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

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

June 30, 2026

CohnReznick

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

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

June 30, 2026

Mortgagor's Certification

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

Sole Member

San Diego Housing Commission

Julie Conserva Date
Vice President of Finance - Real Estate
Telephone Number: (619) 578-7608

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

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

June 30, 2026

Managing Agent's Certification

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

Managing Agent

San Diego Housing Commission

_____

Beto Juarez Date

S. Vice President of Property and Asset Management

_____

Julie Conserva
Vice President of Finance - Real Estate

Managing Agent Taxpayer
Identification Number: 95-3390896

Independent Auditor's Report

To the Sole Member
Northern SDHC FHA LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Northern SDHC FHA LLC, which comprise the balance sheet as of June 30, 2026, and the related statements of operations, member's equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Northern SDHC FHA LLC as of June 30, 2026, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

Other Matters

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2026 on our consideration of Northern SDHC FHA LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northern SDHC FHA LLC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northern SDHC FHA LLC's internal control over financial reporting and compliance.

Sacramento, California
September 14, 2026

Lead Auditor: Ahamadou Alainchar Bocar, CPA

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

Balance Sheet
June 30, 2026

Assets

Current assets		
Cash - operations	$	870,671
Tenant accounts receivable		14,814
Allowance for doubtful accounts		(4,537)
Accounts receivable - HUD		1,821
Accounts and notes receivable - operations		318,877
Prepaid expenses		18,606
Total current assets		1,220,252
Deposits held in trust - funded		
Tenant deposits		116,394
Restricted deposits and funded reserves		
Escrow deposits		50,313
Reserve for replacements		155,645
Total restricted deposits and funded reserves		205,958
Rental property		
Land		3,690,974
Buildings		12,148,335
Building equipment - portable		175,849
		16,015,158
Less accumulated depreciation		(6,859,099)
Total rental property		9,156,059
Total assets	$	10,698,663

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

Balance Sheet
June 30, 2026

Liabilities and Member's Equity (Deficit)

Current liabilities		
Accounts payable - operations	$	151,846
Accounts payable - entity		103,749
Accrued wages payable		14,861
Accrued management fee payable		16,564
Accrued interest payable - first mortgage		38,584
Mortgage payable - first mortgage, current maturities		444,444
Prepaid revenue		67,051
Total current liabilities		837,099
Deposits liability		
Tenant deposits held in trust (contra)		116,385
Long-term liabilities		
Mortgage payable - first mortgage, net		11,654,694
Total long-term liabilities		11,654,694
Total liabilities		12,608,178
Contingency		-
Member's equity (deficit)		(1,909,515)
Total liabilities and member's equity (deficit)	$	10,698,663

See Notes to Financial Statements.

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

Statement of Operations
Year Ended June 30, 2026

Rental revenue		
Rent revenue - gross potential	$	3,098,925
Tenant assistance payments		913,462
Total rental revenue		4,012,387
Vacancies		
Apartments		(222,733)
Total vacancies		(222,733)
Net rental revenue		3,789,654
Financial revenue		
Financial revenue - project operations		1,111
Revenue from investments - replacement reserve		100
Total financial revenue		1,211
Other revenue		
Laundry and vending		51,763
Tenant charges		8,440
Miscellaneous revenue		157,255
Total other revenue		217,458
Total revenue		4,008,323

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

Statement of Operations
Year Ended June 30, 2026

Administrative expenses	
Other renting expenses	853
Office salaries	145,509
Office expenses	21,094
Management fee	190,069
Administrative rent free unit	34,147
Legal expense - project	2,951
Auditing expense	15,446
Bad debts	15,171
Miscellaneous administrative expenses	37,001
Total administrative expenses	462,241
Utilities expense	
Electricity	22,135
Water	172,466
Gas	39,227
Sewer	97,155
Total utilities expense	330,983
Operating and maintenance expenses	
Payroll	115,500
Supplies	26,566
Contracts	542,757
Garbage and trash removal	109,492
Security payroll/contract	669
Vehicle and maintenance equipment operation and repairs	2,254
Miscellaneous operating and maintenance expenses	131,023
Total operating and maintenance expenses	928,261

