

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

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

June 30, 2023 and 2022

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

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

June 30,2023

Certificate of Owner

I, as an officer of the San Diego Housing Commission, owner of Adaptable Housing Development, hereby certify that I have examined the accompanying financial statements and supplementary information of Adaptable Housing Development as of and for the year ended June 30, 2023 and, to the best of my knowledge and belief, these financial statements and supplementary information are complete and accurate.

San Diego Housing Commission

DocuSigned by:

Suket Dayal

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 30,2023

Managing Agent's Certification

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

DocuSigned by:

Suket Dayal

San Diego Housing Commission
Suket Dayal, E. Vice President of Business
Administration and Chief Financial Officer

Independent Auditor's Report

To the Board of Commissioners
San Diego Housing Commission

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Adaptable Housing Development Project No. 12-HLCP-0004, (the "Project") owned by San Diego Housing Commission ("SDHC"), which comprise the statements of net position as of June 30, 2023 and 2022, and the related statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004 as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2, the financial statements referred to above are intended to present the financial position, the changes in financial position, and cash flows of only the Project. They do not purport to, and do not, present fairly the financial position of SDHC as of June 30, 2023 and 2022, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2023, on our consideration of San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004's internal control over financial reporting and compliance.

CohnReznick LLP

Sacramento, California
September 28, 2023

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

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

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

**Adaptable Housing Development
Project No. 12-HLCP-0004
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**Statements of Net Position
June 30, 2023 and 2022**

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

See Notes to Financial Statements.

**Adaptable Housing Development
Project No. 12-HLCP-0004
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**Statements of Revenue, Expenses and Changes in Net Position
Years Ended June 30, 2023 and 2022**

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

See Notes to Financial Statements.

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

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

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

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

See Notes to Financial Statements.

**Adaptable Housing Development
Project No. 12-HLCP-0004
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**Notes to Financial Statements
June 30, 2023 and 2022**

Note 1 - The financial reporting entity

The San Diego Housing Commission ("SDHC")'s Adaptable Housing Development Project consists of 35 rental housing units (the "Project") located in San Diego, California. SDHC entered into a regulatory agreement and permanent loan agreement with the California Department of Housing and Community Development ("RHCP"). Under the terms of the agreements, SDHC is to submit to RHCP an annual budget of the operating revenue and operating expenses for the Project. In May 2013, SDHC and RHCP amended the original agreements and entered into a new regulatory and loan agreement under which the previous loan was refinanced and the new permanent loan was extended for a period of 55 years.

Note 2 - Significant accounting policies

Basic financial statements

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

Measurement focus, basis of accounting and financial statement presentation

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

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

Cash and cash equivalents

The Project cash and cash equivalents are maintained within the general operating bank account of SDHC. The ending balance of the operating account is allocated between several projects of SDHC based upon each project's relative cash activities. As of June 30, 2023 and 2022, the reconciled balance of SDHC's general cash account is \$9,334,904 and \$29,418,653, respectively, of which \$123,979 and \$124,821 belong to the Project as of June 30, 2023 and 2022, respectively.

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

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

Restricted deposits and funded reserves

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

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

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

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

Fair value

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

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

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

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

Tenants' accounts receivable

Resident accounts receivable are due from tenants and reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of the receivables. It is reasonably possible that management's estimate of the allowance will change. The allowance for doubtful accounts was \$336 and \$127 as of June 30, 2023 and 2022, respectively.

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

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

Capital assets

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

Building and improvements	12 - 40 years
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Impairment of capital assets

SDHC reviews the capital assets of the Project for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. There has been no impairment of the capital assets during the years ended June 30, 2023 and 2022.

Rental income

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

HUD public housing operating subsidy

The Project converted to Public Housing and receives an operating subsidy from HUD. The Project recognized \$92,739 and \$109,167 of operating subsidy income during the years ended June 30, 2023 and 2022, respectively, of which \$14,406 and \$6,677 is receivable as of June 30, 2023 and 2022, respectively.

