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, 2026 and 2025

CohnReznick

Adaptable Housing Development
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Adaptable Housing Development
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June 30, 2026

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, 2026 and, to the best of my knowledge and belief, these financial statements and supplementary information are complete and accurate.

San Diego Housing Commission

Christelle Van Der Windt

Christelle Van Der Windt, Vice President
Financial Operations

Employer Identification Number: 95-3390896

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

June 30, 2026

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, 2026, to the best of my knowledge and belief, the same is complete and accurate.

Christelle Van Der Windt

San Diego Housing Commission
Christelle Van Der Windt, Vice President
Financial Operations

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, 2026 and 2025, and the related statements of revenues, 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, 2026 and 2025, 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, 2026 and 2025, 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 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 San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004'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 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 15, 2026, on our consideration of San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Diego Housing Commission's Adaptable Housing Development Project No.12-HLCP-0004's internal control over financial reporting and compliance.

CohnReznick LLP

Sacramento, California
September 15, 2026

Adaptable Housing Development
Project No. 12-HLCP-0004
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Statements of Net Position
June 30, 2026 and 2025

Assets

	2026	2025
Current assets		
Cash and cash equivalents	$ 320,066	$ 336,849
Tenants' accounts receivable, net	1,220	1,385
Accounts receivable - grants	3,307	5,101
Accounts receivable - other	4,405	2,268
Total current assets	328,998	345,603
Other assets		
Investments - operations	99,717	50,559
Restricted deposits and funded reserves	460,794	436,879
Total other assets	560,511	487,438
Capital assets		
Buildings and improvements	7,555,997	7,178,312
Accumulated depreciation	(4,557,785)	(4,132,659)
	2,998,212	3,045,653
Land	484,372	484,372
Total capital assets	3,482,584	3,530,025
Total assets	$ 4,372,093	$ 4,363,066

Adaptable Housing Development
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Statements of Net Position
June 30, 2026 and 2025

Liabilities and Net Position

	2026	2025
Current liabilities		
Accounts payable - operations	$ 26,691	$ 19,355
Accrued expenses	4,485	7,108
Accrued interest payable - first mortgage, current portion	5,900	5,900
Prepaid rent	8,566	17,573
Total current liabilities	45,642	49,936
Deposits and prepaid liability		
Tenants' security deposits liability	18,186	17,586
Total deposits and prepaid liability	18,186	17,586
Long-term liabilities		
Mortgage payable - first mortgage	1,404,849	1,404,849
Accrued interest payable - first mortgage, net of current portion	380,497	344,252
Total long-term liabilities	1,785,346	1,749,101
Total liabilities	1,849,174	1,816,623
Net Position		
Net investment in capital assets	2,077,735	2,125,176
Restricted for operating and replacement reserves	442,608	419,293
Unrestricted	2,576	1,974
Total net position	2,522,919	2,546,443
Total liabilities and net position	$ 4,372,093	$ 4,363,066

See Notes to Financial Statements.

Adaptable Housing Development
Project No. 12-HLCP-0004
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Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2026 and 2025

	2026	2025
Operating revenues		
Rental income	$ 314,528	$ 278,130
Operating grant income	49,631	80,590
Other operating income	5,838	5,942
Total operating revenues	369,997	364,662
Operating expenses		
Administrative	106,242	108,635
Utilities	94,740	74,652
Operating and maintenance	223,409	213,590
Taxes and insurance	46,287	46,637
Depreciation	425,126	422,127
Total operating expenses	895,804	865,641
Operating income (loss)	(525,807)	(500,979)
Noncapital subsidies		
Transfers-in	147,367	63,276
Total noncapital subsidies	147,367	63,276
Operating income (loss) and noncapital subsidies	(378,440)	(437,703)
Other nonoperating revenues (expense)		
Financial revenue - investments	19,376	24,105
Interest expense - first mortgage	(42,145)	(42,145)
Capital contributions	377,685	9,006
Total other nonoperating revenues (expenses)	354,916	(9,034)
Change in net position	(23,524)	(446,737)
Net position		
Beginning of year	2,546,443	2,993,180
End of year	$ 2,522,919	$ 2,546,443

See Notes to Financial Statements.