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

Statement of Operations
Year Ended June 30, 2026

Taxes and insurance	
Real estate taxes	5,605
Property and liability insurance	77,287
Workmen's compensation	7,255
Health insurance and other employee benefits	90,441
Miscellaneous taxes, licenses, permits and insurance	6,800
Total taxes and insurance	187,388
Financial expenses	
Interest on first mortgage payable	487,765
Mortgage insurance premium/service charge	56,455
Total financial expenses	544,220
Total cost of operations before depreciation	2,453,093
Income (loss) before depreciation	1,555,230
Depreciation	
Depreciation expense	434,008
Total depreciation	434,008
Total expenses	2,887,101
Net income (loss)	$ 1,121,222

See Notes to Financial Statements.

Northern SDHC FHA LLC
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Statement of Member's Equity (Deficit)
Year Ended June 30, 2026

Member's equity (deficit)		
June 30, 2025	$	(3,248,490)
Distributions		(1,119,540)
Contributions		1,337,293
Net income (loss)		1,121,222
Member's equity (deficit)		
June 30, 2026	$	(1,909,515)

See Notes to Financial Statements.

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

Statement of Cash Flows
Year Ended June 30, 2026

Cash flows from operating activities		
Rental receipts	$	3,739,427
Interest receipts		1,211
Other operating receipts		217,458
Total receipts		3,958,096
Administrative expenses paid		(141,291)
Management fees paid		(188,405)
Utilities paid		(330,983)
Salaries and wages paid		(272,744)
Operating and maintenance paid		(1,115,870)
Real estate taxes paid		(5,605)
Property insurance paid		(77,287)
Miscellaneous taxes and insurance paid		(6,800)
Net tenant security deposits received (paid)		(1,697)
Other operating expenses paid		(97,696)
Interest paid on first mortgage		(471,782)
Mortgage insurance premium paid		(55,818)
Total disbursements		(2,765,978)
Net cash provided by operating activities		1,192,118
Cash flows from investing activities		
Net withdrawals from mortgage escrows		1,453
Net deposits to reserve for replacements		(39,242)
Net purchases of fixed assets		(887,342)
Net cash used in investing activities		(925,131)
Cash flows from financing activities		
Mortgage principal payments - first mortgage		(428,068)
Distributions to member		(1,119,540)
Contributions by member		1,337,293
Net cash used in financing activities		(210,315)
Net increase in cash and restricted cash		56,672
Cash and restricted cash, beginning		930,393
Cash and restricted cash, end	$	987,065

Northern SDHC FHA LLC
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Statement of Cash Flows
Year Ended June 30, 2026

Reconciliation of net income (loss) to net cash provided by operating activities		
Net income (loss)	$	1,121,222
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation		434,008
Amortization of debt issuance costs		17,325
Bad debts		15,171
Changes in asset and liability accounts		
(Increase) decrease in assets		
Tenant accounts receivable		(13,054)
Accounts receivable - other		(65,767)
Prepaid expenses		637
Increase (decrease) in liabilities		
Accounts payable		(174,570)
Accrued liabilities		(9,402)
Accrued interest payable		(1,342)
Tenant security deposits held in trust		(1,697)
Prepaid revenue		(1,205)
Entity/construction liability accounts (include detail)		
Accounts payable - entity		(129,208)
Total adjustments	$	70,896
Net cash provided by operating activities	$	1,192,118

See Notes to Financial Statements.

Note 1 - Organization and nature of operations

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

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

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

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

Note 2 - Summary of significant accounting policies

Basis of presentation

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

Tenant accounts receivable

Tenant accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenants' accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2026, the allowance for doubtful accounts is $4,537.