Net position

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

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

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

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

Use of estimates

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

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

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

Note 3 - Restricted deposits and funded reserves

As of June 30, 2023 and 2022, the restricted deposits and reserves consist of the following:

Tenant security deposits

The Project collects security deposits from tenants at the inception of the tenant lease. These deposits, which are reported in the basic financial statements as restricted cash, are refundable to the tenants to the extent there are no unpaid rents or damages to the housing unit. Tenant security deposits held amounted to \$17,486 and \$17,414 as of June 30, 2023 and 2022, respectively.

Replacement reserve

The Project established and will continue to fund a replacement reserve account for the term of the regulatory agreement. The replacement reserve was funded in the initial amount of \$35,000 to provide for future major additions, repairs or replacements. The Project shall make annual deposits of \$21,000 per year. The replacement reserve balance is \$291,919 and \$269,214 as of June 30, 2023 and 2022, respectively. During the years ended June 30, 2023 and 2022, the replacement reserve activity was as follows:

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

Operating reserve

The Project established and will continue to fund an operating reserve account pursuant to the regulatory agreement. The operating reserve was funded by previous project cash flow and RHCP annuity payments. The operating reserve balance is \$79,622 and \$79,157 as of June 30, 2023 and 2022, respectively.

Other investments

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

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

**Adaptable Housing Development
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**Notes to Financial Statements
June 30, 2023 and 2022**

Note 4 - Mortgage payable

The mortgage payable to RHCP associated with the acquisition of the Project is in the amount of \$1,404,849. Repayment of the interest and any outstanding principal balance is due in its entirety on the maturity date of May 10, 2068. The note bears interest at 3.00% and is payable in the annual amount of 0.42% of the outstanding principal balance. Interest expense was \$42,145 and \$42,145 for the years ended June 30, 2023 and 2022, respectively. Outstanding principal and accrued interest is \$1,404,849 and \$320,511, respectively, as of June 30, 2023, and \$1,404,849 and \$284,266, respectively, as of June 30, 2022.

Note 5 - Management fee and sponsor overhead

The Project incurs a management fee and overhead costs from SDHC for central office services which includes but is not limited to clerical and management overhead expenses, such as salaries and benefits, office supplies and equipment, data processing or computer services, postage, training and telephone services. This does not include the salary of the project manager whether onsite or offsite. SDHC allocated to the Project management fees and overhead expenses in the amount of \$32,762 and \$32,758 for the years ended of June 30, 2023 and 2022, respectively.

Note 6 - Concentration of credit risk

The Project maintains its cash and cash equivalents with various financial institutions. At times, these balances may exceed the federal insurance limits; however, the Project has not experienced any losses with respect to its bank balances in excess of government provided insurance. SDHC believes that no significant concentration of credit risks exists with respect to these cash balances at June 30, 2023.

Note 7 - Current vulnerability due to certain concentrations

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

Note 8 - Subsequent events

Events that occur after the date of the statement of net position but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the statement of net position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the statement of net position require disclosure in the accompanying notes. Management evaluated the activity of the Project through September 28, 2023, the date the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information
Supporting Data Required by RHCP

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

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

Schedules of Operating Revenue

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

**Adaptable Housing Development
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**Supplementary Information
Years Ended June 30, 2023 and 2022**

Schedules of Operating Expenses

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

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

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

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

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

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

Detail of Accounts - Statements of Activities

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

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

**Supplementary Information
June 30, 2023**

Cash on Hand and in Banks

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

Mortgage Impound Accounts

None.

Reserves for Replacements and Operating Expenses

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

Property, Equipment and Improvements

Following are the details of property, equipment and improvements:

	Property, equipment and improvements			Balance 6/30/23
	Balance 6/30/22	Additions	Deletions	
Land	\$ 484,372	\$ -	\$ -	\$ 484,372
Buildings	6,802,810	-	-	6,802,810
	<u>\$ 7,287,182</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,287,182</u>

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

**Supplementary Information
June 30, 2023**

Accounts Payable and Accrued Expenses

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

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

Gross Potential Rents

Gross potential rents includes the following:

