to \$247.6 million in Fiscal Year 2024. The increase is primarily due to an increase in overall notes receivable programmatic fund balance.

	June 30, 2024	June 30, 2023	Change %
ASSETS			
Current and other assets	\$ 840,257	\$ 824,744	2%
Capital assets net of depreciation	308,572	298,110	4%
Total assets	\$1,148,829	\$1,122,854	2%
LIABILITIES			
Current liabilities	\$ 45,050	\$ 50,039	-10%
Notes payable and non-current liabilities	110,740	114,456	-3%
Total liabilities	155,790	164,495	-5%
Deferred inflows of resources	89,482	91,099	-2%
NET POSITION			
Net investment in capital assets	196,658	180,419	9%
Restricted	247,613	235,277	5%
Unrestricted	459,286	451,564	2%
Total net position	903,557	867,260	4%
Total liabilities, deferred inflows and net position	\$1,148,829	\$1,122,854	2%

Key Terms

Here are some definitions of accounting terms that will assist you throughout the financial section of the PAFR and Annual Reports:

Assets: What is owned by SDHC.

Liabilities: What SDHC owes.

Deferred inflow of resources: An asset for a future reporting period.

Net position: The difference between SDHC's assets and liabilities. It is the net worth of SDHC.

Current and other assets: Cash, restricted cash and equivalents, investments, prepaid items, and accounts receivable.

Capital assets, net of depreciation: Land, building, building improvements, equipment, construction in progress, and depreciation.

Current liabilities: Accounts payable, accrued payroll, compensated absences, notes payable, and unearned income.

Notes payable and non-current liabilities: Long-term notes payable obligations due in the future years.

Net investment in capital assets: Capital assets less accumulated depreciation and any outstanding debt related to acquiring these assets.

Restricted: Funds subject to various external restrictions.

Unrestricted: Balance of net position not included in net investment in capital assets or restricted.



Statement of Revenue, Expenses and Change in Net Position

The abbreviated Statement of Revenue, Expenses and Change in Net Position (in thousands) accounts for all of SDHC’s revenue and expenses. It reports the difference between the two as the change in net position. The statement reflects the results of SDHC’s operations over the year and can be used to determine SDHC’s creditworthiness and its ability to successfully recover its costs through grants, tenant charges, and other income.

Total net position increased \$36.3 million in Fiscal Year 2024. The change in net position is composed of \$432.4 million of non-operating income and expenses and \$66.6 million of net and operating revenues. These are offset by operating expenses of \$457.7 million as well as depreciation and amortization expense of \$11.9 million.

Operating revenues increased by \$7.9 million in Fiscal Year 2024 primarily related to an increase of \$5.9 million in other fee revenue. This is primarily revenue for housing assistance payments (HAP) for portability vouchers SDHC administered.

Operating expenses increased \$49.1 million, primarily due to an increase of \$31.0 million in housing assistance payments (HAP). This is due to higher average HAP costs per voucher in a number of programs, new voucher awards, and increase in utilization rate for the Section 8 Housing Choice Voucher Program.

Other non-operating income and expense (net) increased by 9 percent in Fiscal Year 2024. This was primarily due to an increase in grant revenue, such as \$19.3 million of State Homekey funds received for SDHC’s acquisition and rehabilitation of Pacific Village and SDHC’s collaboration with Wakeland Housing and Development Corporation for its acquisitions and rehabilitation of Abbott Street Apartments, as well as \$11.2 million for Housing Choice Vouchers to fund higher average cost of vouchers.

	June 30, 2024	June 30, 2023	Change %
Operating revenues			
Dwelling rental income	\$ 40,516	\$ 38,942	4%
Land lease and other rental income	4,325	4,025	7%
Fee revenue	5,845	5,770	1%
Other revenue	15,867	9,963	59%
Total Operating revenues	66,553	58,700	13%
Operating expenses	450,745	401,655	12%
Deficit before depreciation and other non-operating income and expenses	(384,192)	(342,955)	12%
Depreciation and amortization	11,947	11,180	7%
Deficit before other non- operating income and expense	(396,139)	(354,135)	12%
Other non-operating income and expenses, net	432,436	397,982	9%
Change in net position	\$ 36,297	\$ 43,847	-17%
Net position beginning of year	867,260	823,413	5%
Net position end of year	\$ 903,557	\$ 867,260	4%

Additional Key Terms

Operating Revenues: Dwelling rent, commercial rent, land leases, management fees and other fees.

Non-Operating Revenues: Grant revenues from state, local and federal agencies and interest income.

Operating Expenses: Expenses related to operations, grant expense and supportive services to assist SDHC in performing its functions.