Rental property

Rental property is carried at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives by use of the straight-line method. The estimated useful lives of the assets are as follows:

Building and improvements	12 to 37 years
Dwelling equipment	5 years

Impairment of long-lived assets
The Company reviews its investment in rental property for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the Projects are less than its carrying amount, management compares the carrying amount of the Projects to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized for the year ended June 30, 2026.

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

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

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

Advertising costs
Advertising and marketing costs are expensed as incurred.

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

Note 3 - Restricted deposits and funded reserves

Escrow deposits
Under agreements with the mortgage lender and HUD, the Company is required to make monthly deposits to escrow accounts. Funds deposited are used to pay mortgage insurance premiums. As of June 30, 2026, the balance in the escrow deposits is $50,313.

Reserve for replacements

The Company is required to make monthly deposits to a reserve for replacements account to fund future maintenance and replacement costs. Monthly payments of $4,839 are required to be deposited with the mortgage lender. During the year ended June 30, 2026, the Company made deposits of only $39,142 to the replacement reserve as the lender and HUD approved a waiver of the deposit requirement as long as the replacement reserve balance exceeds $1,000 per unit or $154,000. As of June 30, 2026, the balance in the reserve for replacements is $155,645. If the balance falls below the $154,000 limit, the Company will resume making the monthly deposits.

Note 4 - Statement of cash flows

The following table provides a reconciliation of cash and restricted cash reported within the balance sheet that sum to the total of the same such amounts in the statement of cash flows:

Cash	$ 870,671
Tenant deposits	116,394
Total cash and restricted cash shown in the statement of cash flows	$ 987,065

Amounts included in restricted cash are comprised of security deposits held in trust for the future benefit of tenants upon moving out of the Projects as required by the regulatory authority.

Note 5 - Mortgage payable

In August 2010, the Company entered into a mortgage agreement with PNC Bank, N.A., a national banking association, in the original amount of $17,500,200. The mortgage is secured by a deed of trust and insured by HUD. The mortgage bears an annual interest rate of 3.76%. Principal and interest are paid in monthly installments of $74,987 through maturity on September 1, 2045. As of June 30, 2026, the outstanding principal and accrued interest are $12,314,176 and $38,584, respectively.

Debt issuance costs, net of accumulated amortization, totaled $215,038 as of June 30, 2026, and are related to the first mortgage. Debt issuance costs on the above mortgage are being amortized using an imputed interest rate of 3.97%. Amortization of debt issuance costs is $17,325 for the year ended June 30, 2026 and is included in interest on first mortgage payable on the statement of operations.

The liability of the Company under the mortgage note is limited to the underlying value of the real estate collateral plus other amounts deposited with the lender.

The mortgage qualifies for an interest rebate subsidy from the U.S. Treasury under the Build America Bonds Program ("BABs"). During the year ended June 30, 2026, the Company earned BABs interest rebate of $155,269, which is included in miscellaneous revenue on the statement of operations.

Aggregate annual maturities of the mortgage payable over each of the next five years and thereafter subsequent to June 30, 2026 are as follows:

2027	$	444,444
2028		461,446
2029		479,099
2030		497,426
2031		516,455
Thereafter		9,915,306
Subtotal		12,314,176
Less unamortized debt issuance costs		(215,038)
Total	$	12,099,138

Note 6 - Management fee

The Company has entered into an agreement with SDHC in connection with the management of the rental operations of the Projects. The property management fee is based on 5% of the effective gross income of the Projects, as defined. For the year ended June 30, 2026, management fees of $190,069 were incurred and charged to operations, of which $16,564 remain payable as of June 30, 2026.

Note 7 - Housing assistance payments

Certain tenants of the Projects are recipients of Housing Choice Vouchers awarded by SDHC under Section 8 of the National Housing Act. During the year ended June 30, 2026, the Company recognized housing assistance payments revenue amounting to $913,462.

Note 8 - Related party transactions

Accounts payable - entity on the balance sheet includes operating expenses of the Company which were paid by SDHC under an expense reimbursement agreement. As of June 30, 2026, $103,749 is due to SDHC.

