



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

DATE: November 13, 2020 **HCR20-103**

SUBJECT: Fiscal Year 2020 Comprehensive Annual Financial Report (CAFR) and Single Audit Reports

COUNCIL DISTRICT(S): Citywide

ORIGINATING DEPARTMENT: Financial Services

CONTACT/PHONE NUMBER: Tracey McDermott, (619) 578-7737

REQUESTED ACTION:

Accept the Fiscal Year 2020 (July 1, 2019 – June 30, 2020) Comprehensive Annual Financial Report (CAFR) and Single Audit Reports, specified in the list of attachments on page 3 of the Board Report, as prepared by CohnReznick LLP, licensed certified public accountants.

EXECUTIVE SUMMARY OF KEY FACTORS:

- The San Diego Housing Commission (Housing Commission) received an “unmodified” (“clean”) opinion for the audit period July 1, 2019 - June 30, 2020.
- The Housing Commission did not receive a Management Comment Letter on internal controls.
- Total Revenues were \$311.8 million, of which 72.2 percent is from federal grants.
- Total Expenses were \$293.0 million, of which \$176.0 million related to Housing Assistance payments.
- Total Assets were \$840.5 million, including \$391.5 million in total notes and interest receivable, net of allowance.
- Total Liabilities were \$170.1 million.
- Total Net Position was \$670.3 million and was composed of:
 - Net Investment in Capital Assets: \$98.9 million – the amount spent on capital assets and is used for operations.
 - Restricted Net Position: \$218.9 million – the amount is restricted by external creditors, grantors contributors, or laws or regulations of other governments.
 - Unrestricted Net Position: \$352.5 million – an accounting definition and not necessarily indicative of funds available for discretionary use.
- In Fiscal Year 2020, Government Accounting Standards Board (GASB) 84, “Fiduciary Activities” was adopted and Fiduciary Fund statements are now presented in the CAFR, which reflect Pension and 457 Plan activities.



REPORT

DATE ISSUED: November 6, 2020

REPORT NO: HCR20-103

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of November 13, 2020

SUBJECT: Fiscal Year 2020 Comprehensive Annual Financial Report (CAFR) and
Single Audit Reports

COUNCIL DISTRICT: Citywide

SUMMARY

Accept the Fiscal Year 2020 (July 1, 2019 – June 30, 2020) Comprehensive Annual Financial Report (CAFR) and Single Audit Reports, specified in the list of attachments on Page 3 of this report, as prepared by CohnReznick LLP, licensed certified public accountants.

COMMITTEE RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) accept and approve the Fiscal Year (FY) 2020 (July 1, 2019 – June 30, 2020) Comprehensive Annual Financial Report (CAFR) and Single Audit Reports prepared by CohnReznick LLP, an independent audit firm.

SUMMARY

In November 2018, following a formal Request for Proposal process, the Housing Commission awarded a contract to CohnReznick LLP to conduct various financial audits of the Housing Commission, with options for annual renewals through Fiscal Year 2023 (July 1, 2022 – June 30, 2023).

The Housing Commission Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America presented in the CAFR (Attachment 1). This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

CohnReznick, LLP is responsible for expressing an opinion on the financial statements based on their audit. In their opinion, the financial statements present fairly, in all material respects, the financial position of the Housing Commission as of June 30, 2020.

The Housing Commission Management is also responsible for compliance with each federal program and for internal controls over compliance required by the Office of Management and Budget Compliance Supplement (Attachment 2).

CohnReznick, LLP is responsible for expressing an opinion on compliance for each of the Housing Commission's major federal programs based on their audit of the types of compliance requirements identified. In their opinion, the Housing Commission complied, in all material respects, with the types of compliance requirements identified that could have a direct and material effect on each of its major federal programs for the Fiscal Year that ended on June 30, 2020.

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

INFORMATIONAL REPORTS PROVIDED

Certain projects require Financial Statements with Supplementary Information and Independent Auditor's Report. The Housing Commission projects subject to this requirement are the Otay Villas Housing Development (Attachment 4) and Adaptable Housing Development (Attachment 5). For both projects, the opinion of the auditors was that the statement of project operations presents fairly, in all material respects, the operation of the project for the Fiscal Year that ended on June 30, 2020, in accordance with accounting principles generally accepted in the United States of America.

The Housing Commission has three projects regulated by the U.S. Department of Housing and Urban Development (HUD) that have Federal Housing Administration (FHA) insured loans under Section 233(f) that require individual Financial Statements with Supplementary Information and Independent Auditor's Report. These projects are Northern SDHC FHA LLC (Attachment 6), Southern SDHC FHA LLC (Attachment 7) and Central SDHC FHA LLC (Attachment 8). The determination for the requirement of separate reporting was made in September 2013. CohnReznick, LLP completed the reports for FY 2020. For each project, the opinion of the auditors was that the statements of projects were presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. In addition, the Housing Commission complied, in all material respects, with HUD program and internal control requirements that could have a direct and material effect on each of the FHA Federal Programs.

CONCLUSION

The audit reports are in compliance with applicable laws and the scope of work contained in the contract between the Housing Commission and CohnReznick, LLP. Housing Commission staff wishes to extend their appreciation to CohnReznick, LLP for the professional manner in which this audit was performed.

FISCAL CONSIDERATIONS

The proposed action has no fiscal impact.

PREVIOUS COUNCIL and/or COMMITTEE ACTION

On October 30, 2020, Housing Commission staff and the Auditors presented the Fiscal Year 2020 Comprehensive Annual Financial Report and attached financial reports to the Audit Committee, the Deputy Chief Executive Officer, and the Housing Commission's General Counsel.

ENVIRONMENTAL REVIEW

This activity is not a project as defined by the California Environmental Quality Act (CEQA) Section 21065 and State CEQA Guidelines Section 15378(b)(5), as it is an administrative activity of government that will not result in direct or indirect physical changes in the environment. The determination that this activity is not subject to CEQA, pursuant to Section 15060(c)(3), is not appealable and a Notice of Right to Appeal the Environmental Determination (NORA) is not required. This activity is exempt from the National Environmental Policy Act (NEPA) pursuant to Section 58.34(a)(2) and (3) of Title 24 of the Code of Federal Regulations.

Respectfully submitted,

By: *Roberta Spoon*
Audit Committee

By: *Johanna Hester*
Audit Committee

By: *Margaret Davis*
Audit Committee

Attachments: 1) FY20 Comprehensive Annual Financial Report (CAFR)
2) FY20 Single Audit Reports
3) FY20 Report to the Audit Committee of the Board of Commissioners
4) FY20 Financial Statements on the Otay Villas Housing Development
5) FY20 Financial Statements on the Adaptable Housing Development
6) FY20 Northern SDHC FHA LLC Financial Statements
7) FY20 Southern SDHC FHA LLC Financial Statements
8) FY20 Central SDHC FHA LLC Financial Statements
9) FY20 Popular Annual Financial Report (PAFR)

Docket materials are available in the “Governance & Legislative Affairs” section of the San Diego Housing Commission website at www.sdhc.org



SAN DIEGO
HOUSING
COMMISSION

San Diego Housing Commission Comprehensive Annual Financial Report

A Component Unit of the City of San Diego

For the fiscal year ended June 30, 2020

San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101
www.sdhc.org



San Diego Housing Commission

**A Component Unit of the
City of San Diego, California**

Comprehensive Annual Financial Report

**For the Year Ended
June 30, 2020**

**Prepared by:
Financial Services Department**

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Introductory Section



We're About People

Established in 1979, the San Diego Housing Commission (SDHC) is an award-winning public agency that serves the City of San Diego. SDHC's major program areas include: providing federal rental assistance to more than 15,800 low-income households; addressing homelessness; and creating and preserving affordable rental housing.





November 3, 2020

Mayor Kevin L. Faulconer,
Council President Georgette Gómez, Members of the San Diego City Council,
San Diego Housing Commission (SDHC) Chair of the Board Stefanie Benvenuto,
Members of the SDHC Board of Commissioners,
Citizens of the City of San Diego, California, and additional interested parties

California state law requires that all general purpose local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. As a component unit of the City of San Diego, and pursuant to the above stated requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the San Diego Housing Commission (SDHC) for the fiscal year that ended on June 30, 2020.

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

SDHC's financial statements have been audited by CohnReznick LLP, a firm of licensed certified public accountants. The goal of this independent audit was to provide reasonable assurance that SDHC's financial statements for the fiscal year that ended on June 30, 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based upon their audit, that there was a reasonable basis for rendering an unmodified opinion that SDHC's financial statements for the fiscal year that ended on June 30, 2020, are fairly presented in conformity with GAAP.

The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of SDHC's financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. These reports are available in SDHC's Single Audit Reports, which are issued separately.

The CAFR includes the Financial Data Schedule (FDS) required by the U.S. Department of Housing and Urban Development (HUD). FDS was created to standardize financial information reported by Public Housing Authorities (PHAs). The HUD Real Estate Assessment Center (REAC) requires that PHA accounting information be reported in accordance with GAAP, using either governmental or enterprise fund accounting. REAC analyzes the FDS to assess the financial condition, viability and effectiveness of overall resource management of PHAs compared to industry peers. The FDS discloses federal-, state- and local-funded activities reported to HUD. These activities are the basis of SDHC's enterprise fund program schedules, which are combined in the basic financial statements.

Established in 1979, SDHC has earned a national reputation as a model public housing agency, with innovative programs that preserve and create additional affordable housing in the City of San Diego. SDHC's award-winning programs and services stimulate the local economy, revitalize neighborhoods, and positively impact the lives of San Diegans with low income and/or experiencing homelessness. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SDHC for its CAFR for the fiscal year that ended on June 30, 2019. This was the 12th consecutive year that SDHC has achieved this prestigious award, recognizing "transparency and full disclosure" in the CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that this CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for a Certificate of Achievement.

The GFOA has also given an award for Outstanding Achievement in Popular Annual Financial Reporting to SDHC for its Popular Annual Financial Report for Fiscal Year 2019. This was the 10th consecutive year that SDHC has received this prestigious award.

Governing Body and Strategic Guidance

SDHC is governed by the San Diego City Council, sitting as the Housing Authority of the City of San Diego (Housing Authority).

SDHC President & CEO Richard C. Gentry is the Executive Director of the Housing Authority.

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

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

The Mayor appoints Commissioners, who are confirmed by the San Diego City Council.

The Board reviews proposed changes to housing policy, property acquisitions and other financial commitments. The Board offers policy guidance to SDHC staff through its communications with the agency's President & CEO.

SDHC Mission Statement

To provide affordable, safe, and quality homes for low- and moderate-income families and individuals in the City of San Diego and to provide opportunities to improve the quality of life for the families that SDHC serves.

SDHC Strategic Plan 2016-2020

SDHC's Strategic Plan 2016 - 2020 ensures that SDHC operates efficiently; shares its voice through advocacy at the forefront of national, state, and local decision-making; and meets the needs of as many families with low-income and/or experiencing homelessness as possible.

The SDHC Board of Commissioners approved this four-year Strategic Plan on September 9, 2016.

SDHC's Strategic Plan provides a framework to identify how SDHC can have the greatest possible impact on affordable rental housing opportunities.

The Plan includes three major goals, which include metrics to monitor progress:

- Maximize resources through operational efficiencies and technological innovations;
- Increase the number of housing opportunities that serve low-income and homeless individuals and families in the City of San Diego; and
- Advocate for more effective affordable housing policies and resources

SDHC Strategic Plan accomplishments:

1. Maximize resources through operational efficiencies and technological innovations

SDHC Resident Services Portal – In April 2020, SDHC launched its new Resident Services Portal through Rent Cafe, an online rent payment and residential services management system. The portal enables SDHC tenants to pay rent online 24 hours a day, seven days a

week from anywhere there is an internet connection, all at no cost to the resident. Within the first two months of launching the portal, 346 SDHC residents have used the portal.

Notice of Funding Availability (NOFA) Online Application Portal –Created in Fiscal Year 2020, this portal enables developers and qualified vendors to submit an application for current NOFA opportunities. The same portal can be used to apply for funds available for new constructions or rehabilitation, as well as rental housing vouchers. The NOFA application portal launched on August 31, 2020, with SDHC’s issuance of its Fiscal Year 2021 NOFAs.

Property Renovation - In Fiscal Year 2020, SDHC completed \$1.7 million in capital improvements at 24 of the 153 affordable rental housing properties that it owns. These renovations were in continuation of SDHC’s plan to address the capital replacement needs of its diverse Real Estate portfolio.

The improvements included new large capacity water heaters, roofs, windows, cabinets and countertops, appliances, flooring, exterior repairs and painting across the portfolio.

2. Increase the number of housing opportunities that serve low-income and homeless individuals and families in the City of San Diego

Creating and Preserving Affordable Housing –As part of its 2016-2020 Strategic Plan, SDHC set an objective to create 2,000 units of mixed- income and affordable housing - approximately 500 units per year.

In the preceding Fiscal Years 2017 – 2019, 627, 618 and 297 affordable units, respectively, closed financing and are currently under construction, rehabilitation or preserved affordability. In Fiscal Year 2020, 1,047 affordable units closed financing, for a total of 2,589 affordable units over the four-year strategic plan period. In addition, SDHC collaborated with San Diego City Councilmember Scott Sherman and then-Councilmember David Alvarez to develop the report, “Addressing the Housing Affordability Crisis: San Diego Housing Production Objectives 2018-2028.” Presented to the Smart Growth and Land Use Committee on September 21, 2017, this report provides important data that will help the City of San Diego establish realistic and achievable housing goals. The City of San Diego can create enough additional housing to meet its need for 150,000 - 220,000 housing units over the next 10 years if the majority of the proposals in the report are implemented.

HOUSING FIRST - SAN DIEGO

SDHC’s homelessness action plan, HOUSING FIRST - SAN DIEGO, which launched on November 12, 2014, has created more than 9,200 housing opportunities in less than six years for individuals and families at risk of or experiencing homelessness in the City of San Diego.

HOUSING FIRST – SAN DIEGO consists of programs that provide a variety of housing interventions to address the diverse housing and supportive services needs of San Diegans who are at risk of or experiencing homelessness. Current programs are:

- Homelessness Prevention & Diversion
- SDHC Moving Home Rapid Rehousing
- Landlord Engagement and Assistance Program (LEAP)
- New Permanent Supportive Housing
- SDHC Moving On Rental Assistance
- HUD Mainstream Vouchers

In the first three years of HOUSING FIRST - SAN DIEGO (2014 - 2017), the programs of SDHC's homelessness action plan created 2,773 housing opportunities for individuals and families at risk of or experiencing homelessness—nearly doubling the initial goal of 1,500. In the last three years of HOUSING FIRST – SAN DIEGO (2017 – 2020), the programs created 6,459 housing opportunities – more than doubling the initial goal of 3,000.

3. Advocate for more effective affordable housing policies and resources

SDHC continues to maintain a careful watch on emerging issues or trends that could impact the families and individuals the agency assists and express positions based on SDHC's expertise.