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

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

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

Management Fee

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

Operating Cash Flow/Surplus Cash Computation

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

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

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

Reconciliation to RHCP Form 181

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

Reconciliation to RHCP Form 180

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

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

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

Rental Housing Construction Program -- Original

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

Contract No: 80-HRC-002

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

Project Name: Adaptable Housing

Prepared by: Maria Gimutao

Date Prepared: 8/7/23

Rev 9/28/16

ACCOUNT NAME	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	12,168	12,168	20,592	20,592	0	0
ADMINISTRATIVE EXPENSES: 6200/6300							
2 Advertising	6210	0	0	0	0	0	0
3 Apartment Resale Expense (Cooperatives)	6235	0	0	0	0	0	0
4 Other Renting Expenses	6250	355	150	600	255	0	0
5 Office Salaries	6310	11,855	13,022	20,062	22,037	0	0
6 Office Supplies	6311	590	952	998	1,610	0	0
7 Office or Model Apartment Rent	6312	0	0	0	0	0	0
8 Manager and Superintendent Salaries	6330	0	0	0	0	0	0
9 Manager's or Superintendent's Rent Free Unit	6331	0	0	0	0	0	0
10 Legal Expense - Project	6340	1,131	416	1,914	703	0	0
11 Audit Expense - Project	6350	2,730	2,786	4,620	4,714	0	0
12 Bookkeeping Fees/Accounting Services	6351	1,482	1,482	2,508	2,508	0	0
13 Telephone and Answering Service Expenses	6360	0	0	0	0	0	0
14 Bad Debt Expense	6370	0	0	3,159	4,207	0	0
15 Miscellaneous Administrative Expenses (specify)	6390	186	449	314	760	0	0
16 TOTAL ADMINISTRATIVE EXPENSES	6200/6300T	18,328	19,257	34,175	36,794	0	0
UTILITIES EXPENSES: 6400							
17 Fuel Oil/Coal	6420	0	0	0	0	0	0
18 Electricity	6450	1,280	1,369	2,167	2,316	0	0
19 Water	6451	7,302	7,939	12,357	13,436	0	0
20 Gas	6452	7,405	11,217	12,532	18,981	0	0
21 Sewer	6453	5,360	5,479	9,070	9,272	0	0
22 TOTAL UTILITIES EXPENSES	6400T	21,347	26,004	36,125	44,005	0	0
OPERATING AND MAINTENANCE EXPENSES: 6500							
23 Janitor and Cleaning Payroll	6510	11,177	6,527	18,914	11,046	0	0
24 Janitor and Cleaning Supplies	6515	1,658	3,272	2,806	5,536	0	0
25 Janitor and Cleaning Contracts	6517	0	0	0	0	0	0
26 Exterminating Payroll/Contract	6519	0	0	0	0	0	0
27 Exterminating Supplies	6520	22,288	42,993	37,719	72,759	0	0
28 Garbage and Trash Removal	6525	1,350	0	2,284	0	0	0
29 Security Payroll/Contract	6530	0	0	0	0	0	0
30 Grounds Payroll	6535	0	0	0	0	0	0
31 Grounds Supplies	6536	0	0	0	0	0	0
32 Grounds Contract	6537	0	0	0	0	0	0
33 Repairs Payroll	6540	0	0	0	0	0	0
34 Repairs Material	6541	0	0	0	0	0	0
35 Repairs Contract	6542	0	0	0	0	0	0
36 Elevator Maintenance/Contract	6545	0	0	0	0	0	0
37 Heating/Cooling Repairs and Maintenance	6546	0	0	0	0	0	0
38 Swimming Pool Maintenance/Contract	6547	0	0	0	0	0	0
39 Snow Removal	6548	0	0	0	0	0	0
40 Decorating/Payroll Contract	6560	0	0	0	0	0	0
41 Decorating Supplies	6561	0	0	0	0	0	0
42 Vehicle and Maint. Equipment Operation/Repairs	6570	141	43	239	73	0	0
43 Misc. Operating and Maintenance Expenses (specify)	6590	0	0	0	0	0	0
44 TOTAL OPERATING & MAINTENANCE EXPENSES	6500T	36,614	52,835	61,962	89,414	0	0
TAXES AND INSURANCE: 6700							
45 Real Estate Taxes	6710	0	5	0	9	0	0
46 Payroll Taxes (Project's Share)	6711	0	0	0	0	0	0
47 Misc. Taxes, Licenses and Permits	6719	0	0	0	0	0	0
48 Property and Liability Insurance (Hazard)	6720	2,993	3,199	5,065	5,413	0	0
49 Fidelity Bond Insurance	6721	0	0	0	0	0	0
50 Worker's Compensation	6722	1,859	787	3,146	1,332	0	0
51 Health Insurance and Other Employee Benefits	6723	9,966	10,121	16,865	17,128	0	0
52 Other Insurance	6729	0	0	0	0	0	0
53 TOTAL TAXES AND INSURANCE	6700T	14,818	14,112	25,077	23,882	0	0
ASSISTED LIVING/BOARD & CARE EXPENSES; 6900							
54 Food	6932	0	0	0	0	0	0
55 Recreation and Rehabilitation	6980	0	0	0	0	0	0
56 Rehabilitation Salaries	6983	0	0	0	0	0	0
57 Other Service Expenses	6990	0	0	0	0	0	0
58 TOTAL ASSISTED LIVING EXPENSES	6900T	0	0	0	0	0	0
61 TOTAL OPERATING COSTS		103,275	124,376	177,932	214,687	0	0