Note 9 - Concentration of credit risk

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

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

The Company believes that no significant concentration of credit risks exists with respect to these cash balances at June 30, 2026.

Note 10 - Current vulnerability due to certain concentrations

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

Note 11 - Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Company through September 14, 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 HUD

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

Supplementary Information

Balance Sheet Data
June 30, 2026

Assets

Account No.			
Current assets			
1120	Cash - operations		$ 870,671
1130	Tenant accounts receivable	$ 14,814	
1131	Allowance for doubtful accounts	(4,537)	
1130N	Net tenants accounts receivable		10,277
1135	Accounts receivable - HUD		1,821
1140	Accounts and notes receivable - operations		318,877
1200	Prepaid expenses		18,606
1100T	Total current assets		1,220,252
Deposits held in trust - funded			
1191	Tenant deposits		116,394
Restricted deposits and funded reserves			
1310	Escrow deposits	50,313	
1320	Reserve for replacements	155,645	
1300T	Total deposits		205,958
Rental property			
1410	Land	3,690,974	
1420	Buildings	12,148,335	
1440	Building equipment - portable	175,849	
1400T	Total fixed assets	16,015,158	
1495	Less accumulated depreciation	(6,859,099)	
1400N	Net fixed assets		9,156,059
1000T	Total assets		$ 10,698,663

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

Supplementary Information

Balance Sheet Data
June 30, 2026

Liabilities and Member's Equity (Deficit)

Account No.			
Current liabilities			
2110	Accounts payable - operations		$ 151,846
2113	Accounts payable - entity		103,749
2120	Accrued wages payable		14,861
2123	Accrued management fee payable		16,564
2131	Accrued interest payable - first mortgage		38,584
2170	Mortgage payable - first mortgage (short-term)		444,444
2210	Prepaid revenue		67,051
2122T	Total current liabilities		837,099
Deposits liability			
2191	Tenant deposits held in trust (contra)		116,385
Long-term liabilities			
2320	Mortgage payable - first mortgage	$ 11,654,694	
2300T	Total long-term liabilities		11,654,694
2000T	Total liabilities		12,608,178
3130	Member's equity (deficit)		(1,909,515)
2033T	Total liabilities and member's equity (deficit)		$ 10,698,663

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2026

Account No.			
Rental revenue			
5120	Rent revenue - gross potential	$ 3,098,925	
5121	Tenant assistance payments	913,462	
5100T	Total rental revenue		$ 4,012,387
Vacancies			
5220	Apartments	(222,733)	
5200T	Total vacancies		(222,733)
5152N	Net rental revenue		3,789,654
Financial revenue			
5410	Financial revenue - project operations	1,111	
5440	Revenue from investments - replacement reserve	100	
5400T	Total financial revenue		1,211
Other revenue			
5910	Laundry and vending	51,763	
5920	Tenant charges	8,440	
5990	Miscellaneous revenue	157,255	
5900T	Total other revenue		217,458
5000T	Total revenue		4,008,323

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2026

Account No.			
Administrative expenses			
6250	Other renting expenses	853	
6310	Office salaries	145,509	
6311	Office expenses	21,094	
6320	Management fee	190,069	
6331	Administrative rent free unit	34,147	
6340	Legal expense - project	2,951	
6350	Auditing expense	15,446	
6370	Bad debts	15,171	
6390	Miscellaneous administrative expenses	37,001	
6263T	Total administrative expenses		462,241
Utilities expense			
6450	Electricity	22,135	
6451	Water	172,466	
6452	Gas	39,227	
6453	Sewer	97,155	
6400T	Total utilities expense		330,983
Operating and maintenance expenses			
6510	Payroll	115,500	
6515	Supplies	26,566	
6520	Contracts	542,757	
6525	Garbage and trash removal	109,492	
6530	Security payroll/contract	669	
6570	Vehicle and maintenance equipment operation and repairs	2,254	
6590	Miscellaneous operating and maintenance expenses	131,023	
6500T	Total operating and maintenance expenses		928,261