On October 14, 2019, the San Diego City Council unanimously approved the City of San Diego Community Action Plan on Homelessness, a comprehensive, 10-year plan that builds on recent progress, lays out short-term achievable goals and will serve as a guide for long-term success in addressing homelessness. On behalf of the City of San Diego, SDHC contracted with Corporation for Supportive Housing (CSH) to develop this plan. A steering committee that consisted of key staff members from the offices of Mayor Kevin L. Faulconer and City Councilmember Chris Ward, the Regional Task Force on the Homeless (RTFH) and SDHC participated in the development of the plan. The participation and input of more than 200 members of the community, including individuals who have experienced homelessness and those who regularly work directly with individuals experiencing homelessness, contributed to the development of the goals, principles, recommendations and strategies in this Community Action Plan. Mayor Faulconer, Councilmember Ward, SDHC President & CEO Richard C. Gentry, RTFH CEO Tamera Kohler, and representatives from philanthropy, business and with lived experience in homelessness also serve on a Leadership Council that provides for cross-agency collaboration, alignment of resources toward systems-level thinking and accountability.

SDHC worked with the City Council President's office to facilitate meetings to obtain input from stakeholders and analyze the impacts of potential updates to the City of San Diego's Inclusionary Housing Ordinance. On December 9, 2019, the City Council approved updates to the ordinance. These provisions will be phased in over five years, beginning on July 1, 2020. The updated ordinance requires new residential and mixed-use developments to include 10 percent of the on-site rental units as affordable housing for individuals with income up to 60 percent of the Area Median Income. Alternative compliance measures include the ability to pay a fee of \$15.18 per square foot in Fiscal Year 2021, which will increase to \$25 per square foot in Fiscal Year 2025, to support the development of

affordable rental housing; development of inclusionary units off-site; rehabilitation of existing units; and land dedication.

SDHC also published a new report, “Preserving Affordable Housing in the City of San Diego.” This report analyzes rental housing in the City of San Diego and recommends 10 strategies to help keep thousands of rental housing units affordable for low-income families. On June 2, 2020, the San Diego City Council unanimously accepted the report and referred it to the City Council’s Land Use and Housing Committee for further action. SDHC’s preservation report emerged from City Council President Georgette Gómez’s leadership in prioritizing affordable housing preservation as Chair of the City Council’s Smart Growth and Land Use Committee in 2018.

HUD Secretary Ben Carson visited San Diego on February 12, 2020, as part of his “Driving Affordable Housing Across America” bus tour. Secretary Carson joined SDHC President & CEO Richard C. Gentry and other local and housing industry leaders for a roundtable discussion regarding ways to reduce regulatory barriers to affordable housing and to address homelessness. The meeting took place at the SDHC partnership developments Bluewater and The Stella.

SDHC President & CEO Richard C. Gentry was invited to testify on March 10, 2020, at a hearing of the U.S. House of Representatives Committee on Veterans Affairs, Subcommittee on Economic Opportunity, for a hearing on pending legislation related to the Veterans Affairs Supportive Housing Voucher program. In written testimony submitted to the subcommittee, Mr. Gentry discussed VASH voucher utilization challenges and proposed a San Diego demonstration program to address those issues. Due COVID-19, SDHC discontinued business travel in advance of the hearing, which prevented Mr. Gentry from testifying in person.

SDHC Business Activities

Providing Rental Assistance

SDHC administers a variety of federally funded affordable housing programs and services, including the Section 8 Housing Choice Voucher Program, which provides rental assistance to more than 15,800 low-income families in the City of San Diego.

SDHC’s Rental Assistance Division manages the program and is dedicated to assisting families with supportive services and individualized case management to encourage financial self-reliance.

‘Moving to Work’ Agency

SDHC is one of only 39 public housing authorities nationwide, out of 3,400, to receive the Moving to Work (MTW) designation from HUD.

MTW status provides flexibility and allows SDHC to determine the most effective housing assistance programs for low-income and homeless residents who live in the City of San Diego.

Committing Federal Rental Housing Vouchers to Address Homelessness

SDHC's MTW status has allowed SDHC to leverage its available resources to address homelessness. To date, SDHC has committed more than 4,300 rental housing vouchers that help families experiencing homelessness secure housing.

In Fiscal Year 2020, SDHC committed 75 federal Project-Based Housing Vouchers, 30 HUD Veterans Affairs Supportive Housing (VASH) Project-Based Vouchers and 120 Sponsor-Based Housing Vouchers.

At the close of Fiscal Year 2020, SDHC had committed a total of over 4,300 rental assistance subsidies for families and individuals experiencing homelessness dating back to 2002. This includes 1,235 VASH vouchers that are allocated to serve veterans experiencing homelessness starting in 2008.

SDHC was awarded an additional 118 tenant-based VASH vouchers, 75 Family Unification Program (FUP) vouchers, and 25 Mainstream Vouchers in Fiscal Year 2020 from HUD. The 118 tenant-based VASH vouchers serve veterans experiencing homelessness who are eligible for a VASH voucher. The VASH vouchers are currently leasing. The 75 FUP vouchers serve youth ages 18-24 who have left foster care or will leave foster care within 90 days and are homeless or at risk of homelessness. FUP vouchers are currently leasing. SDHC Mainstream vouchers serve families that include at least one non-elderly person with a disability. Mainstream vouchers are currently leasing.

Committing Federal Rental Housing Vouchers for Affordable Housing

SDHC also committed 288 federal Project-Based Housing Vouchers to affordable housing developments in Fiscal Year 2020. These vouchers are known as affordable housing PBVs. They provide rental assistance to households with low income in the City of San Diego. Applicants are selected through SDHC's Project-Based Wait List. PBVs are linked to the specific housing unit to which they are awarded.

Additional MTW Programs

SDHC's MTW operating budget in Fiscal Year 2020 was \$181,709,820. Examples of MTW initiatives that SDHC has implemented are the expansion of the Choice Communities Initiative and updates to rental assistance payment standards, Path to Success, the SDHC Achievement Academy, and the Guardian Scholars and Monarch School Project homelessness initiatives, the HOUSING FIRST - SAN DIEGO homelessness programs, SDHC Moving Home Rapid Rehousing and SDHC Moving On Rental Assistance.

Choice Communities

SDHC's Choice Communities initiative, developed under SDHC's federal designation as an MTW public housing agency, provides families that receive rental assistance with more flexibility to choose to live in neighborhoods that offer more opportunities for transportation, schools and employment.

To increase housing opportunities through this initiative and to assist as many low-income families as possible, on January 1, 2020, SDHC updated the payment standards that are used to determine the amount of rental assistance each family receives.

SDHC divided the City of San Diego ZIP Codes into three groups, each with its own payment standards:

- Choice Communities
- Enterprise Communities
- Signature Communities

The payment standard is the maximum subsidy payment that the Section 8 Housing Choice Voucher would pay for an apartment or rental house, minus the applicable tenant rent portion. Families pay a predetermined amount of the rent, and SDHC pays the remainder of the rent, up to the applicable payment standard, directly to the landlord.

The Choice Communities' Mobility Counseling program started in January 2018 and was expanded in August 2019. The Mobility Counseling program was launched to help SDHC rental assistance families move into an Enterprise or Choice Community by increasing housing opportunities. The Mobility Counseling Program provides information to families about employment services, schools and transportation for various communities. The assistance provided to families includes:

- Direct communication with landlords
- Pre- and post-move counseling
- Housing search assistance
- Information about services in opportunity areas
- Promotion of Rental Assistance Programs to neighborhood groups, landlord and property management groups, and social service agencies

In Fiscal Year 2020, 1,115 families moved to Enterprise or Choice communities. In addition, 1,062 families were contacted by an SDHC Mobility Counselor to assist with pre- and post-moving counseling, housing search assistance and guidance about neighborhood features for families moving to Choice or Enterprise Communities.

Families moving to Choice or Enterprise Communities are eligible for no-interest security deposit loans up to the payment standard for the area for their voucher size. In Fiscal Year 2020, 366 families participated in this Security Deposit Loan Program, and SDHC loaned a total of more than \$510,191 through this program.

The expansion of the Choice Communities program in 2019 also included the creation of a Landlord Services Unit (LSU), which manages the Mobility Counseling program, the Security Deposit Loan program and the new Landlord Partnership Program. The Landlord Partnership Program (LPP) focuses on expanding rental opportunities for SDHC rental assistance participants by providing both financial and support incentives to landlords who rent to SDHC rental assistance participants in the City of San Diego.

Landlord incentives include:

- Landlord outreach and engagement
- Monthly landlord educational seminars
- On-site trainings and workshops
- Leasing incentive payments
- Assurance fund
- Move flexibility allowance

SDHC Achievement Academy

The SDHC Achievement Academy is a learning and resource center and computer lab located at SDHC's downtown San Diego headquarters. Its programs emphasize career development, job skills, job placement and personal financial education. The SDHC Achievement Academy is available at no charge to families receiving Federal Section 8 Housing Choice Voucher rental assistance and public housing residents.

In Fiscal Year 2020, more than 2,000 SDHC Achievement Academy participants attended 275 workshops addressing various topics, such as financial education, life skills, workforce readiness, computer literacy and job recruitments. In addition to attending workshops, 1,579 participants received core services, including benefits screening and meeting with a certified financial counselor; 288 participants were placed in jobs; and 295 increased their earnings. In Fiscal Year 2020, the average hourly wage earned by SDHC Achievement Academy participants was \$14.58. From recruitment fairs and employer presentations to small business classes and industry-specific trainings, the SDHC Achievement Academy offers an array of services to meet the varying needs of its participants.

In February 2019, the SDHC Achievement Academy was awarded a three-year \$190,000 grant from the Local Initiatives Support Corporation (LISC) to operate a Bridges to Career Opportunities (BCO) program. The BCO program's original plan was to serve up to 300 low- and moderate-income individuals and offer both bridge and occupational skills training in the healthcare and customer service/hospitality industries. With the onset of the COVID-19 pandemic and the resulting shutdown of occupational training programs, LISC has modified the grant term to end short of two and a half years, and the SDHC Achievement Academy has submitted revised outcomes to reflect serving 200 low- and moderate-income individuals with training primarily in the healthcare industry.

In June 2020, the SDHC Achievement Academy was awarded a six-month grant from LISC in the amount of \$20,000 to offer emergency assistance to clients affected by COVID-19. Services offered can include technology assistance, such as the purchase of laptops or Wi-Fi hotspots and other emergency payments for utilities, food, medical or other necessary living expenses.

EnVision Center

The SDHC Achievement Academy is one of the key partners in the collaboration among SDHC, the City of San Diego, and the San Diego Workforce Partnership that HUD selected to be an EnVision Center, which promotes financial self-reliance among federal rental

assistance participants and public housing residents.

The San Diego EnVision Center was announced by HUD Secretary Ben Carson on June 7, 2018, as one of 18 centers across the country at the time.

Core services provided include:

- Economic Empowerment;
- Educational Advancement;
- Health & Wellness; and
- Character & Leadership Development

In Fiscal Year 2020, SDHC Achievement Academy staff secured an additional \$28,500 in operational support from financial institutions.

The San Diego EnVision Center has been operational since November 2018. This fiscal year, 284 clients received services at the EnVision Center prior to the COVID-19 shutdown in March, including financial counseling, resume assistance, employment referrals and training, and educational counseling.

On December 18, 2019, HUD Regional Administrator Chris Patterson visited the San Diego EnVision Center and presented SDHC with a letter recognizing the EnVision Center's work.

Path to Success

SDHC's Path to Success initiative encourages Section 8 Housing Choice Voucher rental assistance families to become more financially self-reliant.

Path to Success modified the method SDHC uses to determine the portion of the monthly rent that rental assistance families and public housing residents pay.

The new rent methodology was designed to motivate families to increase earnings.

In addition, Path to Success set minimum monthly rent payment amounts for participants who are identified as able to work (Work-Able). Work-Able Families are households with at least one adult who is under 55, not disabled, and not a full-time student ages 18-23. Full-time students ages 18-23 are considered Work-Able if they are the spouse, head of household or co-head of the household.

There is no minimum monthly rent payment amount for Elderly/Disabled families, which are households in which all adult family members are 55 or older, disabled, or a full-time student ages 18 to 23.

Work-Able families pay either the minimum monthly rent payment amount or a predetermined amount of rent that is based on the family's annual income, whichever is greater.

Minimum rents were implemented in two phases. The initial minimum monthly rent payment amounts were based on California's minimum wage standards - \$8 per hour at the time the program was implemented. SDHC determined what a Work-Able household could earn

working 20 hours a week at minimum wage, and then calculated minimum rent payment amounts that would be approximately 30 percent of that monthly figure.

New minimum monthly rent payment amounts took effect on July 1, 2015 - \$300 for households with one Work-Able adult, \$500 for households with two or more Work-Able adults. Minimum monthly rent payment amounts were adjusted again, effective January 1, 2020, to reflect increases in California's minimum wage.

Under Path to Success, adjusted annual income is separated into income ranges. The lower edge of the range is used to calculate the family's rent payment. This allows Work-Able families to increase their income without being penalized.

SDHC also guides Work-Able families to become more financially self-reliant through enrollment at the SDHC Achievement Academy.

Work-Able households may apply for a temporary hardship exemption from the minimum rent standards under Path to Success. During the hardship period, however, the household is required to participate in the SDHC Achievement Academy work readiness programs. The minimum rent is not applicable for Elderly/Disabled households.

Average annual income among Work-Able families in Fiscal Year 2020 was 44 percent higher than in Fiscal Year 2013, the last year before Path to Success was implemented.

City of San Diego's Homeless Shelters and Services Programs

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

SDHC administers these programs through a Memorandum of Understanding (MOU) with the City that first took effect on July 1, 2010.

In addition, on November 14, 2017, the San Diego City Council authorized a separate MOU for SDHC to oversee, administer, and manage the City's Bridge Shelters. These Bridge Shelters support more than 900 beds for single individuals, families with children, Transitional-Aged Youth and veterans experiencing homelessness

The first amendment to this MOU was authorized by the City Council on March 20, 2018, to also address the duties of the City and SDHC concerning the City's Storage Connect Center, previously known as a Transitional Storage Center, at 116 South 20th Street. The storage center has 500 storage bins for persons experiencing homelessness. This storage facility is in addition to the lockers and storage bins that serve more than 400 persons experiencing homelessness at the City's Homeless Transitional Storage Center in Downtown San Diego.

On June 25, 2019, the City of San Diego extended the Homeless Services and Shelter MOU for an initial one-year term from July 1, 2019, through June 30, 2020, with four one-year options to renew. The City's homelessness programs also include:

- Day Center Facility for Homeless Adults;
- Homeless Transitional Storage Center;
- Three interim housing programs (Connections Housing Downtown, the City-sponsored one-stop housing and services center for San Diegans experiencing homelessness; Cortez Hill Family Center, which provides short-term housing and services to help families experiencing homelessness stabilize their lives; and the City's Year-Round Permanent Interim Housing Program); and
- A rapid re-housing program

In Fiscal Year 2020, SDHC also supported more than 282 transitional housing beds with City of San Diego Inclusionary Housing Funds and Housing Trust Funds. With Federal Emergency Solutions Grant and Continuum of Care funds, SDHC partnered with several local nonprofit agencies to provide Rapid Rehousing services.