Adaptable Housing Development
Project No. 12-HLCP-0004
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Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	2026	2025
Cash flows from operating activities		
Cash received from tenants and operations	$ 361,128	$ 376,299
Less cash payments for operations and administration		
Administrative expenses paid	(24,786)	(33,974)
Management fee and sponsor overhead paid	(32,760)	(32,760)
Utilities paid	(94,740)	(74,652)
Salaries and wages paid	(85,195)	(89,802)
Operating and maintenance paid	(180,376)	(187,369)
Property insurance paid	(12,130)	(11,129)
Net tenant security deposits received	600	-
Other operating expenses paid	(34,157)	(35,508)
Cash payments for operations and administration	(463,544)	(465,194)
Net cash used in operating activities	(102,416)	(88,895)
Cash flows from noncapital financing activities		
Transfers - in	147,367	63,276
Net cash provided by noncapital financing activities	147,367	63,276
Cash flows from capital and related financing activities		
Capital contributions	377,685	9,006
Purchase of fixed assets	(377,685)	(9,006)
Interest paid	(5,900)	(43,428)
Net cash used by capital and related financing activities	(5,900)	(43,428)
Cash flows from investing activities		
Net deposits to replacement reserve	(22,890)	(23,267)
Net deposits to operating reserve	(425)	(541)
Interest on investments	17,239	24,218
Net sales (purchases) of investments	(49,758)	266,450
Net cash (used in) provided by investing activities	(55,834)	266,860
Net (decrease) increase in cash and cash equivalents	(16,783)	197,813
Cash and cash equivalents, beginning	336,849	139,036
Cash and cash equivalents, end	$ 320,066	$ 336,849

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Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	2025	2024
Reconciliation of net operating loss to net cash (used in) provided by operating activities		
Net operating loss	$ (525,807)	$ (500,979)
Adjustments to reconcile net operating loss to net cash used in operating activities		
Depreciation	425,126	422,127
Bad debt	27	139
Changes in:		
Tenants' accounts receivable	138	201
Accounts receivable - grants	1,794	(5,101)
Prepaid revenue	(9,007)	11,436
Accounts payable - operations	7,336	(17,288)
Accrued expenses	(2,623)	570
Tenants' security deposits liability	600	-
Net cash used in operating activities	$ (102,416)	$ (88,895)

See Notes to Financial Statements.

Adaptable Housing Development
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Notes to Financial Statements
June 30, 2026 and 2025

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 revenues, 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 revenues, expenses and changes in net position present increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenue is recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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.

Operating revenues and expenses and nonoperating revenues and expenses

The Project distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses are revenues and expenses other than nonoperating revenues and expenses.

Operating revenues and expenses generally result from transactions that are integral to the Project's principal ongoing operations. The operating revenues of the Project consist of rental income from the tenants of its housing units and the operating grant income. Operating expenses for the Project include the cost of services and general and administrative expenses.

Nonoperating revenues and expenses are subsidies received and provided, revenues and expenses related to financing, capital contributions, resources from the disposal of capital assets and investment income and expenses.

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, 2026 and 2025, the reconciled balance of SDHC's general cash account is $41,816,675 and $49,800,280, respectively, of which $320,066 and $336,849 belong to the Project as of June 30, 2026 and 2025, respectively.

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 $432 and $406 as of June 30, 2026 and 2025, respectively.

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, 2026 and 2025.

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 grant
The Project converted to Public Housing and receives an operating grant from HUD. The Project recognized $49,631 and $80,590 of operating grant income during the years ended June 30, 2026 and 2025, respectively, of which $3,307 and $5,101 is receivable as of June 30, 2026 and 2025, 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.

Note 3 - Restricted deposits and funded reserves

As of June 30, 2026 and 2025, 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 $18,186 and $17,586 as of June 30, 2026 and 2025, 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 $361,423 and $338,533 as of June 30, 2026 and 2025, respectively. During the years ended June 30, 2026 and 2025, the replacement reserve activity was as follows:

	2026	2025
Beginning balance	$ 338,533	$ 315,266
Deposits ($600 x 35 units)	21,000	21,000
Interest earned	1,890	2,267
Ending balance	$ 361,423	$ $ 338,533

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 $81,185 and $80,760 as of June 30, 2026 and 2025, respectively.

Other investments
The Project's other investments amount to $99,717 and $50,559 at June 30, 2026 and 2025, 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.

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, 2026 and 2025, respectively. Outstanding principal and accrued interest is $1,404,849 and $386,397, respectively, at June 30, 2026, and $1,404,849 and $350,152, respectively, at June 30, 2025.