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2026

Account No.			
Taxes and insurance			
6710	Real estate taxes	5,605	
6720	Property and liability insurance	77,287	
6722	Workmen's compensation	7,255	
6723	Health insurance and other employee benefits	90,441	
6790	Miscellaneous taxes, licenses, permits and insurance	6,800	
6700T	Total taxes and insurance		187,388
Financial expenses			
6820	Interest on first mortgage payable	487,765	
6850	Mortgage insurance premium/service charge	56,455	
6800T	Total financial expenses		544,220
6000T	Total cost of operations before depreciation		2,453,093
5060T	Income (loss) before depreciation		1,555,230
Depreciation			
6600	Depreciation expense	434,008	
	Total depreciation		434,008
5060N	Operating income (loss)		1,121,222
	Total expenses		2,887,101
3250	Net income (loss)		$ 1,121,222

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2026

Account No.		
S1000-010	Total first mortgage (or bond) principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.	$ 428,068
S1000-020	Total of 12 monthly deposits in the audit year made to the replacement reserve account, as required by the regulatory agreement, even if payments may be temporarily suspended or reduced.	$ 39,142
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations.	$ -
S1000-040	Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statement of operations.	$ -
S3100-120	Mortgage payable note detail (Section 236 only)	
	Interest reduction payments from subsidy.	$ -

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

Supplementary Information

Statement of Member's Equity (Deficit) Data
Year Ended June 30, 2026

Member's equity (deficit) June 30, 2025	$	(3,248,490)
Distributions		(1,119,540)
Contributions		1,337,293
Net income (loss)		1,121,222
Member's equity (deficit) June 30, 2026	$	(1,909,515)

Northern SDHC FHA LLC
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Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2026

Account No.		
	Cash flows from operating activities	
S1200-010	Rental receipts	$ 3,739,427
S1200-020	Interest receipts	1,211
S1200-030	Other operating receipts	217,458
S1200-040	Total receipts	3,958,096
S1200-050	Administrative expenses paid	(141,291)
S1200-070	Management fees paid	(188,405)
S1200-090	Utilities paid	(330,983)
S1200-100	Salaries and wages paid	(272,744)
S1200-110	Operating and maintenance paid	(1,115,870)
S1200-120	Real estate taxes paid	(5,605)
S1200-140	Property insurance paid	(77,287)
S1200-150	Miscellaneous taxes and insurance paid	(6,800)
S1200-170	Other operating expenses paid	(97,696)
S1200-180	Interest paid on first mortgage	(471,782)
S1200-210	Mortgage insurance premium paid	(55,818)
S1200-230	Total disbursements	(2,764,281)
S1200-240	Net cash provided by operating activities	1,193,815
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	1,453
S1200-250	Net deposits to reserve for replacements	(39,242)
S1200-330	Net purchases of fixed assets	(887,342)
S1200-350	Net cash used in investing activities	(925,131)
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	(428,068)
S1200-420	Distributions to member	(1,119,540)
S1200-430	Contributions by member	1,337,293
S1200-460	Net cash used in financing activities	(210,315)
S1200-470	Net increase in cash	58,369
S1200-480	Cash, beginning	812,302
S1200T	Cash, end	$ 870,671

Northern SDHC FHA LLC
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Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2026