Also, an MOU and operating agreement for the City's Housing Navigation Center was approved by the San Diego City Council on November 13, 2018. SDHC administers the Housing Navigation Center with the awarded operator, Family Health Centers of San Diego. The Housing Navigation Center provides core services to address housing crises and on-site intake, assessment, triage, and referrals for permanent and longer-term housing opportunities to individuals, families, and youth experiencing homelessness in the City. The Housing Navigation Center opened December 2019.

In Fiscal Year 2019, SDHC also received approval from City Council to administer three additional Rapid Rehousing (RRH) Programs and expand the successful Family Reunification program, operated by the Downtown San Diego Partnership, with funding from the Homeless Emergency Assistance Program (HEAP). The RRH programs launched in July 2019 and are funded to serve 120 high need households experiencing homelessness throughout the program term (both families and individuals).

In response to the COVID-19 pandemic, the City of San Diego, County of San Diego, SDHC, Regional Task Force on the Homeless (RTFH), the San Diego Convention Center and service providers collaborated to launch Operation Shelter to Home on April 1, 2020. This initiative's objectives are to protect the health of San Diegans experiencing homelessness during the pandemic and help them obtain housing as quickly as possible. Operation Shelter to Home temporarily repurposed parts of the San Diego Convention Center as a shelter for single adults experiencing homelessness in the City to allow for proper physical distancing to prevent the spread of COVID-19. SDHC established a Housing Navigation Team (HNT) within 10 days of the shelter site opening, with HNT staff focused on identifying the most appropriate exit strategy for shelter clients and working to end their cycle of homelessness. Operation Shelter to Home provided temporary shelter to approximately 1,100 people per day. As of September 9, 2020, it had helped more than 600 people secure permanent or longer-term housing. Operation Shelter to Home is part of a new, system-wide, coordinated plan to assist sheltered and unsheltered individuals experiencing homelessness to remain healthy during the global pandemic, and supports a regional approach to address homelessness during the pandemic.

Creating Affordable Housing

As of June 30, 2020, SDHC owns 154 properties with 2,023 affordable housing rental units, of which 189 are federal public housing units SDHC operates in the City of San Diego.

In addition, Housing Development Partners, SDHC's nonprofit affiliate, has developed 1,709 affordable rental housing units in the City at properties it has acquired and created through partnership developments, which includes 769 units on SDHC-owned land that is ground leased to HDP: Casa Colina (74 affordable units and one manager's unit), Parker-Kier Apartments (33 affordable units and one manager's unit), Hotel Churchill (72 affordable units and one manager's unit), Village North Senior Garden Apartments (119 affordable units and one manager's unit), Quality Inn (91 affordable units and one manager's unit), West Park Inn (46 affordable units and one manager's unit), San Diego Square (154 affordable units and two manager's units), and Mariner's Village (170 affordable units and two manager's units).

SDHC also is a developer of new affordable housing. The agency's hallmark has been its ability to foster affordable housing projects by forging partnerships with nonprofit and for-profit developers, and the City of San Diego.

In Fiscal Year 2020, SDHC completed the following affordable housing partnership developments throughout the City of San Diego:

- Stella and Bluewater, combined 158 affordable rental homes for San Diegans with low income, including 87 permanent supportive housing units for individuals and veterans
- Encanto Village, 65 affordable housing units for low-income families, including 8 units for Veterans experiencing homelessness
- Paseo La Paz, 137 affordable rental units for low income families and individuals
- West Park, 46 affordable rental units with supportive services for individuals who experienced homelessness
- The Beacon, 43 affordable rental studios with supportive services for San Diegans who experienced homelessness
- San Ysidro Senior Village, 50 affordable housing units for seniors who experienced homelessness
- J Street Inn, extended affordability for 221 affordable housing units for low-income families
- Pacifica at Playa del Sol, 42 affordable housing units for families with low income, including 12 units set aside for households with family members who have developmental disabilities.

- Harbor View Villa Apartments, 59 affordable housing units for families with low income.

COVID-19

Throughout the COVID-19 pandemic, SDHC has seamlessly continued to provide essential housing assistance to thousands of families, seniors, veterans and San Diegans experiencing homelessness in the City of San Diego. The agency has also undertaken many actions to support the health and well-being of all SDHC employees as they carry out the agency's mission.

In addition, SDHC administers the City's COVID-19 Emergency Rental Assistance Program to help seniors, families and individuals financially impacted by COVID-19.

SDHC's nonprofit, SDHC Building Opportunities, is also sponsoring the COVID-19 Emergency Rental Assistance Program through donations and grants it receives.

Management's Discussion & Analysis

In addition to the above discussion, the Government Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. SDHC's MD&A can be found immediately following the report of the independent auditor in the financial section of this report.

The preparation of this report is made possible through the ongoing and dedicated service of the entire staff of the Financial Services Department. Credit also must be given to management and the governing boards for their support in maintaining the highest standards of professionalism in the management of SDHC's finances.



Richard C. Gentry
President and Chief Executive Officer



Tracey McDermott
Senior Vice President and Chief Financial Officer



Government Finance Officers Association

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Presented to

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California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

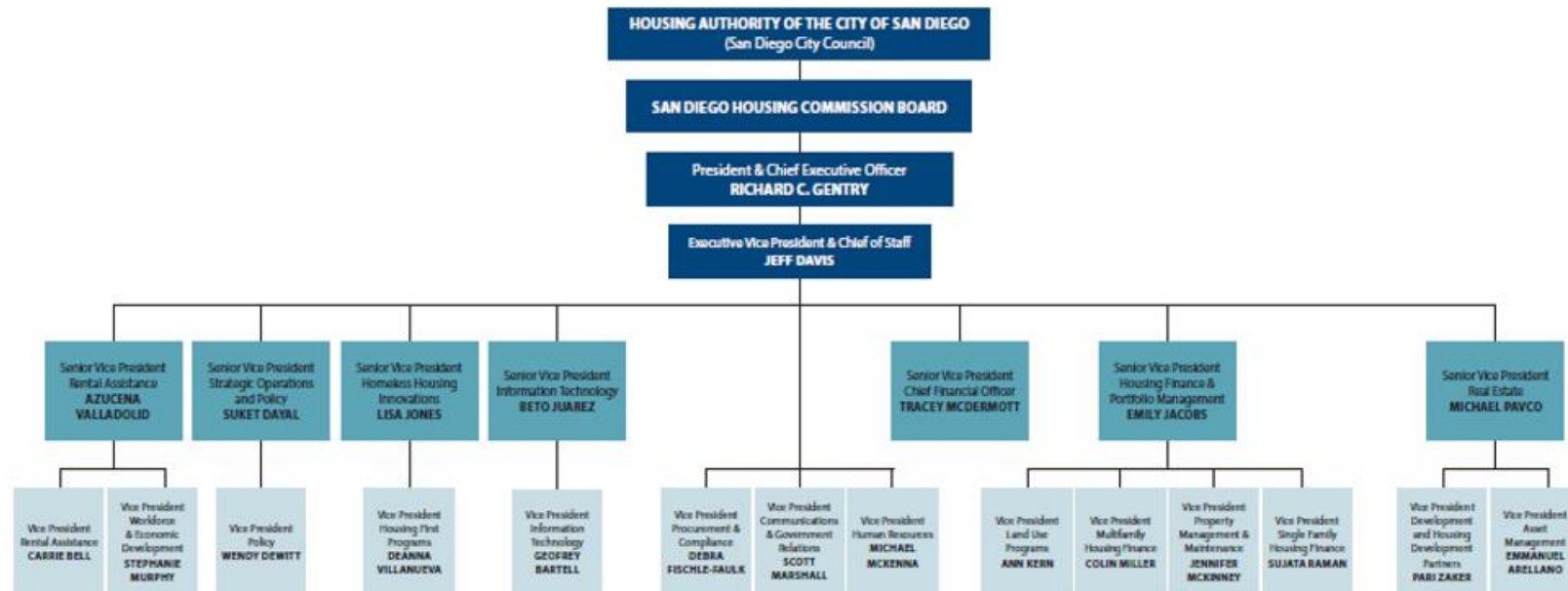
June 30, 2019

Christopher P. Morill

Executive Director/CEO



SDHC Organizational Chart



As of June 30, 2020



SAN DIEGO HOUSING COMMISSION
ROSTER OF OFFICIALS
AS OF JUNE 30, 2020

SDHC was formed by the City of San Diego in accordance with the Housing Authority Law of the State of California. The City Council, acting in its capacity as the Housing Authority of the City of San Diego, has final authority over SDHC's budget and major policy decisions.

Housing Authority of the City of San Diego

Council President - District 9	Georgette Gomez
Council President Pro Tem - District 1	Barbara Bry
Councilmember - District 2	Jennifer Campbell
Councilmember - District 3	Chris Ward
Councilmember - District 4	Monica Montgomery
Councilmember - District 5	Mark Kersey
Councilmember - District 6	Chris Cate
Councilmember - District 7	Scott Sherman
Councilmember - District 8	Vivian Moreno

Members of the SDHC Board of Commissioners are appointed by the Mayor and confirmed by the City Council. Two Commissioners must be residents of assisted housing, and one of the resident Commissioners must be age 62 or older.

SDHC Board of Commissioners

Chair	Stefanie Benvenuto
Vice Chair	Ryan Clumpner
Commissioner	Dion Akers
Commissioner	Margaret Davis
Commissioner	Johanna Hester
Commissioner	Kellee Hubbard
Commissioner	Eugene "Mitch" Mitchell



SAN DIEGO
HOUSING
COMMISSION

Financial Section



We're About People

For the 12th consecutive year, the SDHC Financial Services Department was recognized by the Government Finance Officers Association (GFOA) with the "Certificate of Achievement for excellence in Financial Reporting" for the fiscal year 2019 (July 1, 2018 - June 30, 2019) Annual Financial Report. SDHC also received the Award for Outstanding Achievement in Popular Annual Financial Reporting from GFOA for the tenth year in a row.



Independent Auditor's Report

To the Board of Commissioners
of the San Diego Housing Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary funds of the San Diego Housing Commission (SDHC), a component unit of the City of San Diego, California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise SDHC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the fiduciary funds financial statements included in the basic financial statements of SDHC. Those fiduciary funds financial statements were audited by another auditor whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the fiduciary funds is based solely on the reports of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the discretely presented component units and the fiduciary funds were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and the fiduciary funds of the San Diego Housing Commission as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 27 to 36 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2020, on our consideration of SDHC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SDHC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SDHC's internal control over financial reporting and compliance.



Sacramento, California
November 3, 2020



San Diego Housing Commission

Management's Discussion and Analysis (Unaudited) For the Fiscal Year Ended June 30, 2020

Management's Discussion and Analysis is a supplement to the accompanying year-end financial statements and presents an analysis of the San Diego Housing Commission's (SDHC's) financial performance for the fiscal year ended June 30, 2020. This analysis should be read in conjunction with the letter of transmittal preceding this section and the financial statements and related notes following this section.

Financial Highlights

- The assets of SDHC exceeded its liabilities by \$670.3 million (net position). Of this amount, \$352.5 million (unrestricted net position) is available to meet ongoing and recurring obligations, \$218.9 million is restricted for specific purposes (restricted net position) and \$98.9 million is the net investment in capital assets.
- Total net position of SDHC increased \$18.9 million. The change in net position is comprised of \$261.3 million of non-operating revenue and expenses (net), principally \$250.2 million of revenue earned through the Moving to Work (MTW) program and other Federal programs (Community Development Block Grant and HOME), and operating revenues of \$30.7 million related to dwelling (tenant rental) income, \$4.5 million of fee revenue primarily related to bond administration and compliance monitoring, \$3.4 million of land lease rental income and \$7.0 million of other revenue. Offset by operating expenses of \$279.8 million primarily related to housing assistance payments, grant expense, administrative expenses and \$8.1 million of depreciation expense.
- Current liabilities increased \$41.3 million. This is primarily related to a \$35.4 million increase in unearned revenue comprised of \$32.1 million from the sale of Mariner's Village, \$2.9 million of unspent CARES Act monies and an increase of \$0.4 million of other unearned activity, and a \$5.9 million increase primarily related to accounts payable and accrued personnel costs.
- Noncurrent assets increased \$53.1 million. This increase includes \$57.1 million increase in notes and mortgages receivable (principal), net of allowance, \$6.6 million increase in accrued interest on notes receivable offset by a \$10.6 million decrease in long-term investments.

Overview of the Financial Statements

SDHC provides a variety of affordable housing and supportive services to individuals within the City of San Diego. The financial statements include the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), basic financial statements, accompanying notes and supplemental information.



Required Financial Statements

SDHC Financial statements report information using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about SDHC activities. With SDHC's early adoption of GASB 84, "Fiduciary Activities", at June 30, 2020, the Basic Financial Statements include both Government-Wide and Fiduciary Funds Statements.

SDHC reports all of its operations as "business-type" activities and its government-wide financials include:

The ***Statement of Net Position*** includes all of SDHC's assets and liabilities for the year ended June 30, 2020, and provides information about the nature and amounts of investments in resources (assets) and obligations to SDHC's creditors (liabilities). It also provides the basis for computing rates of return, evaluating the capital structure of SDHC, and assessing the liquidity and financial flexibility of SDHC.

The ***Statement of Revenues, Expenses and Changes in Net Position*** accounts for all of SDHC's revenue and expenses for the year ended June 30, 2020. The statement reflects the results of SDHC's operations over the year and can be used to determine SDHC's credit worthiness and its ability to successfully recover all its costs through grants, tenant charges and other income.

The ***Statement of Cash Flows*** provides information about SDHC's cash receipts and cash payments during the year ended June 30, 2020. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, capital and noncapital related financing activities, and investment activities. The statement provides answers to questions of where cash came from, what cash was used for and what caused changes in cash for the reporting periods covered.

SDHC's Fiduciary Funds is comprised of a pension trust fund and a deferred compensation plan, both defined contribution plans that are for the benefit of employees and retirees, as applicable and presents financial information about the pension trust and deferred compensation plan activities. SDHC acts solely as an agent for the benefit of its employees and retirees and fiduciary activities do not support SDHC's government-wide activities. The basic financial statements of the Fiduciary Funds include:

The ***Statement of Fiduciary Net Position*** reports all additions and deductions from plan resources. Additions include contributions and investment earnings. Deductions include benefits payments and administrative costs.

The ***Statement of Changes in Fiduciary Net Position*** accounts for all additions to, deductions from and the net change (increase or decrease) for the year in net position.

The accompanying ***Notes to the Financial Statements*** provide additional information that is essential to a full understanding of the data provided in the basic financial statements presented.



In addition to the basic financial statements and accompanying notes, the final section in this report also presents certain **supplementary information** for SDHC, the Primary Government. This supplementary information section contains the Combining Schedule of Net Position, Combining Schedule of Revenues, Expenses and Changes in Net Position, and Combining Schedule of Cash Flows, along with the annual Financial Data Submission Summary (FDS) report electronically submitted to HUD.