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 $32,760 and $32,760 for the years ended of June 30, 2026 and 2025, 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, 2026.

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 15, 2026, 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
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Supplementary Information
Years Ended June 30, 2026 and 2025

Schedule of Operating Revenue

Account No.		2026	2025
Rental revenue			
5120	Rent revenue - gross potential	$ 314,528	$ 278,130
5121	Tenant assistance payments	49,631	80,590
5100T	Total rental revenue	364,159	358,720
5152N	Net rental revenue	364,159	358,720
Financial revenue			
5410	Financial revenue - project operations	17,061	21,297
5440	Revenue from investments - replacement reserve	1,890	2,267
5490	Revenue from investments - miscellaneous	425	541
5400T	Total financial revenue	19,376	24,105
Other revenue			
5910	Laundry and vending	4,738	4,767
5920	Tenant charges	1,100	1,175
5900T	Total other revenue	5,838	5,942
5000T	Total revenue	389,373	388,767

Adaptable Housing Development
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Supplementary Information
Years Ended June 30, 2026 and 2025

Schedules of Operating Expenses

Account No.		2026	2025
Administrative expenses			
6250	Other renting expenses	519	2,989
6310	Office salaries	46,875	46,863
6311	Office expenses	11,625	6,998
6320	Management fee	32,760	32,760
6340	Legal expense - project	911	1,760
6350	Auditing expense	8,720	12,578
6351	Bookkeeping fees/accounting services	3,990	3,990
6370	Bad debts	27	139
6390	Miscellaneous administrative expenses	815	558
6263T	Total administrative expenses	106,242	108,635
Utilities expense			
6450	Electricity	5,566	4,582
6451	Water	41,010	29,538
6452	Gas	25,438	21,711
6453	Sewer	22,726	18,821
6400T	Total utilities expense	94,740	74,652
Operating and maintenance expenses			
6510	Payroll	35,697	37,809
6515	Supplies	3,091	2,431
6520	Contracts	184,193	166,948
6530	Security payroll/contract	-	5,700
6570	Vehicle and maintenance equipment operation and repairs	428	702
6500T	Total operating and maintenance expenses	223,409	213,590

Adaptable Housing Development
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Supplementary Information
Years Ended June 30, 2026 and 2025

Account No.		2026	2025
Taxes and insurance			
6710	Real estate taxes	73	34
6720	Property and liability insurance	12,130	11,129
6722	Workmen's compensation	2,068	2,027
6723	Health insurance and other employee benefits	32,016	33,447
6700T	Total taxes and insurance	46,287	46,637
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	512,823	485,659
5060T	Income (loss) before depreciation	(123,450)	(96,892)
Depreciation			
6600	Depreciation expense	425,126	422,127
	Total depreciation	425,126	422,127
5060N	Operating income (loss)	(548,576)	(519,019)
	Total expenses	937,949	907,786
3250	Change in net assets	$ (548,576)	$ (519,019)

Adaptable Housing Development
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Supplementary Information
Years Ended June 30, 2026 and 2025

Schedules of Miscellaneous Account Details

	2026	2025
Revenue from Investments - Miscellaneous (Account No. 5490)		
Interest on investments	$ 425	$ 541
	$ 425	$ 541
Miscellaneous Administrative Expenses (Account No. 6390)		
Inspection fees	$ 330	$ -
Business expense	1	312
Mileage reimbursement	89	8
Parking fees and permits	367	200
Training	28	38
	$ 815	$ 558

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Supplementary Information
June 30, 2026

Cash on Hand and in Banks

Unrestricted cash operating accounts	
Operating account	$ 320,066
	$ 320,066
Restricted cash accounts	
Tenant security deposits	$ 18,186
Replacement reserve	361,423
Operating reserve	81,185
	$ 460,794

Mortgage Impound Accounts

None.