Account No.				
	Reconciliation of net income (loss) to net cash provided by operating activities			
3250	Net income (loss)			$ 1,121,222
	Adjustments to reconcile net income (loss) to net cash provided by operating activities			
6600	Depreciation			434,008
S1200-486	Amortization of debt issuance costs			17,325
	Changes in asset and liability accounts			
	(Increase) decrease in assets			
S1200-490	Tenant accounts receivable			(13,054)
S1200-500	Accounts receivable - other			(65,767)
S1200-520	Prepaid expenses			637
S1200-530	Tenant security deposits funded			1,697
	Increase (decrease) in liabilities			
S1200-540	Accounts payable			(174,570)
S1200-560	Accrued liabilities			(9,402)
S1200-570	Accrued interest payable			(1,342)
S1200-580	Tenant security deposits held in trust			(1,697)
S1200-590	Prepaid revenue			(1,205)
S1200-605	Entity/construction liability accounts (include detail)			
S1200-606	Accounts payable - entity	$ (129,208)		
				(129,208)
S1200-600	Other adjustments (include detail)			
S1200-601	Bad debts	15,171		
				15,171
	Total adjustments			72,593
S1200-610	Net cash provided by operating activities			$ 1,193,815

Northern SDHC FHA LLC
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Supplementary Information
Year Ended June 30, 2026

Reserve for Replacements

Account No.			
1320P	Balance at June 30, 2025	$	116,403
1320DT	Total monthly deposits		39,142
1320INT	Interest income		100
1320	Balance at June 30, 2026	$	155,645

Northern SDHC FHA LLC
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Supplementary Information
Period Ended December 31, 2025

Mid-Year Computation of Surplus Cash

Account No.	Part A - Compute Surplus Cash		
S1400-020	Cash (Accounts 1120, 1170 and 1191)		$ 1,548,061
S1400-030	Accounts receivable - HUD		1,995
S1400-050	Total cash		1,550,056
S1400-060	Accrued mortgage interest payable		39,261
S1400-070	Delinquent mortgage principal payments		-
S1400-080	Delinquent deposits to reserve for replacements		-
S1400-090	Accounts payable (due within 30 days)		29,730
S1400-100	Loans and notes payable (due within 30 days)		-
S1400-110	Deficient tax, insurance or MIP escrow deposits		-
S1400-120	Accrued expenses (not escrowed)		-
S1400-130	Prepaid revenue (Account 2210)		71,237
S1400-140	Tenant security deposits liability (Account 2191)		112,980
S1400-150	Other current obligations (describe in detail)		
S1400-160	Accounts payable - entity	$ 177,307	
			177,307
S1400-180	Less total current obligations		430,515
S1400-190	Surplus cash (deficiency)		$ 1,119,541
S1400-240	Amount available for distribution during next fiscal period		$ 1,119,541

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

Supplementary Information
Year Ended June 30, 2026

Computation of Surplus Cash

Account No.	Part A - Compute Surplus Cash		
S1300-010	Cash (Accounts 1120, 1170 and 1191)		$ 987,065
1135	Accounts receivable - HUD		1,821
S1300-040	Total cash		988,886
S1300-050	Accrued mortgage interest payable		38,584
S1300-060	Delinquent mortgage principal payments		-
S1300-070	Delinquent deposits to reserve for replacements		-
S1300-075	Accounts payable (due within 30 days)		151,846
S1300-080	Loans and notes payable (due within 30 days)		-
S1300-090	Deficient tax, insurance or MIP escrow deposits		-
S1300-100	Accrued expenses (not escrowed)		31,425
2210	Prepaid revenue (Account 2210)		67,051
2191	Tenant security deposits liability (Account 2191)		116,385
S1300-110	Other current obligations (describe in detail)		
S1300-120	Accounts payable - entity	$ 103,749	
			103,749
S1300-140	Less total current obligations		509,040
S1300-150	Surplus cash (deficiency)		$ 479,846
S1300-200	Amount available for distribution during next fiscal period		$ 479,846

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

Supplementary Information
Year Ended June 30, 2026

Changes in Fixed Asset Accounts

	Assets			
	Balance 6/30/25	Additions	Deductions	Balance 6/30/26
Land	$ 3,690,974	$ -	$ -	$ 3,690,974
Buildings	11,656,369	491,966	-	12,148,335
Building equipment - portable	55,380	120,469	-	175,849
	$ 15,402,723	$ 612,435	$ -	$ 16,015,158
Accumulated depreciation	$ 6,425,091	$ 434,008	$ -	$ 6,859,099
Total net book value				$ 9,156,059