Financial Analysis of SDHC (Primary Government) (Condensed)

The following analysis summarizes SDHC's net position (Table 1) as of June 30, 2020 and June 30, 2019 and changes in net position (Table 2) during the fiscal years then ended.

TABLE 1
Net Position
(Dollars in Thousands)

	June 30, 2020	June 30, 2019	Change \$	Change %
<u>Assets</u>				
Current assets	\$ 116,827	\$ 94,266	\$ 22,561	24%
Noncurrent assets	526,586	473,520	53,066	11%
Capital assets net of depreciation	197,048	215,634	(18,586)	-9%
Total assets	\$ 840,461	\$ 783,420	\$ 57,041	7%
<u>Liabilities</u>				
Current liabilities	\$ 74,433	\$ 33,099	\$ 41,334	125%
Notes payable and non-current liabilities	95,682	98,844	(3,162)	-3%
Total liabilities	170,115	131,943	38,172	29%
<u>Net Position</u>				
Net investment in capital assets	98,905	114,532	(15,627)	-14%
Restricted	218,949	200,545	18,404	9%
Unrestricted	352,492	336,400	16,092	5%
Total net position	670,346	651,477	18,869	3%
Total liabilities and net position	\$ 840,461	\$ 783,420	\$ 57,041	7%



SDHC's net position increased from \$651.5 million to \$670.3 million due to an \$18.9 million surplus generated during fiscal year 2020. The fiscal year 2020 surplus is \$1.6 million less than the fiscal year 2019 surplus of \$20.5 million.

Total assets increased \$57 million from \$783.4 million in fiscal year 2019 to \$840.5 million in fiscal year 2020. The increase in total assets is primarily due to an increase of \$56.1 million in current and long-term notes and mortgages receivable (net), plus an increase in associated accrued interest of \$6.5 million and a \$15.2 million increase in cash and cash equivalents. This was offset by a decrease of \$18.6 million in capital assets (net), in addition to a net decrease of investments (current and non-current) of \$6.8 million. Finally, additional increases were noted in total accounts receivable of \$3.2 million and \$1.3 million in prepaid items and other assets.

Total liabilities increased \$38.2 million from \$131.9 million in fiscal year 2019 to \$170.1 million in fiscal year 2020. The increase in total liabilities is principally due to an increase of \$35.4 million in unearned revenue (\$32.1 million in deferred gain from the sale of Mariner's Village, \$2.9 million of unexpended CARES Act funds received from HUD and \$0.4 million increase in other unearned activity), an increase of \$4.7 million of accounts payable and an increase of \$1.4 million of other liabilities (\$1.0 million in accrued personnel costs and \$0.4 million in deposits), offset by a decrease of \$3.3 million primarily related to notes payable.

Net investment in capital assets decreased by \$15.6 million from \$114.5 million in fiscal year 2019 to \$98.9 million in fiscal year 2020. This was principally due to the sale of Mariner's Village.

Restricted net position increased \$18.4 million from \$200.5 million in fiscal year 2019 to \$218.9 million in fiscal year 2020. The increase in restricted net position is primarily due to an increase of \$17.9 million in overall notes receivable programmatic reserves and an increase of \$1.0 million in VASH reserves, offset by a decrease of \$0.5 million in Mainstream reserves. Additional information can be found in Note 14 to the Basic Financial Statements.

Unrestricted net position increased \$16.1 million from \$336.4 million in fiscal year 2019 to \$352.5 million in fiscal year 2020. Unrestricted net position includes funds that will be spent for future years' contractual, grant and other obligations, funds invested in notes receivable, public housing funds, capital funds needed for future property maintenance and improvements, funds reserved for future MTW program initiatives and unrestricted reserve funds available for operations and contingencies.



TABLE 2
Changes in Net Position
(Dollars in Thousands)

	June 30, 2020	June 30, 2019	Change \$	Change %
Operating revenues				
Dwelling rental income	\$ 30,693	\$ 31,520	\$ (827)	-3%
Land lease and other rental income	3,351	2,969	382	13%
Fee revenue	4,479	3,164	1,315	42%
Other revenue	6,960	6,571	389	6%
Total operating revenues	45,483	44,224	1,259	3%
Operating expenses	279,796	240,883	38,913	16%
Deficit before depreciation and other nonoperating income and expenses	(234,313)	(196,659)	(37,654)	19%
Depreciation	8,132	8,118	14	0%
Deficit before other non- operating income and expenses	(242,445)	(204,777)	(37,668)	18%
Other nonoperating income and expense, net	261,314	225,272	36,042	16%
Change in net position before capital transactions	18,869	20,495	(1,626)	-8%
Change in net position	18,869	20,495	(1,626)	-8%
Net position beginning of year	651,477	630,982	20,495	3%
Net position end of year	<u>\$ 670,346</u>	<u>\$ 651,477</u>	<u>\$ 18,869</u>	<u>3%</u>

Total operating revenues increased slightly by \$1.3 million from \$44.2 million in 2019 to \$45.5 million in fiscal year 2020. The increase was primarily related to fee revenue (primarily bond administration fees).

Operating expenses increased \$38.9 million from \$240.9 million in fiscal year 2019 to \$279.8 million in fiscal year 2020. This increase is primarily due to an increase in housing assistance payments of \$20.8 million, an increase of grant expense of \$15.4 million (primarily related to increases in homelessness activities), and a net increase of \$2.7 million in administrative expenses (primarily personnel costs).



Other non-operating income and expense (net) increased \$36 million from \$225.3 million in fiscal year 2020 to \$261.3 million in fiscal year 2020 primarily due to an increase in grant revenue of \$35.4 million (\$43.5 million revenue increase principally related to Moving to Work (MTW), CDBG and Affordable Housing Fund grants offset by an \$8.1 million reduction in RDA grants and capital funds) and an increase of \$0.6 million primarily related to interest income.

The following summarizes SDHC's capital assets, net of accumulated depreciation, and changes therein (Table 3) for the years ended June 30, 2020 and June 30, 2019:

TABLE 3
Net Capital Assets
(Dollars in Thousands)

	June 30, 2020	June 30, 2019	Change \$	Change %
Land and buildings	\$ 193,158	\$ 214,432	\$ (21,274)	-10%
Construction-in-progress	3,093	532	2,561	481%
Equipment	797	670	127	19%
Total	<u>\$ 197,048</u>	<u>\$ 215,634</u>	<u>\$ (18,586)</u>	<u>-9%</u>

Capital Assets

Capital asset decreased, net of transfers and retirements \$18.6 million primarily related to the sale of the Mariner's Village building to an affiliate with a net book value of \$14.7 million, offset by an increase in construction in progress of \$2.6 million and building improvements of \$1.3 million related to renovations on multiple SDHC-owned properties. Additionally, depreciation expense for the year was \$8.1 million.

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

Current and Long-Term Debt

Notes payable, (including current and noncurrent) totaled \$96.9 million, net of \$1.4 million of unamortized debt issuance cost at June 30, 2020. Of this balance, \$80.6 million are FHA and Fannie Mae loans, which are non-recourse obligations of the LLCs only and not of SDHC.

The capital loan for the Smart Corner office building located at 1122 Broadway, San Diego, California 92101, serviced by Key Bank Real Estate Capital, and comprised \$2.6 million of the notes payable balance. The loan term is 15 years, with payments amortized over 25 years, and a fixed interest rate of 6.08% for 10 years.

Two loans payable to the City of San Diego, comprised another \$6.5 million of the notes payable balance. The first of these loans, with a balance on June 30, 2020 of \$5.8 million, is



forgivable in 2065 and carries 1% simple interest. The second loan, with a remaining balance of \$0.7 million, is forgivable in 2022 and is non-interest bearing.

Two loans from the State of California, originally made to finance the acquisition of the Otay Villas Apartments and Adaptable Housing properties, constitute \$4.6 million of the notes payable balance. These loans were renegotiated through the Housing Loan Conversion Program in May 2013, and their terms were extended for 55 years to 2068. These two loans now bear an interest rate of 3% with required annual interest payments and potential residual receipt payments.

In fiscal year 2018, the Courtyard Apartments were leveraged and the loan is serviced by Red Capital Mortgage, LLC and has a fixed interest rate of 4.92% and a term of 12 years. The balance remaining as of June 30, 2020 is \$4.0 million.

Further detail related to debt obligations and payments can be found in Note 9 to the Basic Financial Statements.

Financial Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement 61 and Statement 80, SDHC's LLCs (blended component unit), the financial reporting entity of consolidated Housing Development Partners (discrete component unit) and SDHC Building Opportunities, Inc. (blended component unit) are incorporated into the accompanying Government-wide basic financial statements. The LLCs and SDHC Building Opportunities are separate legal entities that are blended component units with the primary government, SDHC, due to their fiscal dependency and financial benefit/burden relationship. Further information on the LLCs and SDHC Building Opportunities can be found in Note 18 to the Basic Financial Statements.

The financial reporting entity of consolidated Housing Development Partners consists of 23 separate legal entities, which have substantively the same governing body as SDHC; however, the entities are not financially dependent on SDHC and these entities have their own operational policies, and, therefore, are presented as discrete component units. The financial reporting entity of consolidated Housing Development Partners has been independently audited by CohnReznick LLP. Note 19 to the Basic Financial Statements includes a reconciliation of the December 31, 2019 consolidated Housing Development Partners financial statements conformed to the presentation of the Primary Government.

Economic Factors and Next Year's Budget

The majority of SDHC's programs depend on federal financial assistance from HUD to continue operations. In fiscal year 2020, SDHC received 72% of its revenue from HUD, most of which was awarded to SDHC for Moving to Work (MTW) initiatives. SDHC's budget and financial condition are greatly affected by the financial condition of the federal government and Congress' annual appropriation to HUD.



HUD grants for housing programs and program administration funding may decrease due to the national economic and political climate. As good stewards of the taxpayer's money, it is SDHC's responsibility to strive to do more with less. Through a combination of expense reduction and the prudent utilization of available programmatic reserves, SDHC was able to maintain a balanced budget in fiscal year 2020 and will have a balanced budget in fiscal year 2021.

Annually, SDHC submits an MTW Plan to HUD that describes initiatives to be implemented over the next fiscal year. Following each year, SDHC issues an MTW Report that gives an accounting of activities put into action during the fiscal year. HUD approved SDHC's 2020 MTW Plan on June 28, 2019. In addition, HUD approved a Technical Amendment to the fiscal year 2020 plan on April 9, 2020. HUD's fiscal year runs from October to September. SDHC's fiscal year 2021 MTW Plan was approved by HUD on September 28, 2020. The plans can be viewed at <http://www.sdhc.org/about-us/plans-policies/mtw-annual-plans/>

In 2020, the financial impact of the novel COVID-19 coronavirus has been felt both worldwide and in the United States. Throughout the United States businesses in all financial sectors have felt the negative impacts of the COVID-19 pandemic as jobs have been lost due to sheltering in place in order to mitigate the spread of the virus.

While SDHC cannot readily estimate the financial impact that the pandemic will have on its business operations, SDHC does not believe that the Agency's mission will be adversely impacted as it has received federal stimulus funding to continue providing essential housing assistance to the thousands of families, seniors, veterans and San Diegans experiencing homelessness in the City of San Diego. In May 2020, SDHC directly received approximately \$3.1 million of CARES Act funds, principally from the Housing Choice Vouchers program. As of June 30, 2020, SDHC has expended \$0.2 million. The deadline to expend the CARES Act funds has been extended to December 31, 2021. SDHC anticipates expending all funds it directly receives by this deadline.

Some of the local impacts of COVID-19 are reflected in the local loss of jobs. According to a report issued by the State of California Employment Development Department on August 21, 2020 the unemployment rate in San Diego County was 12.3 percent in July 2020, down from a revised 13.8 percent in June 2020, and above the year-ago estimate of 3.6 percent. This compares with an unadjusted unemployment rate of 13.7 percent for California and 10.5 percent for the nation during the same period. [https://www.labormarketinfo.edd.ca.gov/file/1fmonth/sand\\$pds.pdf](https://www.labormarketinfo.edd.ca.gov/file/1fmonth/sand$pds.pdf)

The high cost of living and affordability of homes continues to be a challenge in San Diego and contributes to the homelessness crisis. The San Diego Point-in-Time Count, known as #We All Count was conducted on January 26, 2020. This year's count identified 7,658 individuals (3,687 sheltered and 3,971 unsheltered) in San Diego. This number is down slightly from last years observed total of 8,102. HUD requires that cities receiving federal funding to combat homelessness complete the Point-In-Time Count each year and this is coordinated by the Regional Task Force on Homelessness. Their 2020 report can be found here: <https://www.rtfhsd.org/wp-content/uploads/2020-WeAllCount-Report-5.pdf>



SDHC continues to focus on its mission to *“Provide affordable, safe and quality homes for low- and moderate-income families and individuals in the City of San Diego and provide opportunities to improve the quality of life for the families that SDHC serves.”*

Through the execution of SDHC’s 2021 budget of \$525 million, SDHC plans to:

- **Partner to address COVID-19 related homelessness and tenant financial hardship.**
- **Provide Rental Assistance to Low-Income Households:**
 - Assist more than 15,000 households
 - Continue specialized programs: Assist populations, such as individuals experiencing chronic homelessness, individuals with serious mental illness experiencing homelessness, and transitional age youth
 - Continue Landlord Partnership Program
 - Enroll 1,000 households in Mobility Counseling Program
- **Create and Preserve Affordable Housing:**
 - Acquire \$19 million of Hotel/SRO properties combined with \$10 million of rapid rehousing programs for San Diegans experiencing homelessness
 - Set aside \$22 million to preserve affordable housing in San Diego.
 - Invest \$11 million to rehabilitate SDHC-owned units.
 - Award up to \$13.2 million to developers to create permanent affordable housing units.
 - Dedicate \$2.8 million to assist households to become first-time homebuyers.
- **Address Homelessness:**

HOUSING FIRST - SAN DIEGO creates housing opportunities through effective programming that meets the varied needs of people who are at risk of or experiencing homelessness in the City of San Diego:

- Homelessness Prevention & Diversion Services
- Flexible Funding Program
- SDHC Moving Home Rapid Rehousing Assistance
- Landlord Engagement and Assistance Program (LEAP)
- New Permanent Supportive Housing
- SDHC Moving On Rental Assistance Program



Contacting SDHC's Financial Management

This financial report was designed to provide a general overview of SDHC's financial position and is intended for distribution to a wide variety of interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Tracey McDermott, Senior Vice President and Chief Financial Officer, San Diego Housing Commission, 1122 Broadway, Suite 300, San Diego, California 92101.



SAN DIEGO
HOUSING
COMMISSION

Basic Financial Statements



We're About People

HOUSING FIRST – SAN DIEGO, the San Diego Housing Commission's (SDHC) homelessness action plan, which launched on November 12, 2014, has created more than 9,200 housing opportunities for families and individuals experiencing homelessness or at risk of homelessness in the City of San Diego.