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

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

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

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

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

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

Rev 9/28/16

Unit Months: 420

ACCOUNT NAME	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	76,404	96,970	162,312	164,104	0	0	238,716	261,074	22,358
2 Tenant Assistance Payments	5121	32,280	34,446	54,627	58,293	0	0	86,907	92,739	5,832
3 Rent revenue - Stores and Commercial	5140	0	0	0	0	0	0	0	0	0
4 Garage and Parking Spaces	5170	0	0	0	0	0	0	0	0	0
5 Flexible Subsidy Revenue	5185	0	0	0	0	0	0	0	0	0
6 Miscellaneous Rent Revenue	5190	0	0	0	0	0	0	0	0	0
7 Excess Rent	5191	0	0	0	0	0	0	0	0	0
8 Rent Revenue/Insurance	5192	0	0	0	0	0	0	0	0	0
9 Special Claims Revenue	5193	0	0	0	0	0	0	0	0	0
10 Retained Excess Income	5194	0	0	0	0	0	0	0	0	0
11 GROSS RENT REVENUE	5100T	108,684	131,416	216,939	222,397	0	0	325,623	353,813	28,190
VACANCIES: 5200										
Vacancy Percentage:										
11 Apartments -	5220	0	0	0	0	0	0	0	0	0
12 Stores and Commercial	5240	0	0	0	0	0	0	0	0	0
13 Rental Concessions	5250	0	0	0	0	0	0	0	0	0
14 Garage and Parking Spaces	5270	0	0	0	0	0	0	0	0	0
15 Miscellaneous	5290	0	0	0	0	0	0	0	0	0
Total Vacancies (HCD Use Only)	5200T	0	0	0	0	0	0	0	0	0
ASSISTED LIVING/BOARD & CARE REVENUES: 5300										
17 Food	5332	0	0	0	0	0	0	0	0	0
18 Recreation (Activities) and Rehabilitation	5380	0	0	0	0	0	0	0	0	0
19 Rehabilitation	5385	0	0	0	0	0	0	0	0	0
20 Other Service Revenue	5390	0	0	0	0	0	0	0	0	0
Total Living Revenue	6300T	0	0	0	0	0	0	0	0	0
FINANCIAL REVENUE: 5400										
21 Financial Revenue - Project Operations	5410	2,022	3,585	3,423	6,066	0	0	5,445	9,651	4,206
Total Financial Revenue	5400T	2,022	3,585	3,423	6,066	0	0	5,445	9,651	4,206
OTHER REVENUE: 5900										
22 Laundry and Vending Revenue	5910	1,731	1,624	2,929	2,748	0	0	4,660	4,372	(288)
23 NSF and Late Charges	5920	0	873	0	1,477	0	0	0	2,350	2,350
24 Damages and Cleaning Fees	5930	0	0	0	0	0	0	0	0	0
25 Forfeited Tenant Security Deposits	5940	0	0	0	0	0	0	0	0	0
26 Other Revenue	5990	0	0	0	0	0	0	0	0	0
Total Other Revenue	5900T	1,731	2,497	2,929	4,225	0	0	4,660	6,722	2,062
27 EFFECTIVE GROSS RENT (EGR)	5152T	112,437	137,498	223,291	232,688	0	0	335,728	370,186	34,458
28 TOTAL OPERATING EXPENSES	6000T	106,373	124,376	183,270	214,687	0	0	289,643	339,063	(49,420)