Change in Net Position: The total revenue earned less total expenses. Also includes transfer of property to component unit (if applicable).

Investments



SDHC utilizes the services of an experienced financial advisor to aid in making investment decisions. The advisor provides guidance on creating a diversified portfolio and a secure investment mix. The advisor's ongoing role is to provide staff with sound investment opportunities that will maximize liquidity and yield without sacrificing principal value and safety of the investment securities. The fair value of cash and investments on June 30, 2024, was \$160.6 million, which remains consistent with the previous year.

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

Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In accordance with California Government Code, amounts over \$250,000 are collateralized with government securities pledged by the financial institution holding the securities in SDHC's name.

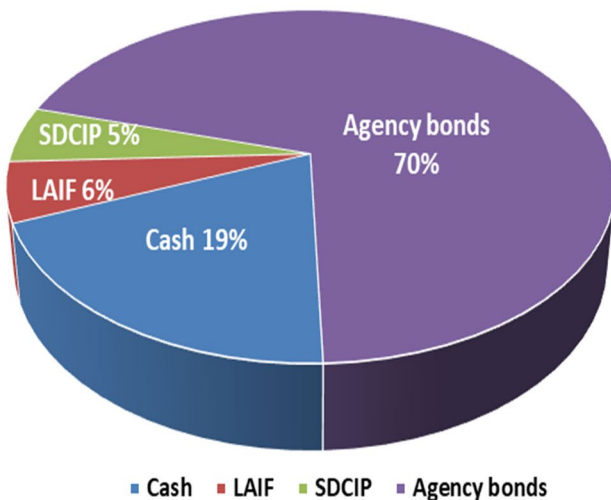
Investments in California's Local Agency Investment Fund (LAIF) and the San Diego County Investment Pool (SDCIP) represent SDHC's equity in pooled investments. Other investments such as bonds, government agency securities and demand deposit accounts are kept with commercial banking institutions.

Investment Risk Factors

The foremost objective of SDHC's Investment Policy is the safety of principal, which is achieved by mitigating credit risk and interest rate risk. These risks, along with custodial risk, concentration of credit risk and market risk, all affect the value of investments to a varying degree. Equity and debt securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risk and changes in interest rates.

Fair Value in Millions			
	6/30/2024	6/30/2023	Variance
Cash	\$31.08	\$19.10	\$11.98
LAIF	8.80	16.24	(7.44)
SDCIP	8.30	17.77	(9.47)
Agency Bonds	112.42	107.81	4.61
Total	\$160.60	\$160.92	(\$0.32)

SDHC's Portfolio Distribution



SDHC provides a Quarterly Investment Report as an informational item to the SDHC Board of Commissioners. The reports are posted on SDHC's website,

<https://www.sdhc.org/governance-legislative-affairs/sdhc-board-of-commissioners/meetings/>

The SDHC Board-appointed Investment Committee meets twice each year to review the investment results for the portfolio.