This program is an effective, diverse funding and housing strategy that is rooted in the national "Housing First" model of addressing homelessness – to provide housing as quickly as possible, with supportive services as needed.





San Diego Housing Commission
STATEMENT OF NET POSITION
June 30, 2020
(Dollars in Thousands)

	Primary Government	Component Units
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 30,589	\$ 11,303
Restricted cash and cash equivalents	6,684	672
Short-term investments	55,168	-
Accounts receivable - tenants, net	964	50
Accounts receivable - funding sources	16,131	77
Accounts receivable - other, net	2,509	414
Notes and mortgages receivable, current portion	109	-
Accrued interest receivable - investments	338	-
Prepaid items and other assets	4,335	379
	<u>116,827</u>	<u>12,895</u>
Total current assets		
Noncurrent assets		
Restricted cash and cash equivalents	-	14,526
Long-term investments	78,363	-
Accrued interest receivable - notes and mortgages receivable	56,841	-
Notes and mortgages receivable, net of allowance for loan losses	391,348	-
Investment in partnerships	-	58
Other assets	34	4,543
Capital assets not being depreciated	79,970	10,046
Capital assets, net of accumulated depreciation	117,078	89,765
	<u>723,634</u>	<u>118,938</u>
Total noncurrent assets		
Total assets	<u>\$ 840,461</u>	<u>\$ 131,833</u>



San Diego Housing Commission
STATEMENT OF NET POSITION
June 30, 2020
(Dollars in Thousands)

	<u>Primary Government</u>	<u>Component Units</u>
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 13,872	\$ 2,395
Accounts payable - funding sources	696	-
Accrued payroll and benefits	1,716	46
Accrued compensated absences	2,704	-
Accrued interest payable	395	164
Notes payable, current portion	3,053	778
Deposits payable	2,299	479
Unearned revenue	49,658	18
Other current liabilities	40	-
Total current liabilities	<u>74,433</u>	<u>3,880</u>
Noncurrent liabilities		
Accrued interest payable - noncurrent	1,313	5,083
Notes payable noncurrent, net	93,894	102,736
Other liabilities	475	10,906
Total noncurrent liabilities	<u>95,682</u>	<u>118,725</u>
Total liabilities	<u>\$ 170,115</u>	<u>\$ 122,605</u>
<u>Net Position</u>		
Net investment in capital assets	<u>\$ 98,905</u>	<u>\$ -</u>
Restricted		
HOME notes receivable reserve	184,123	-
NSP notes receivable reserve	6,766	-
CDBG notes receivable reserve	20,111	-
Replacement reserves	3,683	4,671
VASH, FUP and Mainstream housing assistance reserves	4,266	-
Non-controlling interest - tax credit partnerships	-	26,478
Total restricted	<u>218,949</u>	<u>31,149</u>
Unrestricted	<u>352,492</u>	<u>(21,921)</u>
Total net position	<u>\$ 670,346</u>	<u>\$ 9,228</u>
Total liabilities and net position	<u>\$ 840,461</u>	<u>\$ 131,833</u>

See notes to financial statements



San Diego Housing Commission
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 For the Year Ended June 30, 2020
 (Dollars in Thousands)

	Primary Government	Component Units
Operating revenues		
Dwelling rental income	\$ 30,693	\$ 11,356
Land lease and other rental income	3,351	152
Fee revenue	4,479	1,125
Other revenue	6,960	751
Total operating revenues	<u>45,483</u>	<u>13,384</u>
Operating expenses		
Administrative expenses	44,004	3,734
Tenant services	1,868	455
Asset management	15,466	4,269
General expenses	2,050	904
Grant expense	40,439	-
Housing assistance	175,969	-
Depreciation	8,132	4,118
Total operating expenses	<u>287,928</u>	<u>13,480</u>
Operating loss	<u>(242,445)</u>	<u>(96)</u>
Nonoperating revenues (expenses)		
Grant revenue	250,211	374
Interest income on investments and notes receivable	16,129	96
Interest expense	(5,026)	(4,187)
Total nonoperating revenues (expenses)	<u>261,314</u>	<u>(3,717)</u>
Change in net position before capital transactions	18,869	(3,813)
Contributions, net of distributions	<u>-</u>	<u>18,658</u>
Change in net position	18,869	14,845
Net position		
Beginning of year	<u>651,477</u>	<u>(5,617)</u>
End of year	<u>\$ 670,346</u>	<u>\$ 9,228</u>

See notes to financial statements



San Diego Housing Commission
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020
(Dollars in Thousands)

	Primary Government
Cash flows from operating activities	
Cash received from tenants and other revenue	\$ 45,032
Cash payments to suppliers for operations	(231,943)
Cash payments for general and administrative expenses	(36,645)
Net cash used for operating activities	(223,556)
Cash flows from capital and related financing activities	
Principal paid on notes payable	(3,183)
Acquisition and construction of capital assets	(4,270)
Proceeds from sales of capital assets	17,000
Interest payments	(4,911)
Net cash provided by capital and related financing activities	4,636
Cash flows from noncapital financing activities	
Cash received from grants	248,047
Net cash provided by noncapital financing activities	248,047
Cash flows from investing activities	
Interest on investments and notes receivable	9,582
Collection of notes receivable	7,942
Cash loaned on notes receivable	(38,224)
Purchases of investments	(35,031)
Proceeds from sale of investments	41,845
Net cash used in investing activities	(13,886)
Net increase in cash and cash equivalents	15,241
Cash and cash equivalents	
Beginning of year	22,032
End of year	\$ 37,273
Financial statement presentation	
Cash and cash equivalents	\$ 30,589
Restricted cash and cash equivalents	6,684
Total cash and cash equivalents	\$ 37,273



San Diego Housing Commission
STATEMENT OF CASH FLOWS - CONTINUED
For the Year Ended June 30, 2020
(Dollars in Thousands)

	Primary Government
Reconciliation of operating loss to net cash used for operating activities	
Operating loss	\$ (242,445)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	8,132
Amortization	138
Allowance for accounts receivable	(206)
Provision for loan losses	492
Allowance for forgivable loans	(177)
Changes in operating assets and liabilities:	
Increase in tenant receivables	(279)
Decrease in other receivables	3,024
Increase in prepaid items and other assets	(1,331)
Increase in accounts payable	4,792
Increase in accrued payroll and benefits	533
Increase in deposits payable	427
Increase in unearned revenues	3,348
Decrease in other liabilities	(4)
Net cash used for operating activities	<u>\$ (223,556)</u>
Supplemental disclosure of cash flow information:	
Noncash capital and related financing activities:	
Changes in capital assets included in unearned revenue upon sale of capital asset	\$ 2,430
Noncash investing activities:	
Increase in notes receivable and in unearned revenue upon sale of capital asset	29,800
Total noncash investing and capital and related financing activities	<u>\$ 32,230</u>

See notes to financial statements



San Diego Housing Commission
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2020
(Dollars in Thousands)

	Pension and other Employee benefit (Trust Funds)		
	Deferred Compensation		
	Pension Plan	Plan	Total
Assets			
Cash and investments			
Mutual funds	\$ 36,674	\$ -	\$ 36,674
Common collective trust funds	6,384	-	6,384
Participant-directed brokerage accounts	2,202	880	3,082
Pooled separate accounts, at fair value	-	16,787	16,787
Guaranteed interest accounts, at contract value	-	2,359	2,359
Guaranteed interest accounts, at fair value	-	535	535
Total cash and investments	<u>45,260</u>	<u>20,561</u>	<u>65,821</u>
Receivables			
Notes receivable from participants	-	671	671
Total receivables	<u>-</u>	<u>671</u>	<u>671</u>
Total assets	<u>\$ 45,260</u>	<u>\$ 21,232</u>	<u>\$ 66,492</u>
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fiduciary net position			
Restricted for			
Pension	\$ 45,260	\$ -	\$ 45,260
Other employee benefit other than pension	-	21,232	21,232
	<u>\$ 45,260</u>	<u>\$ 21,232</u>	<u>\$ 66,492</u>

See notes to financial statements



San Diego Housing Commission
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2020
(Dollars in Thousands)

	Pension and other Employee benefit (Trust Funds)		
		Deferred Compensation Plan	Total
	Pension Plan		
Additions			
Contributions			
Employer contributions	\$ 3,763	\$ 658	\$ 4,421
Participant contributions	217	1,474	1,691
Rollover contributions	-	1,202	1,202
Total contributions	3,980	3,334	7,314
Investment income			
Interest and dividends	1,073	592	1,665
Net appreciation in fair value of investments	-	64	64
Total investment income	1,073	656	1,729
Total additions	5,053	3,990	9,043
Deductions from net position			
Benefits paid directly to participants or beneficiaries, including direct rollovers	4,349	1,981	6,330
Administrative fees and expenses	53	64	117
	4,402	2,045	6,447
Change in net position	652	1,945	2,596
Fiduciary net position			
Beginning of year	44,608	19,287	63,896
End of year	\$ 45,260	\$ 21,232	\$ 66,492

See notes to financial statements



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1 - The Financial Reporting Entity

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

Government-Wide Financial Statements

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

Primary Government

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

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

Component Units

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

potential for the organization to provide a financial benefit to or impose a financial burden on SDHC. The basic financial statements include both blended and discretely presented component units. Although the component units follow accounting principles of the Financial Accounting Standards Boards (FASB), certain transactions may be reflected differently in these statements than in the separately issued information in order to conform to the presentation of the primary government.

Blended Component Units

SDHC's blended component units reflect LLCs and a 501(c)(3) California Nonprofit Public Benefit Corporation.

SDHC has seven LLC blended component units: Belden SDHC FNMA LLC, Northern SDHC FNMA LLC, Central SDHC FNMA LLC, Northern SDHC FHA LLC, Southern SDHC FHA LLC, Central SDHC FHA LLC and Mercado SDHC LLC (together collectively referred to as the LLCs). With the exception of Mercado SDHC LLC, the titles of 77 properties have been transferred from SDHC to the LLCs. SDHC includes its blended component units within its business-type activities in the financial statements. See Note 18 for additional information about the blended component units.

While these blended component units are legally separate entities, they are, in substance, part of SDHC's operations as the LLCs and SDHC share the same management team, which has operational responsibility over the LLCs, the LLCs, and SDHC have the same Board of Commissioners and SDHC is financially responsible for the LLCs. Because of the LLCs' direct financial benefit/burden relationship with SDHC and in accordance with Governmental Accounting Standards Board (GASB) Statement 61, the LLCs are component units whose financial information are blended (combined) within the financial information of the primary government.

SDHC has one 501(c)(3) California Nonprofit Public Benefit Corporation blended unit, SDHC Building Opportunities, Inc. (Building Opportunities).

The specific purpose of Building Opportunities is to improve the quality of life of low and moderate income residents of the City of San Diego and County of San Diego. Building Opportunities has received Internal Revenue Code Section 501(c)(3) status from the Internal Revenue Service, which has classified it as a public charity. Building Opportunities has no members and any action would only require approval of its Board of Directors (Board). Its Board is comprised of persons appointed by the President and Chief Executive Officer of SDHC. The appointed Board members are employees of SDHC, as are its officers. Building Opportunities did not have significant activities during the year ended June 30, 2020 and pursuant to GASB Statement 80, it has been included in the financial statements as a blended component unit of SDHC. See Note 18 for further information on Building Opportunities.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

Discretely Presented Component Units

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

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

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

Fiduciary Funds Financial Statements

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

audited by an outside firm, and a copy of the audit reports can be obtained by contacting the San Diego Housing Commission at 1122 Broadway, Suite 300, San Diego, CA 92101.

Note 2 - Summary of Significant Accounting Policies (Dollars in Thousands)

Government-Wide and Fiduciary Funds Financial Statements

The government-wide financial statements report information of the primary government and its component units. The primary government is reported separately from certain legally separate discrete component units for which the primary government is not financially accountable. For financial reporting purposes, SDHC reports all of its operations as a single business activity in a single enterprise fund.

At June 30, 2020, pursuant to the adoption of GASB No. 84, "Fiduciary Activities", SDHC is required to present Fiduciary Funds financial statements. These fiduciary activities do not support SDHC's business activities.

Basic Financial Statements

The government-wide basic financial statements (i.e. the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows) report information on all of the business-type activities of SDHC, its wholly owned LLCs and 501c(3) public charity, as well as its discretely presented component units. These basic financial statements are presented in accordance with the GASB standards, with the exception of the LLC's and the discretely presented component units which follow FASB standards and present their unamortized debt issuance costs, in accordance with Accounting Standards Update (ASU) No. 2015 - 03, Interest-Imputation of Interest (Subtopic 835 - 30): Simplifying the Presentation of Debt Issuance Costs, wherein the unamortized debt issuance costs are presented as a direct deduction from the carrying amount of the related debt liability. See Note 9 for additional information on Notes Payable.

The Fiduciary Funds basic financial statements (i.e. the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position) report information about the pension plan and deferred compensation plan activities for which SDHC acts solely for the benefit of its employees and retirees.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide basic financial statements are prepared using the economic resource measurement focus and the accrual basis of accounting. The Fiduciary Funds basic financial statements are prepared using the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources and liabilities and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

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

SDHC distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services. Operating expenses include the cost of sales and services, general and administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fair Value

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

- Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets.
- Level 2: Unadjusted quoted market prices for similar assets or liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Significant unobservable inputs for the asset or liability.

New Accounting Pronouncements

During the fiscal year ending June 30, 2020, SDHC has adopted the following new accounting standards issued by the GASB:

Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance". GASB Statement No. 95 was effective immediately and postponed the effective dates of certain GASB Statements and Implementation Guides for one year from their respective original effective dates to provide relief to governments and other stakeholders in light of the COVID-19 pandemic. The adoption of this Statement provided for early adoption of any of the postponed GASB Statements and Implementation Guides.

The effective dates of certain provisions in the following pronouncements are postponed by one year:

- Statement No. 83, "Certain Asset Retirement Obligations" *



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

- Statement No. 84, "Fiduciary Activities"
- Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements" *
- Statement No. 89, "Accounting for Interest Cost incurred before the End of a Construction Period"
- Statement No. 90, "Majority Equity Interest"
- Statement No. 91, "Conduit Debt Obligations"
- Statement No. 92, "Omnibus 2020"
- Statement No. 93, "Replacement of Interbank Offered Rates"

* These pronouncements were adopted by SDHC as of June 30, 2019.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, "Leases"
- Implementation Guide No. 2019-3, "Leases"

SDHC early adopted Statement No. 84, "Fiduciary Activities" and Implementation Guide No. 2019-2, "Fiduciary Activities", during the fiscal year ending June 30, 2020. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and provides clarification regarding the reporting of fiduciary activities. Fiduciary Funds basic financial statements and related footnotes are presented in SDHC's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020.