Additions to Buildings Account

Fixed Asset Detail

Additions to Buildings Account

Item and quantity	Amount
Hurlbut Repipe and Rebuild-BI Plumbing	244,661
Hurlbut Repipe and Rebuild-BI Interior	216,786
Hurlbut Repipe and Rebuild-BI Foundation	30,519
	$ 491,966

Additions to Building Equipment - Portable Account

Item and quantity	Amount
Hurlbut Repipe-Rebuild-DU floors	99,648
Glenhaven St. Furnace replacement	7,885
Glenhaven 100-Gal Water Heater Replacement	7,700
Pulitzer 75-Gal Water Heater Replacement	5,236
	$ 120,469

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

Supplementary Information
Year Ended June 30, 2026

Detail of Accounts - Balance Sheet

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

Other		
Insurance claims receivable	$	237,649
Interest rebate - Build America Bonds		81,228
	$	318,877

Detail of Accounts - Statement of Operations

Miscellaneous Other Revenue (Account No. 5990)

Interest Rebate - Build America Bonds	$	155,269
Miscellaneous income		1,986
	$	157,255

Miscellaneous Operating and Maintenance Expenses (Account No. 6590)

CN DU - Appliances / CO2 Detectors	$	46,972
CN Arch - Balconies / Elevated Walkways / Stairs		46,608
CN DU - Flooring / Carpeting		20,125
CN M&E - Boilers / Water Heaters		14,273
CN DU - Interior Painting		1,813
Prof Consultants(Capital Budgets Only)		800
CN DU - Cabinets / Counters / Interior Fixtures		213
CN DU - Pest Control		125
CN DU - Windows / Doors / Interior Hardware		94
	$	131,023

Other Information

Related party transactions detail:

Account No.	Entity name	Amount paid
S3100-210	Management fee paid to SDHC	$ 188,405

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

To the Sole Member
Northern SDHC FHA LLC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northern SDHC FHA LLC, which comprise the balance sheet as of June 30, 2026, and the related statements of operations, member's equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 14, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Sacramento, California
September 14, 2026

Independent Auditor's Report on Compliance for the Major HUD Program
and Report on Internal Control over Compliance Required by the
Consolidated Audit Guide for Audits of HUD Programs

To the Sole Member
Northern SDHC FHA LLC

Report on Compliance for the Major HUD Program

Opinion on the Major HUD Program

We have audited Northern SDHC FHA LLC's compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide") that could have a direct and material effect on Northern SDHC FHA LLC's major U.S. Department of Housing and Urban Development ("HUD") program for the year ended June 30, 2026. Northern SDHC FHA LLC's major HUD program and the related direct and material compliance requirements are as follows:

Name of Major HUD Program	Direct and Material Compliance Requirements
Section 223(f) - Mortgage Insurance program	Fair housing and nondiscrimination, mortgage loan status, reserve for replacements, distributions to owners, equity skimming, cash receipts, cash disbursements, security deposits, management functions, unauthorized ownership changes, and unauthorized project loans.

In our opinion, Northern SDHC FHA LLC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major HUD program for the year ended June 30, 2026.

Basis for Opinion on the Major HUD Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

CohnReznick LLP

Sacramento, California
September 14, 2026

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

Schedule of Findings, Questioned Costs and Recommendations
June 30, 2026

Our audit disclosed no findings that are required to be reported herein under the HUD Consolidated Audit Guide.

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

Schedule of the Status of Prior Audit Findings,
Questioned Costs and Recommendations
June 30, 2026

1. Audit Report, dated September 22, 2025 for the year ended June 30, 2025, issued by CohnReznick LLP.
    - There are no open findings from the prior audit period.
2. There were no reports issued by HUD OIG or other federal agencies or contract administrators during the period covered by this audit.
3. There were no letters or reports issued by HUD management during the period covered by this audit.

CohnReznick

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