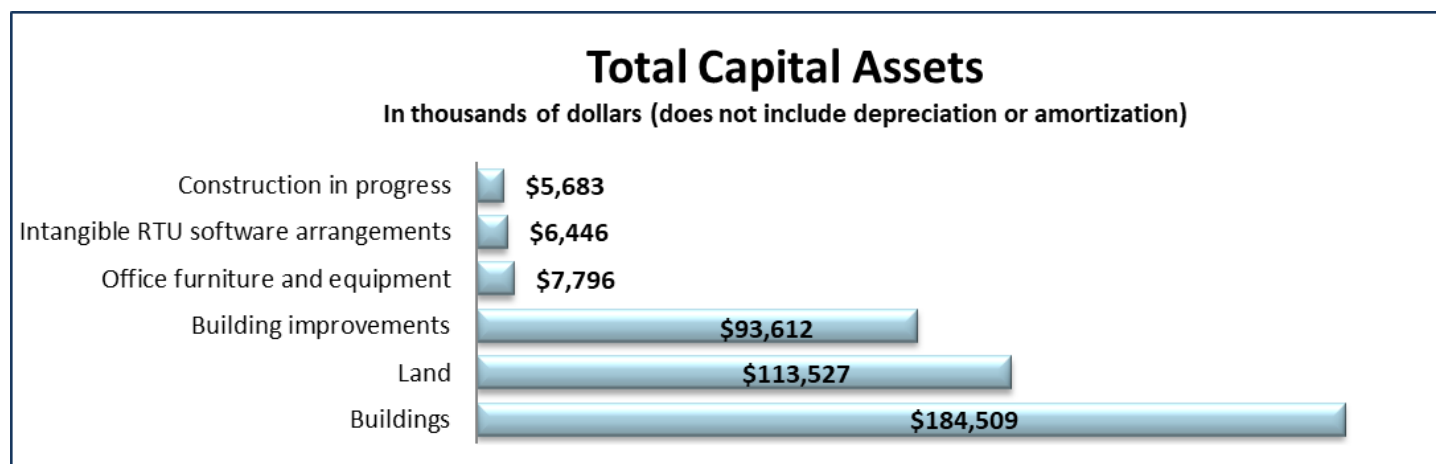
Capital Assets



At the end of Fiscal Year 2024, SDHC had approximately \$308.6 million (net of depreciation) invested in capital assets. The majority of SDHC’s investment in capital assets is composed of ownership of land, affordable housing stock and the Smart Corner office building.

In Fiscal Year 2024, capital assets, net, increase \$10.5 million. This change is mainly due to an increase of \$4.9 million in land and \$6.9 million of buildings for the acquisition of Pacific Village in addition to renovations at multiple SDHC -owned affordable housing properties.

Depreciation and amortization expense for the Fiscal Year that ended June 30, 2024, was \$11.9 million.





As of June 30, 2024, SDHC owns 152 properties with 2,446 affordable rental housing units, of which 187 units are federal public housing that SDHC operates in the City of San Diego.

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

In Fiscal Year 2024, the following affordable housing developments throughout the City of San Diego were completed in collaboration with SDHC:

- Aquila Apartments, 180 affordable rental units for San Diegans with low income
- Aurora Apartments (formerly known as Merge 56), 47 affordable rental units for San Diegans with low income
- Nestor Senior Village, 73 affordable rental units for seniors experiencing homelessness
- Puesta Del Sol (formerly known as Ulric Street Apartments II) 59 affordable rental units for seniors, including units set aside for seniors experiencing homelessness
- ShoreLINE Apartments, 124 affordable rental units for San Diegans with low income
- Tranquility at Post 310, 42 affordable rental units for San Diegans with low income, including units set aside for veterans experiencing homelessness



*Milejo Village
64 Affordable rental apartments
for San Diegans who experienced homelessness*



*ShoreLINE
124 Affordable rental apartments
for San Diegans with low income*

As of June 30, 2024, SHDC has awarded \$50.5 million toward loans for additional affordable housing developments that are pending full financing and/or completion.



Beginning with Fiscal Year 2012, SDHC included the consolidated financial statements of its nonprofit affiliate, Housing Development Partners (HDP), as a discretely presented component unit. They are reported in a separate column in the financial statements to emphasize that HDP is legally separate from SDHC.

HDP develops and preserves affordable housing for low-income San Diegans through the rehabilitation of existing buildings and new construction.

Rental housing for seniors, families, veterans, workers, and tenants with special needs are among the developments in HDP’s real estate portfolio.

Since its inception, HDP has developed more than 1,700 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: Parker-Kier Apartments (33 affordable units and one manager’s unit), Hotel Churchill (72 affordable units and one manager’s unit), Village North Senior Garden Apartments (119 affordable units and one manager’s unit), Casa Colina (74 affordable units and one manager’s unit), Quality Inn (91 affordable units and one manager’s unit), West Park Inn (46 affordable units and one manager’s unit), and San Diego Square (154 affordable units and two managers’ units).

Additionally, included in the total is SDHC’s January 2020 transfer of Mariner’s Village (170 affordable units and two managers’ units) and SDHC’s December 2020 transfer of five single-family properties for a pilot program to build accessory dwelling units, sometimes referred to as “granny flats” or ADUs.

The abbreviated financial statements are for the period ending December 31, 2023, and are presented in thousands of dollars.

HDP – Discretely Presented Component Unit December 31, 2023

ASSETS	
Current and other assets	\$ 40,086
Capital assets net of depreciation	<u>128,981</u>
Total assets	<u><u>169,067</u></u>
LIABILITIES	
Current liabilities	3,151
Notes Payable and non-current liabilities	<u>179,546</u>
Total liabilities	<u><u>182,697</u></u>
NET POSITION	
Restricted	<u>46,377</u>
Unrestricted	<u>(60,007)</u>
Total liabilities and net position	<u><u>\$169,067</u></u>
OPERATING REVENUES	
Dwelling rental income	\$ 20,839
Other revenue	<u>763</u>
Total Operating revenues	<u>21,602</u>
OPERATING EXPENSES	
Income before depreciation and other non-operating income and expenses	<u>9,503</u>
Depreciation	<u>5,343</u>
Deficit before other non-operating income and expense	4,160
Other non-operating income and expenses, net	<u>(6,219)</u>
Change in net position before capital transactions	<u>(2,059)</u>
Capital contributions, net	974
Transfer of property to component unit	0
Change in net position	<u><u>\$ (1,085)</u></u>
Net position:	
Beginning of year	<u>(12,545)</u>
End of year	<u><u>\$ (13,630)</u></u>