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

Statement No. 87, "Leases". GASB Statement No. 87 requires that government lessees recognize a lease liability and intangible assets representing the lessee's right to use the leased asset and report in its financial statements amortization expense for using the lease asset for the shorter of the lease term or the useful life of the underlying asset, interest expense on the lease liability and note disclosures about the lease. The Statement also requires government lessors recognize a lease receivable and a deferred inflow of resources and continue to report the leased asset in its financial statements. The revenue, recognized over the term of the lease, corresponding with the reduction of the deferred inflow, interest income on the receivable and note disclosures about the lease must also be included in the financial statements. The requirements of this Statement are effective for SDHC's fiscal year ending June 30, 2022.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period". GASB Statement No. 89 provides accounting requirements for interest cost incurred before the end of a construction period. It establishes guidance designed to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. The requirements of this Statement are effective for SDHC's fiscal year ending June 30, 2022.

Statement No. 90, "Majority Equity Interests". The primary objective of GASB Statement No. 90 is to improve the consistency and comparability of reporting a governments' majority equity interest in a legally separate organization and to improve the financial statements relevance for certain component units. The requirements of this Statement are effective for SDHC's fiscal year ending June 30, 2022.

Statement No. 91, "Conduit Debt Obligations". The primary objectives of GASB Statement No. 91 are to provide a single method to report conduit debt obligation and to eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations and related note disclosures. The requirements of this Statement are effective for SDHC's fiscal year ending June 30, 2023.

Statement No. 92, "Omnibus 2020". GASB Statement No. 92 addresses a variety of topics including, among other things, Leases, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, Fiduciary Activities, Measurement of liabilities related to AROs. The requirements of this Statement are effective for SDHC's fiscal year ending June 30, 2022.

Statement No. 93, "Replacement of Interbank Offered Rates". GASB Statement No. 93 assists state and local governments in the transition away from existing interbank offered rates (IBOR) to other reference rates because of global reference rate reform, wherein the London Interbank Offered Rate (LIBOR) is expected to cease to exist in its current form at the end of 2021. The objective of this Statement is to address implications that result from the replacement of an IBOR in Statement No. 53, Accounting and Financial Reporting for Derivative Instruments and Statement No. 87, Leases and other accounting and financial reporting implications. The removal of LIBOR as an appropriate benchmark interest rate in this Statement are effective for SDHC's fiscal year ending June 30, 2023. All other requirements of this statement are effective for SDHC's fiscal year ending June 30, 2022.

Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". GASB Statement No. 94 establishes standards of accounting and financial reporting for Public-Private and Public-Public Partnerships



San Diego Housing Commission

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June 30, 2020

(PPPs) and Availability Payment Arrangements (APAs). The requirements of this Statement are effective for SDHC's fiscal year ending June 30, 2023.

Statement No. 96, "Subscription-Based Information Technology Arrangements". GASB Statement No. 96 establishes standards of accounting and financial reporting for subscription-based information technology (SBITAs) for government end users. Under this Statement, a government generally should recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability. The requirements of the Statement are effective for SDHC's fiscal year ending June 30, 2023.

Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GFASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32". The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

Cash and Cash Equivalents

SDHC's cash and cash equivalents are considered to be cash on hand, demand deposits, reserves for replacements, certificates of deposits and securities with original maturities of three months or less from the date of acquisition that are not specifically restricted as to use.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents represent deposits to lender required reserves for replacements, unspent CARES Act Housing Choice Voucher and Mainstream Administrative Fees, HUD's family self-sufficiency program, insurance reserve and security deposit accounts.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

Transaction Flow Assumption

For expenses that are eligible for payment from either restricted or unrestricted resources, SDHC uses a combination of resources depending on certain criteria at the time of each disbursement. The criteria include amount of disbursement, expiry of available resources and the liquidity of each source.

Investments

Government-wide investments are stated at fair value, except for some certificates of deposit and pooled investments. These investments are instead stated at amortized cost and net asset value, respectively.

Interfund Transactions

Interprogram due from/to have been eliminated as prescribed by GASB standards in regards to interfund activities, payables and receivables.

Notes and Interest Receivable

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

Capital Assets

Capital assets are stated at cost or estimated historical cost. Contributed capital assets are recorded at estimated fair market value at the time received. Donated capital assets, donated works of art and similar items are reported at acquisition value rather than fair value. Capital assets received in a service concession agreement (if applicable) are also reported at acquisition value rather than fair value. Net interest costs are capitalized on projects during the construction period. The capitalization threshold for all capital assets is five thousand dollars.

Depreciation is charged to operations using the straight-line method based on the estimated useful life of the related asset. The estimated useful life of the assets is as follows:



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

	<u>Years</u>
Buildings	40
Building improvements	15
Office equipment	5
Dwelling equipment	5
Vehicles	5
Computers/software	3

Property acquired with HUD funds is considered to be owned by SDHC while used in the program for which it was purchased. However, HUD may have a reversionary interest in the property and ownership of any proceeds from disposition thereof.

The costs of normal maintenance and repair that do not materially extend asset lives, enhance its efficiency or increase or amend asset usefulness are not capitalized.

Impairment of Capital Assets

SDHC reviews its capital assets for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. As of June 30, 2020, there has been no impairment of the capital assets.

Accrued Compensated Absences

It is SDHC's policy to permit employees hired prior to July 1, 1994, to accumulate up to 650 hours of annual leave. Employees hired after July 1, 1994, are permitted to accumulate a maximum of 380 hours. All employees whose service is terminated shall be entitled to receive the equivalent amount of pay for the balance in their annual leave account at the time of termination.

In accordance with GASB standards, vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees, if the leave is attributable to past service and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means such as cash payments at termination or retirement. The liability for compensated absences was approximately \$2,704 at June 30, 2020.

In providing direction for conversion to the GAAP basis of accounting, HUD's Accounting Brief No. 6 discusses the conflicting direction given in HUD grant handbooks, which are not considered GAAP, and the cost principles of GAAP. In its final analysis, HUD opines that "Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under federal awards, including but



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

not necessarily limited to wages, salaries, and fringe benefits." Since federal awards extend for a limited time period, and accrued benefits may not be paid out during the term of the award, the above analysis can be reasonably interpreted to mean that costs may be drawn down at the close of the award period to fund unpaid compensated absences.

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

Notes Payable and Interest Payable

Notes payable consists of notes from banks, the City, State and Federal agencies. Interest on these notes is accrued at year-end.

Unearned Revenue

Unearned revenue includes rents received in advance from tenants, unearned interest income, and grant funds received from other governmental agencies, which are conditioned upon incurring certain qualifying costs or meeting other conditions. The rents from tenants will be recognized as revenue when earned and the grant funds will be recognized as revenue when qualifying costs are incurred. In fiscal year 2020, SDHC sold its Mariner's Village property to its discrete component unit, HDP. Because of differing fiscal year ends, SDHC will recognize the gain on sale in fiscal year 2021, to coincide with HDP's recognition of the acquisition. As of June 30, 2020, approximately \$32,100 was recorded as unearned revenue in SDHC's statement of net position.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. SDHC does not have any items that currently meet this criterion as of June 30, 2020.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. SDHC does not have any items that meet this criterion as of June 30, 2020.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

Net Position

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

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

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

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

Use of Estimates

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

Deferred Compensation Plan

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

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

Pension Plan

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

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

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

Cash, cash equivalents and investments at June 30, 2020 consist of the following:

Deposits and petty cash	\$	30,589
Local agency investment funds		15,783
San Diego County investment pool		21,914
Certificates of deposit		2,482
Agency bonds		93,352
Total investments		<u>133,531</u>
Restricted cash and cash equivalents		<u>6,684</u>
Total	\$	<u><u>170,804</u></u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

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

Deposits

The fair value of SDHC's cash deposits and petty cash are \$30,589 at June 30, 2020. Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250 and for amounts over \$250 collateralized with securities held by the pledging financial institutions in SDHC's name in accordance with California Government Code as discussed below.

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

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

Investment Policy

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

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

Investments in the State's Local Agency Investment Fund (LAIF) and the San Diego County Investment Pool (SDCIP) represent SDHC's equity in pooled investments. Other investments such as CDs, bonds, government agency securities and demand deposit accounts are safe kept with commercial banking institutions.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

Local Agency Investment Fund Investments

SDHC participates in the State's LAIF, which is regulated by California Government Code. LAIF is part of the State of California Pooled Money Investment Account (PMIA) and is protected by statute ensuring invested funds remain Commission assets. The fair value of the investment portfolio of PMIA at June 30, 2020, was approximately \$101,000,000. PMIA is not registered with the Securities and Exchange Commission (SEC) but is required to invest in accordance with California State Code. The average maturity of PMIA investments was 191 days as of June 30, 2020.

As of June 30, 2020, SDHC had \$15,783 invested in LAIF. At that date, LAIF fair value factor of 1.004912795 was used to calculate the fair value of the investments in LAIF. More information on LAIF investment pool can be found at:

<http://www.treasurer.ca.gov/pmia-laif/laif.asp>

San Diego County Investment Pool Investments

SDHC voluntarily participates in the SDCIP. SDCIP is a Standard & Poor's AAA - rated fund managed by the San Diego County Treasurer - Tax Collector. The fair value of the investment portfolio of SDCIP at June 30, 2020 was \$10,333,403 and had a weighted average yield to maturity of 1.56%, a weighted average days to maturity of 556 days and an effective duration of 1.00 years. In addition to voluntary participants such as SDHC, the pool is largely made up of mandatory participants such as the County of San Diego (39.63%), public schools (42.52%), community colleges (8.00%) and non-County funds (1.17%). Voluntary depositors make up only 8.68% of the invested funds as of June 30, 2020.

As of June 30, 2020, SDHC had \$21,914 invested in SDCIP. More information on SDCIP can be found at:

https://www.sdttc.com/content/dam/ttc/docs/treasury/pool_reports_2006.pdf

Certificates of Deposit

As of June 30, 2020, SDHC had \$2,482 in negotiable certificates of deposit in its investment portfolio, of which \$1,224 is held at amortized cost. Each certificate of deposit is issued through a separate legal entity and purchased in an amount under the \$250 FDIC federally insured limit.

Agency Bonds

SDHC's investments under U.S. Government Agency bonds are mortgage-backed security (MBS) bonds and debentures traded on an active secondary market. MBS bonds are a



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

security or debt obligation that represents a claim on the monthly cash flows from mortgage loans. They represent investments in securities that are backed by pools of high quality multi-family mortgages guaranteed by a government agency or Government Sponsored Enterprises (GSE). Government Agency Debentures are also bonds traded on an active secondary market and represent a security or debt obligation of the issuer. While Standard & Poor's and Moody's does not specifically rate MBS, they carry an implied rating based on the credit worthiness of FNMA (Federal National Mortgage Association) and FHLMC (Federal Home Loans Money Corporation). Moody's rate FNMA and FHLMC GSE as AAA while Standard & Poor's rate FNMA and FHLMC as AA+. At June 30, 2020, SDHC had \$93,352 invested in Agency MBS bonds.

Fair Value Classification

Management has determined that investments in LAIF and SDCIP are reported at net asset value and are not included in the fair value hierarchy categories. In addition, certificates of deposit reported at amortized costs are not included under fair value hierarchy categories.

SDHC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the fair value hierarchy under the guidance are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets.
- Level 2 inputs are inputs - other than quoted prices - included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs are unobservable inputs. SDHC does not hold any Level 3 investments.

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

The following table summarizes the valuation of SDHC's fair value measurements in accordance with authoritative guidance at June 30, 2020:

	Level 1	Level 2	Level 3	Total
MBS	\$ -	\$ 93,352	\$ -	\$ 93,352
Certificates of deposit	-	1,258	-	1,258
Total	<u>\$ -</u>	<u>\$ 94,610</u>	<u>\$ -</u>	<u>\$ 94,610</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

FIDUCIARY FUNDS

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

Cash, cash equivalents and investments at June 30, 2020 consist of the following:

	Pension Plan	Deferred Compensation Plan	Total
Assets			
Cash, mutual funds and investments:			
Mutual funds	\$ 36,674	\$ -	\$ 36,674
Common collective trust funds	6,384	-	6,384
Participant-directed brokerage accounts	2,202	880	3,082
Pooled separate accounts, at fair value	-	16,787	16,787
Guaranteed interest accounts, at contract value	-	2,359	2,359
Guaranteed interest accounts, at fair value	-	535	535
Total cash and investments	<u>\$ 45,260</u>	<u>\$ 20,561</u>	<u>\$ 65,821</u>

Fair Value Classification

Under the pension plan, investments are reported at fair value and the following financial instruments are required to be measured at fair value on a recurring basis:

- Investments in mutual funds are considered Level 1 assets and are reported at fair value based on quoted net asset values of the shares held by the pension plan at year-end.
- The investment in common collective trust funds are reported at fair value using Net Asset Value (NAV). The collective trust fund offered by the pension plan, which is the Diversified Investment Advisors Stable Pooled Fund (the "Stable Pooled Fund"), invests in fully benefit-responsive investments through its indirect investment in the Wells Fargo Stable Return Fund G, a collective trust fund sponsored by Wells Fargo Bank, N.A. that invests in stable value investment vehicles such as guaranteed investment contracts, bank investment contracts and synthetic guaranteed investment contracts issued by highly-rated financial institutions and corporations, as well as obligations of the U.S. Government or its agencies. Participant assets may be deposited to or withdrawn from the Stable Pooled Fund at the stated unit value as of the close of business on any business day, and there are no unfunded commitments. The Stable Pooled Fund calculates fair value using net asset value per share, and the relevant measurement attribute is contract value because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. As such, the fair value of the



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

Stable Pooled Fund is equal to the contract value of the Stable Pooled Fund as of those measurement dates.

- Investments held in the participant directed brokerage accounts consist of equities and fixed income securities, mutual funds, index and trust funds, certificates of deposit and cash and cash equivalents, which are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets and liabilities at the measurement date.

Under the deferred compensation plan, investments held in pooled separate accounts and participant directed interest accounts are reported at fair value. Investments held in fully benefit-responsive Guaranteed Interest Accounts are reported at contract value. The following financial instruments are required to be measured at fair value on a recurring basis:

- Pooled separate accounts ("PSA") represent units held in pooled separate accounts that are valued using the Net Asset Value ("NAV") of the fund. The NAV is based on the fair value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of units outstanding. The NAV of a PSA is calculated based on a compilation of primarily observable market information. The number of units of the fund that are outstanding on the calculation date is derived from observable purchase and redemption activity in the fund.
- Investments held in the Participant Directed Brokerage Accounts consist of equities, mutual funds, index and trust funds, and cash and cash equivalents, which are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets and liabilities at the measurement date.
- The Great-West Guaranteed Certificate Fund, Guaranteed Interest Account is considered a Level 2 asset and is reported at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

The following tables summarizes assets in the pension trust and deferred compensation plan measured at fair value by classification within the fair value hierarchy at June 30, 2020:

Pension trust	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 36,674	\$ -	\$ -	\$ 36,674
Participant directed brokerage accounts	2,202	-	-	2,202
Total assets in the fair value hierarchy	<u>\$ 38,876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,876</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

Deferred compensation plan	Level 1	Level 2	Level 3	Total
Participant directed brokerage accounts:				
Money market funds	\$ 740	\$ -	\$ -	\$ 740
Equities	140	-	-	140
Guaranteed interest accounts	-	535	-	535
Total assets in the fair value hierarchy	<u>\$ 880</u>	<u>\$ 535</u>	<u>\$ -</u>	<u>\$ 1,415</u>

Note 4 - Investment Risk Factors (Dollars in Thousands)*GOVERNMENT-WIDE FUND*

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

FIDUCIARY FUNDS

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

Credit Risk

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

GOVERNMENT-WIDE FUND

Certain fixed income securities, including obligations of the U.S. Government or those explicitly guaranteed by the U.S. Government, are considered to have minimal credit risk. SDHC minimizes credit risk by limiting investments to those listed in its Investment Policy.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

In addition, SDHC pre-qualifies the financial institutions, broker/dealers, intermediaries and advisors with which SDHC will do business in accordance with the Investment Policy. Finally, SDHC diversifies the investment portfolio to minimize potential losses from any one type of security or issuer.