Reserves for Replacements and Operating Expenses

	Reserve for replacements	Operating expense reserve
Balance, June 30, 2025	$ 338,533	$ 80,760
Deposits ($1,750 x 12 months)	21,000	-
Interest earned	1,890	425
Balance, June 30, 2026	$ 361,423	$ 81,185

Property, Equipment and Improvements

Following are the details of property, equipment and improvements:

	Property, equipment and improvements			
	Balance 6/30/25	Additions	Deletions	Balance 6/30/26
Land	$ 484,372	$ -	$ -	$ 484,372
Buildings	7,144,985	377,685	-	7,522,670
Office furniture and equipment	33,327	-	-	33,327
	$ 7,662,684	$ 377,685	$ -	$ 8,040,369

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Supplementary Information
June 30, 2026

Accounts Payable and Accrued Expenses

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

Current	$	26,691
Total	$	26,691

Accounts Receivable

Accounts receivable consist of the following:

Accounts receivable consist of the following:		
Tenant accounts receivable	$	1,652
Operating subsidy receivable		3,307
Interest receivable		4,405
	$	9,364

Gross Potential Rents

Gross potential rents includes the following:

Tenant rental payments	$	314,501
Housing assistance payments		49,631
Bad debt		27
Total gross potential rents	$	364,159

Management Fee

The management fee and sponsor overhead authorized by RHCP totals $32,760 and $32,760 for the years ended June 30, 2026 and 2025, respectively.

Adaptable Housing Development
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Supplementary Information
Year Ended June 30, 2026

Operating Cash Flow/Surplus Cash Computation

Operating income		
Total income	$	389,373
Interest earned on restricted reserve accounts		(2,315)
Adjusted operating income		387,058
Operating expenses		(470,678)
Adjusted net income		(83,620)
Other activity		
Mandatory debt service		(5,900)
Deposits into replacement reserve account		(21,000)
Total other activity		(26,900)
Operating cash flow/surplus cash (deficit)	$	(110,520)
Total cash available for distributions (net cash flow)	$	-

Adaptable Housing Development
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Supplementary Information
Year Ended June 30, 2026

Reconciliation to RHCP Form 181

Total operating revenue	$	369,997
Interest income		19,376
Less interest on reserves		(2,315)
Other difference		-
Effective gross rent per RHCP Form 181	$	387,058

Reconciliation to RHCP Form 180

Total operating expenses	$	895,804
Less depreciation		(425,126)
Other difference		(1)
Total operating costs per RHCP Form 180	$	470,677

Adaptable Housing Development
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Supplementary Information
Year Ended June 30, 2026

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

Contract No: 80-RHC-002

Reporting Period: 7/1/25 to 6/30/26

Project Name: ADAPTABLE HOUSING

Prepared by: MARIA GIMUTAO

Date Prepared: 8/10/26 *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	11,232	11,232	21,528	21,528	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	877	182	1,681	350	0	0
5	Office Salaries	6310	15,777	15,993	30,239	30,653	0	0
6	Office Supplies	6311	1,541	4,097	2,955	7,852	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	1,472	313	2,820	599	0	0
11	Audit Expense - Project	6350	2,990	2,990	5,730	5,730	0	0
12	Bookkeeping Fees/Accounting Services	6351	1,368	1,368	2,622	2,622	0	0
13	Telephone and Answering Service Expenses	6360	0	0	0	0	0	0
14	Bad Debt Expense	6370	0	0	4,654	27	0	0
15	Miscellaneous Administrative Expenses (specify)	6390	178	166	342	319	0	0
16	**TOTAL ADMINISTRATIVE EXPENSES**	**6200/6300T**	24,203	25,109	51,043	48,152	0	0
	UTILITIES EXPENSES: 6400							
17	Fuel Oil/Coal	6420	0	0	0	0	0	0
18	Electricity	6450	900	1,908	1,724	3,658	0	0
19	Water	6451	8,511	14,061	16,313	26,950	0	0
20	Gas	6452	7,622	8,722	14,610	16,716	0	0
21	Sewer	6453	5,774	7,792	11,066	14,934	0	0
22	**TOTAL UTILITIES EXPENSES**	**6400T**	22,807	32,483	43,713	62,258	0	0
	OPERATING AND MAINTENANCE EXPENSES: 6500							
23	Janitor and Cleaning Payroll	6510	12,716	12,239	24,372	23,458	0	0
24	Janitor and Cleaning Supplies	6515	937	1,060	1,795	2,031	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	69,592	53,920	133,385	103,345	0	0
28	Garbage and Trash Removal	6525	9,634	9,228	18,465	17,688	0	0
29	Security Payroll/Contract	6530	2,931	0	5,619	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	0	147	0	281	0	0
43	Misc. Operating and Maintenance Expenses (specify)	6590	219	0	421	0	0	0
44	**TOTAL OPERATING & MAINTENANCE EXPENSES**	**6500T**	96,029	76,594	184,057	146,803	0	0
	TAXES AND INSURANCE: 6700							
45	Real Estate Taxes	6710	0	25	0	48	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	4,738	4,159	9,081	7,970	0	0
49	Fidelity Bond Insurance	6721	0	0	0	0	0	0
50	Worker's Compensation	6722	752	795	1,440	1,524	0	0
51	Health Insurance and Other Employee Benefits	6723	9,989	10,970	19,147	21,027	0	0
52	Other Insurance	6729	0	0	0	0	0	0
53	**TOTAL TAXES AND INSURANCE**	**6700T**	15,479	15,949	29,668	30,569	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**		**169,750**	**161,367**	**330,009**	**309,310**	**0**	**0**