Addressing Homelessness



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 through a Memorandum of Understanding (MOU) with the City and as a leader in collaborative initiatives to address homelessness:

- Day Center for Adults Experiencing Homelessness
- Homelessness Transitional Storage Center
- Storage Connect Centers I & II
- Homelessness Response Center
- Housing Instability Prevention Program (HIPP)
- Emergency shelter and Interim Housing programs:
 - Connections Housing Downtown for single adults; Rachel's Promise for single women; Paul Mirable Center for single adults; Bishop Interim Shelter Program for single adults; Golden Hall Shelter for Single Adults; Bridge Shelters at 16th Street/Newton Avenue and 17th Street/Imperial Avenue for single adults; Rosecrans Shelter for single adults; Harm Reduction Shelter for single adults; Interim Shelter for Transition-Age Youth; Youth Emergency Shelter for Transition-Age Youth; LGBTQ+ Affirming Shelter for Transition-Age Youth; Interim Housing for families with minor children
- Four rapid rehousing programs
- Program for Engaged Educational Resources (PEER). SDHC collaboration with San Diego City College to support workforce development in the homelessness services sector.
- Multidisciplinary Outreach Team, which provides specialized outreach services to unhoused San Diegans
- Security Deposit Plus Program
- The City's Serial Inebriate Program (SIP) transitional housing program.



In Fiscal Year 2024, SDHC supported several homelessness programs funded through HUD Continuum of Care (CoC), Moving to Work, SDHC Local Funds and City of San Diego Affordable Housing Fund and General Fund.

- 10 CoC-funded Permanent Supportive Housing programs serving up to 285 households each year
- 5 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
- LGBTQ+ Affirming Shelter, serving Transition-Age Youth in an affirming environment
- Haven Family Shelter, serving up to 9 families at any given time
- 2 Transitional Housing programs, providing up to 134 beds for families



SDHC is one of only 39 original “Moving to Work” (MTW) agencies out of approximately 3,200 public housing authorities nationwide. HUD announced the addition of 100 public housing authorities as new MTW agencies.

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

At the close of Fiscal Year 2024, more than 5,700 rental assistance subsidies were dedicated to families and individuals experiencing homelessness. This includes Veterans Affairs Supportive Housing (VASH) vouchers, Emergency Housing Vouchers, Sponsor-Based Subsidies, Project-Based Vouchers and Monarch School Project.

SDHC dedicated 119 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 161 Project-Based Vouchers were awarded to projects applying for Project Homekey funds and serving households experiencing homelessness.

Additional MTW Programs

SDHC's MTW operating budget in Fiscal Year 2024 was \$286,118,212. 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.

SDHC Achievement Academy. The SDHC Achievement Academy offers programs that emphasize career development, job skills, job placement and personal financial education, such as budgeting and credit. These services are 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 homelessness programs.

In Fiscal Year 2024, more than 5,790 people participated in SDHC Achievement Academy programs. More than 1,200 participated in education or workforce development classes; 266 participated in the Family Self-Sufficiency program; and 255 individuals were placed in jobs or increased their earning. In Fiscal Year 2024 the average hourly wage of participants placed in jobs was \$20.50, which reflects a 41 percent increase in the average hourly wage of SDHC Achievement Academy participants placed in jobs since FY 2020.