FIDUCIARY FUNDS

The pension plan offers a variety of mutual funds, participant-directed brokerage accounts and proprietary collective trust funds and the deferred compensation plan offers a variety of pooled separate accounts, participant-directed brokerage accounts and guaranteed interest accounts. Participants direct their investment choices based on their individual risk tolerance and performance objectives to minimize the potential losses from any one type of security or issuer.

Custodial Risk

Custodial risk is the risk that, in the event of failure of the custodian, the investment may not be returned or the deposits fully recovered.

GOVERNMENT-WIDE FUND

All bonds are purchased through SDHC's primary financial institution's clearing account in SDHC's name where they are all held in safekeeping and certificates of deposit are purchased at values less than the federally insured limit.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

SDHC's debt securities exposure to credit risk and custodial risk as of June 30, 2020 is as follows:

	Total fair value	Standard and Poor's Credit Rating			Not Provided
		AA+	AA	A	
Cash and cash equivalents					
Cash and cash equivalents	\$ 30,589	\$ -	\$ -	\$ -	\$ 30,589
Restricted cash and cash equivalents	6,684	-	-	-	6,684
Total cash and cash equivalents	<u>\$ 37,273</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,273</u>
Short-term Investments					
Local Agency Investment Fund	\$ 15,783	\$ -	\$ -	\$ -	\$ 15,783
San Diego County Investment Pool	21,914	21,914	-	-	-
Agency Bonds					
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE) /	995	995	-	-	-
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	3,504	3,504	-	-	-
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	10,490	10,490	-	-	-
Certificates of Deposit	2,482	-	-	-	2,482
Total Short-term Investments	<u>\$ 55,168</u>	<u>\$ 36,903</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,265</u>
Long-Term Investments					
Agency Bonds					
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	\$ 17,372	\$ 17,372	\$ -	\$ -	\$ -
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE) /	7,694	7,694	-	-	-
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	53,297	53,297	-	-	-
Total long-term Investments	<u>\$ 78,363</u>	<u>\$ 78,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FIDUCIARY FUNDS

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

Concentration of Credit Risk

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

GOVERNMENT-WIDE FUND

The U.S. Government Agency securities in SDHC's portfolio include Fannie Mae Federal National Mortgage Association (FNMA/FNA) and Freddie Mac Federal Home Loan Mortgage Corporation (FHMS). Of the \$93,352 invested in agency bonds and debentures as of June 30, 2020, all are mortgage-backed securities (MBS) issued either by Freddie Mac Federal Home Loan Mortgage Corporation K series, Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) or Fannie Mae Alternative Credit Enhancement (Fannie Mae ACE) / Guaranteed Multifamily Structures (Fannie Mae GeMS).

MBS are not rated by credit rating agencies. While the rating agencies do not specifically rate MBS, they carry an implied AA+ rating based on the collateral that backs the bond and the AA+ rating of the Agency that issues/guarantees them. MBS are not considered subject to concentration of credit risk.

SDHC may choose to maintain 100% of its investment portfolio in U.S. Treasury Bills, notes, bonds and collateralized certificates of deposit. Certificates of deposit are, according to SDHC's Investment Policy, to be collateralized at least 100% of the amount that is not federally insured. Securities pledged as collateral are held by a third party. Joint custody safekeeping receipts are held in the name of the depository institution, but pledged to SDHC. The security cannot be released, substituted or sold without the approval of SDHC. As of June 30, 2020, SDHC had \$2,482 invested in certificates of deposit. Of these certificates of deposit, all were covered under FDIC insurance limits.

FIDUCIARY FUNDS

Except for certain investments held in publicly traded mutual funds or pooled separate accounts, there are no investments at year-end that represent 5% or more of the Fiduciary Funds net position.

Market Risk

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

GOVERNMENT-WIDE FUND

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

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

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

In accordance with its Investment Policy, SDHC manages market risk by matching portfolio maturities to projected liabilities and monitoring the weighted average maturity of its portfolio. This is done by maintaining a portion of the portfolio in readily available funds and investing in securities with limited call features and an active secondary market. These measures ensure that appropriate liquidity is maintained in order to meet ongoing operations, maximize return and limit exposure to changing market conditions. SDHC's exposure to market risk as of June 30, 2020, is as follows:

	Investment maturities as of			
	Total fair value	Less than 3 months	4 - 12 months	1 - 5 years
Cash and cash equivalents				
Deposits	\$ 30,574	\$ 30,574	\$ -	\$ -
Petty cash	15	15	-	-
Total cash and cash equivalents	<u>\$ 30,589</u>	<u>\$ 30,589</u>	<u>\$ -</u>	<u>\$ -</u>
Restricted cash and cash equivalents	<u>\$ 6,684</u>	<u>\$ 6,684</u>	<u>\$ -</u>	<u>\$ -</u>
Short-term investments				
Local Agency Investment Fund	\$ 15,783	\$ 15,783	\$ -	\$ -
San Diego County Investment Pool	21,914	21,914	-	-
Agency bonds				
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	995	-	995	-
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	3,504	-	3,504	-
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS)	10,490	-	10,490	-
Certificates of deposit	2,482	980	1,502	-
Total short-term investments	<u>\$ 55,168</u>	<u>\$ 38,677</u>	<u>\$ 16,491</u>	<u>\$ -</u>
Long-term investments:				
Agency bonds				
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	\$ 17,372	\$ -	\$ -	\$ 17,372
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE) /	7,694	-	-	7,694
Guaranteed Multifamily Structures (Fannie Mae Servicing program (Fannie Mae DUS) securities	53,297	-	-	53,297
Total long-term investments	<u>\$ 78,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,363</u>

FIDUCIARY FUNDS

Due to the level of risk associated with certain investment securities held within the fund plans, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect participants' account balances and the amounts reported in Fiduciary Funds statements.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

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

At June 30, 2020, amounts due from funding sources consist of the following:

Source / Program	Amount
Business	
City of San Diego	\$ 9,061
Total business	<u>9,061</u>
Federal	
Moving to Work (MTW)	1,912
Community Development Block Grant (CDBG)	1,802
Continuum of Care	646
Capital Fund	613
Emergency Solutions Grant	495
HOME Investment Partnerships (HOME)	422
Federal - various	119
Total federal	<u>6,009</u>
State	
California Homeless Emergency Aid Program (HEAP)	1,031
Total state	<u>1,031</u>
Local	
Local - various	30
Total local	<u>30</u>
Total	<u><u>\$ 16,131</u></u>

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

Note 6 - Notes, Mortgages and Interest Receivable (Dollars in Thousands)

Loans made by SDHC consist of three types:

1. Notes requiring periodic payments of principal and interest with interest rates ranging from 0% to 10% and lengths of maturity ranging from 3 to 65 years;
2. Deferred payment notes with interest rates ranging from 0% to 10% and lengths of maturity ranging from 3 to 65 years; and
3. Subsidy loans made to reduce the effective interest rate to recipients on loans made by a commercial bank.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

Notes, mortgages and interest receivable at June 30, 2020, consist of the following:

Borrower	Project Address	Interest Rate	Maturity Date	Principal Amount
HDP Mariner's Village, LP	6847 Potomac Street, San Diego, CA 92139	3.15%	12/31/55	\$ 29,800
HDP Town & Country, LP	4015-409 Messina Dr. San Diego, CA 92113	6.80%	12/31/73	14,599
Arbor Terrace	3693-374 Florida St. San Diego, CA 92104	4.86%	07/01/62	12,418
Mesa Verde CIC, LP/Mission Gorge	7811 Mission Gorge Rd. San Diego, CA 92120	4.00%	06/30/73	9,600
Fairmount Family Housing, L.P.	6121-612 Fairmount Ave. San Diego, CA 92120	4.00%	12/31/74	9,469
San Ysidro CIC, LP/Paseo La Paz	238-240; 251-263 Cypress Dr. San Diego, CA 92173	4.00%	12/31/74	8,788
Twain Housing, L.P.	4304 Twain Ave. San Diego, CA 92120	3.00%	12/31/74	7,500
Villa Encantada AMCAL	505-537 62nd; 504-528 63rd St, SD, CA 92114	4.00%	12/31/73	7,500
Mercado CIC, LP	Cesar E Chavez Parkway Lot 2,6&7, SD CA 92113	5.00%	05/02/68	7,000
Texas St. Sr. Hsg LP/North Park Sr. Apts	4200 Texas St. San Diego, CA 92104	4.00%	07/31/73	7,000
Florida Street Housing Assoc - Kalos Apt	3783-3825 Florida St. San Diego, CA 92104	3.00%	02/01/67	6,966
Dawson Ave. Senior Apts. LP-Courtyard	4321-52nd St. San Diego, CA 92115	2.00%	11/12/63	6,916
City Heights Ten, L.,	10 non-contiguous parcels San Diego, CA 92105	3.56%	03/31/69	6,896
Delta Village Housing Assoc.	4316-436 Delta St. San Diego, CA 92113	3.00%	05/01/36	6,100
LINC Arbor Village Apartments Allison R	4914-499 Logan Ave. San Diego, CA 92113	3.00%	05/01/67	5,460
Normal Heights, CIC, L.P.	3808 El Cajon Blvd. San Diego, CA 92105	3.00%	05/31/74	5,200
Georgia Street, L.P./ City Scene	4105 Georgia St. San Diego, CA 92104	3.00%	07/01/66	5,111
Fairmount Senior Hsg, CIC LP (Eastblock)	4320 44th Stree, San Diego, CA 92101	4.00%	10/01/76	5,063
San Diego Commons, LP/ Mesa Commons	6456 El Cajon Blvd. San Diego, CA 92115	3.00%	04/30/69	4,905
Talmadge Gateway, LP	4422 Euclid Ave. San Diego, CA 92115	3.00%	06/01/72	4,800
HDP Quality Inn, LLC Quality Inn	1840 4th Avenue, San Diego, CA 92101	4.00%	12/31/75	4,632
14th & Commercial CIC, LP	1 14th Street, San Diego, CA 921010	3.00%	05/01/77	4,613
Benson Place, LP (Hollister)	1010 Otter Road, San Diego, CA 92154	4.00%	12/31/75	4,374
Beyer Blvd Apts. LP	3412-346 Beyer Blvd. San Diego, CA 92154	3.00%	10/22/59	4,200
Renaissance Sr Hsg.	4330 30th St. San Diego, CA 92104	4.65%	04/12/59	4,155
Del Sol Apts. LP	Del Sol Apts, 3606-3690 Del Sol San Diego, CA 92154	3.00%	08/31/61	4,126
Villa Harvey Mandel, L.P.	72 17th Ave. San Diego, CA 92101	5.60%	02/12/57	4,113
Market Square Manor Associates, LP	525 14th St. San Diego, CA 92113	5.60%	02/10/58	4,082
Creekside - Affirmed Hsg. Partners	2125-215 Coronado Ave. San Diego, CA 92154	5.20%	06/30/35	3,922
Vista del Puente, L.P.	3934 Gamma St; 1510 S 40th St. San Diego, CA 92113	3.00%	12/31/75	3,895
HDP Churchill, L.P./Hotel Churchill_Sr.	827 C St. San Diego, CA 92101	3.00%	08/31/71	3,800
Alabama Manor Hsg Associates	3822-383 Alabama St. San Diego, CA 92104	0.00%	12/31/63	3,781
Golden Age Garden Hsing Prtn	740 South 36th St. San Diego, CA 92113	3.00%	12/31/67	3,661
Imperial Urban Hsg, LP/ Cypress	1435 Imperial Ave. San Diego, 92101	3.00%	12/31/72	3,535
15th & Commercial, L.P.	1506 Commercial St. San Diego, CA 92101	3.00%	01/01/66	3,464
Comm22 Sr. Hsg., LP/Victoria	Commercial & 22nd St. San Diego, CA 92113	3.00%	05/01/69	3,456
Wakeland-Beacon, LP Beacon Apartments	145 C St. San Diego, CA 92110	4.50%	12/31/74	3,403
14th & Comm CIC-VHHP, LP (14C-VHHP)	1 14th Street, San Diego, CA 921010	3.00%	05/01/77	3,213
Mesa Family Villas,L.P.	2061-207 Avenida Del Mexico, San Diego, CA 92154	5.60%	02/08/57	3,173
Trolley Residential CIC, L.P.	4981 Market St. San Diego, CA 92114	4.00%	06/30/72	3,120
HDP New Palace, LP	1814 5th Ave. San Diego, CA 92101	4.00%	12/31/73	3,100
"J" Street Inn, LP J Street	222 J Street, San Diego, CA 92101	0.00%	12/31/27	3,024
Grantville Veteran Housing, LP/Zephyr	4370 Alvarado Canyon Rd. San Diego, CA 92120	3.00%	12/31/73	3,000
Wakeland Atmosphere, LP/Atmosphere I	5th Ave. & Beech St. San Diego, CA 92101	4.00%	03/01/70	3,000
Wakeland Vista Grand,	5391-541 Santa Margarita, San Diego, CA 92114	3.00%	05/01/67	2,967
34th Street Project, LLC	4637 34th St. San Diego, CA 92116	3.00%	02/24/77	2,920
Juniper Gardens, L.P,	4251 Juniper St. San Diego, CA 92105	3.00%	12/31/68	2,839
Vietnam Veterans ofSD/ Phase II	Veterans Village, 4141 Pacific Highway, S D 92110	3.00%	05/29/72	2,760
Mt. Alifan Apts., LP (Ivy Senior)	5858 Mt Alifan Drive, San Diego, CA 92111	4.00%	12/31/76	2,625
Hacienda Townhomes,Ltd.	350 17th St. San Diego, CA 92101	4.50%	07/01/48	2,566
WJJ CIC, L.P./Independence Point Apts.	327 S Willie James Jones, San Diego, CA 92130	4.00%	01/31/71	2,500
Amcal Mission, LP/Mission Apartments	1815-187 Hancock St. San Diego, CA 92110	3.00%	01/01/68	2,499
Island Inn, LP	202 Island Ave, San Diego, CA 92101	0.00%	12/31/27	2,444