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

Supplementary Information
Year Ended June 30, 2026

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

Contract No: 80-RHC-002 Reporting Perio 7/1/25 to 6/30/26 Units/Sq. Ft. - A 12
Project Name: ADAPTABLE HOUSING Units/Sq. Ft. - T 35
Prepared by: MARIA GIMUTAO
Date Prepared: 8/10/26 *Rev 9/28/16* Unit Months: 420

	ACCOUNT NAME		ASSISTED UNITS		NON-ASSISTED UNITS		COMMERCIAL		TOTAL PROJECT		PROJECT VARIANCE
		Account Codes	Approved Cashflow (A)	Actual Cashflow (B)	Approved Cashflow (C)	Actual Cashflow (D)	Proposed Cashflow (E)	Actual Cashflow (F)	Approved Cashflow (G)	Actual Cashflow (H)	Cashflow Variance (I)
	REVENUE ACCOUNTS/RENT REVENUE: 5100										
1	Rent Revenue	5120	77,611	107,838	243,336	206,690	0	0	320,947	314,528	(6,419)
2	Tenant Assistance Payments	5121	19,350	17,016	37,087	32,615	0	0	56,437	49,631	(6,806)
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**	**96,961**	**124,854**	**280,423**	**239,305**	**0**	**0**	**377,384**	**364,159**	**(13,225)**
	VACANCIES: 5200										
	Vacancy Percentage:		0	0	0	0	0	0			
11	Apartments -	5220				0	0	0			
12	Stores and Commercial	5240				0	0	0			
13	Rental Concessions	5250				0	0	0			
14	Garage and Parking Spaces	5270				0	0	0			
15	Miscellaneous	5290				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	8,524	5,850	16,338	11,211	0	0	24,862	17,061	(7,801)
	Total Financial Revenue	***5400T***	*8,524*	*5,850*	*16,338*	*11,211*	*0*	*0*	*24,862*	*17,061*	*(7,801)*
	OTHER REVENUE: 5900										
22	Laundry and Vending Revenue	5910	1,713	1,624	3,283	3,114	0	0	4,996	4,738	(258)
23	NSF and Late Charges	5920	450	377	450	723	0	0	900	1,100	200
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***	*2,163*	*2,001*	*3,733*	*3,837*	*0*	*0*	*5,896*	*5,838*	*(58)*
27	**EFFECTIVE GROSS RENT (EGR)**	**5152T**	**107,648**	**132,705**	**300,494**	**254,353**	**0**	**0**	**408,142**	**387,058**	**(21,084)**
28	**TOTAL OPERATING EXPENSES**	**6000T**	**174,843**	**161,367**	**324,916**	**309,310**	**0**	**0**	**499,759**	**470,677**	**29,082**
29	**NET OPERATING INCOME (NOI)**	**5000T**	**(67,195)**	**(28,662)**	**(24,422)**	**(54,957)**	**0**	**0**	**(91,617)**	**(83,619)**	**7,998**
	FINANCIAL EXPENSES: 6800										
30	Non-Contingent Debt Service (specify lender)	6895									
	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:	1300									
34	Escrow Deposits	1310	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
	#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)**		**(74,395)**	**(35,862)**	**(44,122)**	**(74,657)**	**0**	**0**	**(118,517)**	**(110,519)**	**7,998**
	ADDITIONAL REVENUE:										
39	RHCP-O Annuity Fund Request (For Assisted Units Only)		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 statements of net position as of June 30, 2026 and 2025, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 15, 2026 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 15, 2026

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

Schedule of Finding and Responses
Year Ended June 30, 2026

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

CohnReznick

Independent Member of Nexia

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