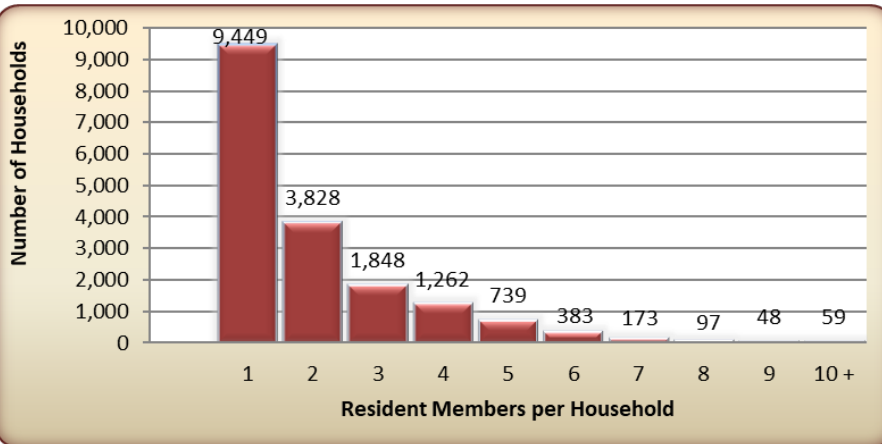
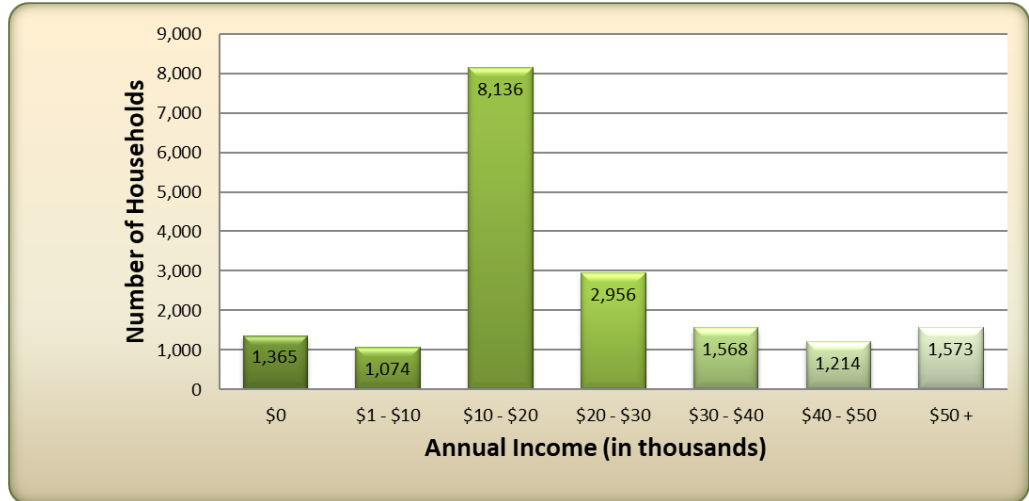
Demographics of the HCV Program



Funded by HUD and managed by SDHC's Rental Assistance Division, the federal Section 8 Housing Choice Voucher Program provided rental assistance to more than 17,000 low-income families in the City of San Diego. The number of rental assistance households fluctuates throughout the year, as participating families are able to move on and leave the program at different times.

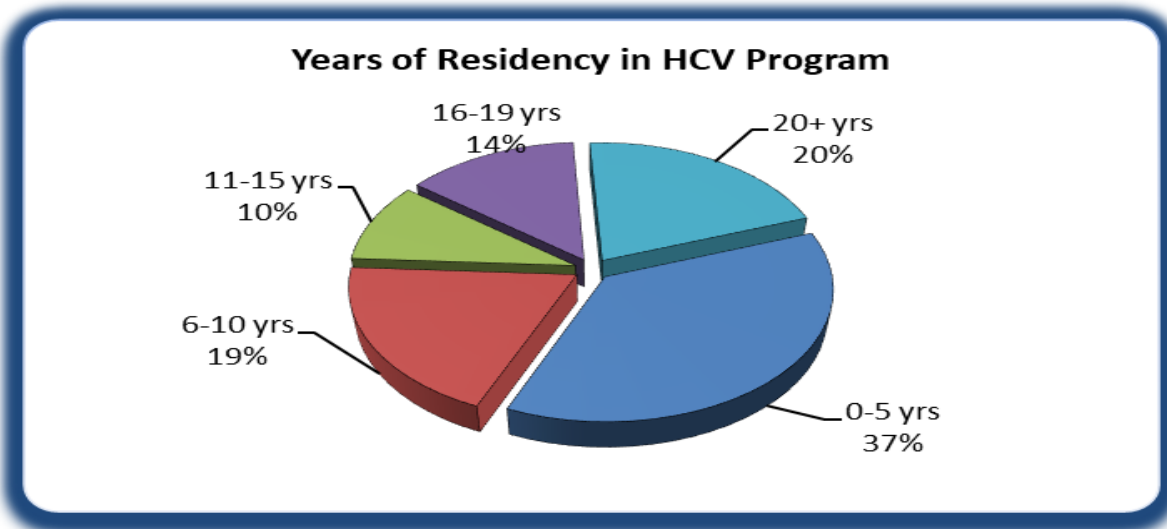
Income per HCV Household

- 59% of HCV recipients have income less than \$19,999 a year.



Resident Members per Household

- More than 9,400 households have a single member.
- 21% have two members.
- 10% have three.





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HOUSING

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