29 NET OPERATING INCOME (NOI)	5000T	6,064	13,122	40,021	18,001	0	0	46,085	31,123	(14,962)
FINANCIAL EXPENSES: 6800										
30 Non-Contingent Debt Service (specify lender)	6895	0	0	0	0	0	0	0	0	0
1st Mortgage =		0	0	0	0	0	0	0	0	0
2nd Mortgage =		0	0	0	0	0	0	0	0	0
3rd Mortgage =		0	0	0	0	0	0	0	0	0
31 HCD Required Payments	6890	0	0	5,900	5,900	0	0	5,900	5,900	0
32 Lease Payment	6890	0	0	0	0	0	0	0	0	0
33 Miscellaneous Financial Expenses	6890	0	0	0	0	0	0	0	0	0
Total Financial Expenses	6800T	0	0	5,900	5,900	0	0	5,900	5,900	0
FUNDED RESERVES:										
34 Escrow Deposits	1300	0	0	0	0	0	0	0	0	0
35 Replacement Reserve-Deposit	1310	0	0	0	0	0	0	0	0	0
36 Operating Reserve-Deposit	1320	7,800	7,800	13,200	13,200	0	0	21,000	21,000	0
37 Other Reserves (specify)	1300	0	0	0	0	0	0	0	0	0
#1	1330	0	0	0	0	0	0	0	0	0
#2	1330	0	0	0	0	0	0	0	0	0
#3	1330	0	0	0	0	0	0	0	0	0
Total Reserve Deposits		7,800	7,800	13,200	13,200	0	0	21,000	21,000	0
38 PROJECT CASH FLOW (CF)		(1,736)	5,322	20,921	(1,099)	0	0	19,185	4,223	(14,962)
ADDITIONAL REVENUE:										
39 RHCP-O Annuity Fund Request (For Assisted Units Only)		0	0	0	0	0	0	0	0	0
40 Withdrawal from Operating Reserves		0	0	0	0	0	0	0	0	0
41 Borrower Contribution		0	0	0	0	0	0	0	0	0
42 Other (specify)		0	0	0	0	0	0	0	0	0
Total Additional Revenue		0	0	0	0	0	0	0	0	0
USE OF CASH FLOW:										
43 HCD Interest Payments		0	0	0	0	0	0	0	0	0
44 Asset Mgmt Fee (CHRP-R/SUHRP & HOME-pre-UMR Only)		0	0	0	0	0	0	0	0	0
45 Asset Mgmt Fee/Prtshp Costs (MHP/HOME under UMR)		0	0	0	0	0	0	0	0	0
46 Borrower Distributions		0	0	0	0	0	0	0	0	0
47 Residual Receipt Loan Payments		0	0	0	0	0	0	0	0	0
48 Other (specify)		0	0	0	0	0	0	0	0	0
Total Use of Cash Flow		0	0	0	0	0	0	0	0	0

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

To the Board of Commissioners
San Diego Housing Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of San Diego Housing Commission's Adaptable Housing Development Project No. 12-HLCP-0004, which comprise the statement of net position as of June 30, 2023, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2023 which included an emphasis of matter paragraph as indicated at page 4.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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

Purpose of this Report

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



Sacramento, California
September 28, 2023



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