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

Borrower	Project Address	Interest Rate	Maturity Date	Principal Amount
HDP Mason Hsg. Corp./Mason Hotel	1337-134 Fifth Ave. San Diego, CA 92101	3.00%	02/28/68	2,434
Riverwalk Apartments, L.P.	1194 Hollister St. San Diego, CA 92154	3.00%	03/01/65	2,275
HDP Churchill, L.P./Hotel Churchill-Sub	827 C St. San Diego, CA 92101	3.00%	08/31/71	2,212
Metro Villas Housing Partners	4031-408 39th St. San Diego, CA 92105	4.85%	02/01/58	2,165
Wakeland Village Green Apts LP	4140-415 Bonillo Dr. San Diego, CA 92115	3.00%	04/01/65	2,165
Winona Gardens Housing Assoc.	3810 Winona Ave. San Diego, CA 92105	3.00%	07/01/55	2,100
Pathfinders of San D,	2621-262 University Ave. San Diego, CA 92104	3.00%	07/15/65	2,050
Terramar CIC, L.P.,	13481 Silver Ivy Lane, San Diego, CA 92129	3.00%	06/01/68	2,035
Vietnam Veterans of SD/ Phase III	4141 Pacific Highway, San Diego, CA 92110	3.00%	05/01/75	2,001
Connections HousingDowntownLP	1250 Sixth Ave. San Diego, CA 92101	3.00%	06/01/69	2,000
YWCA of SD County-Becky's House	2540-2550 Garnet Ave. San Diego, CA 92109	0.00%	11/10/62	1,786
Bolt Housing Partners LP/ Parkside Apts.	4010-4050 Parkhaven Ct. San Diego, CA 92113	3.00%	04/01/56	1,726
St. Stephens Hsg. LP /Jean C.McKinney	5641 Imperial Ave. San Diego, CA 92114	4.79%	05/01/36	1,661
Townpeople, a CA nonprofit	4242-4260 51st St. San Diego, CA 92115	3.00%	05/01/61	1,570
Chicano Federation	5052 Wightman St. San Diego, CA 92105	3.00%	07/01/54	1,537
Vietnam Veterans ofSD/ Phase IV	4141 Pacific Highway, San Diego, CA 92110	3.00%	08/01/77	1,492
Chicano Federation	4420 Delta St. San Diego, CA 92113	3.00%	11/01/54	1,486
Vietnam Veterans of San Diego/ Phase V	4141 Pacific Highway, San Diego, CA 92110	3.00%	07/01/70	1,437
Mercado Apartments /MAAC	2001-2097 Newton;2008-2094 Main St. SD CA 92101	6.00%	12/01/47	1,425
Logan Development L.P./Knox Glen	4720-476 Logan Ave. San Diego, CA 92113	6.00%	11/30/50	1,400
Casa Colina LP	5207 52nd Place, San Diego, CA 92105	3.00%	02/01/59	1,182
Chicano Federation	5222 Trojan Ave. San Diego, CA 92115	3.00%	07/01/53	1,145
Creekside-AffirmedFamily Hsg. Partners	2125-215 Coronado Ave. San Diego, CA 92154	4.79%	06/30/35	1,145
NCRC Encanto, L.P. Encanto Village	1617-165 Imperial Ave. San Diego. CA 92114	4.00%	05/31/74	1,010
TACHS Cove Apts LLC	5288 El Cajon Blvd. San Diego, CA 92115	3.00%	05/01/62	982
Mayberry Townhomes/Mountain View Hsg.	4328-449 Mayberry St. San Diego, CA 92113	2.64%	12/31/71	952
SD LGBT Community Center	1640 Broadway, San Diego, CA 92101	0.00%	11/01/60	934
Catholic Charities 9th & F ST.	798 Ninth Ave. San Diego, CA 92101	0.00%	10/31/58	928
Carmel Valley Hsg./Torrey Del Mar	13875 Carmel Valley Rd. San Diego, CA 92130	3.00%	06/30/56	892
Urban Housing/GrantHeights LP	2651-266 J St. San Diego, CA 92102	3.00%	02/01/57	867
Urban Council Dev't Inc./Villa Rica-Alta	4227 52nd St; 5202 Orange Ave. San Diego, CA 92115	3.00%	12/17/54	742
Lillian Place LP	1401 & 1437 J St. San Diego, CA 92101	3.00%	12/16/60	731
NCRC SYSV, LP/San Ysidro Sr. Village	517 West San Ysidro, San Ysidro, CA 92713	3.00%	12/31/75	722
Vietnam Veterans ofSD/ Phase II B	Veterans Village, 4141 Pacific Highway, S D 92110	3.00%	06/01/72	720
Nook East Village, LP	1492 K Street, San Diego, CA 92101	0.00%	09/01/48	713
Bayview CDC	1440-1516 S. 40th St. San Diego, CA 92113	3.00%	02/01/56	696
Vietnam Veterans of SD/ Phase I	Veterans Village, 4141 Pacific Highway, S D 92110	3.00%	05/15/70	675
Hope CDC/Lincoln Park	4910-4920 Ocean View Blvd;440-444 49th St. SD 9211	3.00%	12/22/48	647
South Bay CommunityServices	135 Averil Rd. San Diego, CA 92173	3.00%	12/16/53	631
3137 El Cajon Blvd. LP-The Boulevard	3137 El Cajon Blvd. San Diego, CA 92104	3.00%	12/31/63	600
Chicano Federation	4033 33rd St. San Diego, CA 92104	3.00%	12/01/52	596
Housing Innovation P	1851-186 Titus St. San Diego, CA 92103	3.00%	10/20/58	573
Wakeland - Trinity Place	6240 Mission Gorge Road, San Diego, CA 92120	4.00%	12/31/76	525
COMM 22 Family Hsg. LP	Commercial & 22nd St. San Diego, CA 92113	3.00%	05/01/69	500
Santaluz Family Apts. LP-Rancho del Nort	16775 Saintbury Glen, San Diego, CA 92130	3.00%	09/20/60	500
Total Major Loans				340,618
Home ownership loans (under \$500)				51,532
Single-family rehabilitation loans (under \$500)				6,429
Rental housing finance loans with rehab / acquisition (under \$500)				4,846
Total non-major loans as of June 30, 2020				62,807
Total major loans and total non-major loans as of June 30, 2020 (not including deferred loans)				403,425
Allowance for loan losses				(7,339)
Allowance for forgivable loans				(4,628)
Total notes receivable at June 30, 2020				391,458
Deferred cumulative interest receivable at June 30, 2020				56,841
Total notes and interest receivable at June 30, 2020				<u>\$ 448,299</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

Notes and mortgages receivable due in less than one year amounted to \$109 at June 30, 2020.

The changes in allowance for loan, interest losses and forgivable loans consist of the following:

<u>Balance, July 1, 2019</u>	<u>Losses/ write-offs</u>	<u>Additions/ adjustments</u>	<u>Balance, June 30, 2020</u>
<u>\$ 11,652</u>	<u>\$ (527)</u>	<u>\$ 842</u>	<u>\$ 11,967</u>

SDHC makes affordable housing loans to individuals in which the borrower is not required to repay the loan during the loan compliance period as long as the compliance covenants are met. The compliance periods differ by program between 10 to 65 years. SDHC monitors the loan compliance. There is no cash disbursement associated with these loans and the loans do not bear interest. The notes are originated through noncash transactions having a net effect of zero to the Statement of Net Position, and SDHC does not record them in the Statement of Net Position. Any payment received during the compliance period is recorded as revenue in the fiscal year of receipt. Notes representing affordable housing loans outstanding as of June 30, 2020, total \$65,662.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

Note 7 - Capital Assets (Dollars in Thousands)

A summary of changes in capital assets for the year ended June 30, 2020 is as follows:

	Balance, June 30, 2019	Additions	Transfers / Retirements	Balance, June 30, 2020
Capital assets, not being depreciated				
Land	\$ 76,876	\$ 1	\$ -	\$ 76,877
Construction in progress	532	2,561	-	3,093
Total capital assets, not being depreciated	77,408	2,562	-	79,970
Capital assets, being depreciated				
Buildings	111,991	-	(17,810)	94,181
Building improvements	78,849	1,326	(1,658)	78,517
Office furniture and equipment	4,241	382	(122)	4,501
Total capital assets, being depreciated	195,081	1,708	(19,590)	177,199
Less accumulated depreciation for:				
Buildings	(28,972)	(2,656)	4,130	(27,498)
Building improvements	(24,312)	(5,233)	626	(28,919)
Office furniture and equipment	(3,571)	(243)	110	(3,704)
Total accumulated depreciation	(56,855)	(8,132)	4,866	(60,121)
Total capital assets, being depreciated, net	138,226	(6,424)	(14,724)	117,078
Total capital assets, net	<u>\$ 215,634</u>	<u>\$ (3,862)</u>	<u>\$ (14,724)</u>	<u>\$ 197,048</u>

In fiscal year 2020, \$2,561 increase in construction in progress primarily related to the multi-year renovation of Hotel Sandford and exterior stair replacement projects at multiple SDHC-owned properties.

On January 28, 2020, SDHC sold its Mariner's Village property to its discrete component unit, HDP, for \$46,800, which consisted of cash of \$17,000 and a seller carryback note of \$29,800. Due to this sale, buildings decreased by \$17,810, building improvements decreased by \$1,658 and associated depreciation was \$4,756. This was offset by an increase of \$1,326 in building improvements. Because the sale of Mariner's Village occurred in January 2020 which was after HDP's fiscal year end of December 31, 2019, to be consistent with the financial statements of HDP, which does not reflect this acquisition, SDHC recorded deferred revenue in fiscal year 2020 and will recognize the gain on sale in fiscal year 2021.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

Depreciation expense for the year ended June 30, 2020 was \$8,132.

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

As of June 30, 2020 prepaid and other current items consisted of the following:

Prepaid grants	\$ 2,979
Prepaid software licenses	751
Escrow deposits - mortgage insurance premiums	325
Deposits other (primarily elevator modernization parts)	108
Prepaid mortgage insurance	78
Prepaid insurance	94
	<hr/>
Total prepaids and other	<u>\$ 4,335</u>

Other Noncurrent Assets

As of June 30, 2020, other noncurrent assets was \$34. The balance consisted primarily of rents receivable. The rents receivable balance is related to the straight lining of commercial rents over the period of the associated leases. For more information on commercial leases, please see Note 10.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

Note 9 - Notes Payable (Dollars in Thousands)

A summary of notes payable at June 30, 2020 is as follows:

Type of Obligation	Interest Rate	Maturity Date	Balance, 6/30/2019	New Note Borrowings	(Payments)/ Amortization/ Adjustments	Balance, 06/30/2020	Due Within One Year FY21	GASB 88 Disclosure Footnotes
Direct Borrowing Debts of the Commission								
Key Bank Real Estate Capital - Smart Corner	6.08%*	2027	\$ 3,891	-	\$ (1,275) **	\$ 2,616	\$ 1,045	A1,B1, C2, D2
* Note converts to variable interest rate after November 2021.								
** Payment includes optional annual payment of \$309								
City of San Diego - Parker Kier	0.00%	2022	696	-	-	696	-	A1, B2, C1
City of San Diego - Hotel Sandford	1.00%	2065	5,843	-	-	5,843	-	A1, B3, C5, D4
Forgivable loan with accrued interest totaling \$198.								
State of California - Housing Loan Conv Program 12-HLCP-0004	3.00%	2068	1,405	-	-	1,405	-	A1, B4, C6, D3
State of California - Housing Loan Conv Program 12-HLCP-0003	3.00%	2068	3,150	-	-	3,150	-	A1, B5, C6, D3
Red Capital Mortgage, LLC - Courtyard Apartments	4.92%	2030	4,109	-	(62)	4,047	66	A1, B6, C3, D1
Debts of the LLCs								
Greystone Servicing Corp, Inc. - Belden SDHC FNMA, LLC	7.32%	2040	10,785	-	(234)	10,551	251	A1, B7, C3, D1
Greystone Servicing Corp, Inc. - Northern SDHC FNMA, LLC	7.32%	2040	9,463	-	(205)	9,258	221	A1, B8, C3, D1
Greystone Servicing Corp, Inc. - Central SDHC FNMA, LLC	7.32%	2040	12,264	-	(266)	11,998	286	A1, B9, C3, D1
PNC Bank, NA - Southern SDHC FHA, LLC	3.76%	2046	21,441	-	(489)	20,952	507	A1, B10, C4, D1
PNC Bank, NA - Northern SDHC FHA, LLC	3.76%	2046	14,999	-	(342)	14,657	355	A1, B11, C4, D1
PNC Bank, NA - Central SDHC FHA, LLC	3.65%	2046	13,463	-	(310)	13,153	322	A1, B12, C4, D1
Subtotal			101,509	-	(3,183)	98,326	3,053	
Less unamortized debt issuance costs			(1,455)	-	78	(1,377)	-	
Total			<u>\$ 100,054</u>	<u>\$ -</u>	<u>\$ (3,105)</u>	<u>\$ 96,949</u>	<u>\$ 3,053</u>	

At June 30, 2020, the current portion of notes payable was \$3,053 and the noncurrent portion of notes payable was \$95,273.

Debt issuance costs associated with the LLC loans totaled \$2,120, less accumulated amortization of \$743 at June 30, 2020. For fiscal year 2020, amortization totaled \$78. Under guidance issued by the GASB, these fees would be expensed as incurred. However, as the LLCs are not governmental agencies, they follow the standards issued by the FASB. In accordance with ASU 2015 - 13, debt issuance costs are capitalized and presented as a direct deduction to notes payable. In addition, the debt issuance costs are amortized over the life of the loan using the effective interest method.

The American Recovery and Reinvestment Act of 2009 created the new Build America Bond (BABs) program. State and local governments receive subsidy payments directly from the U.S. Treasury for a portion of their borrowing costs on Build America Bonds, equal to 35% of the total coupon interest paid less reductions in federal appropriations. The subsidy stream is paid for the full term of the bonds. The Belden SDHC FNMA LLC, Northern SDHC FHA LLC and Southern SDHC FHA LLC loans have been approved as qualified direct subsidy BABs loans. SDHC received subsidy payments of \$685 in fiscal year 2020.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

The projected annual principal and interest payment requirements for all of SDHC's notes payable are noted in the table below. These amounts include two forgivable loans of \$696 and \$5,843, which will be forgiven at maturity in 2022 and 2065, respectively. Accrued interest of such forgivable loans are \$0 and \$539, respectively, as of June 30, 2020.

	Notes payable		
	Principal	Interest	Total
Year ending June 30, 2021	\$ 3,053	\$ 4,440	\$ 7,493
2022	3,225	4,267	7,492
2023	2,684	4,099	6,783
2024	2,343	3,976	6,319
2025	2,469	3,849	6,318
2026-2030	17,730	17,057	34,787
2031-2035	18,418	11,814	30,232
2036-2040	23,054	5,880	28,934
2041-2045	13,449	1,518	14,967
2046-2050	807	99	906
2051-2068	4,555	6,942	11,497
Subtotal	91,787	63,941	155,728
Forgivable loans	6,539	-	6,539
Total notes payable	<u>\$ 98,326</u>	<u>\$ 63,941</u>	162,267
Less: unamortized debt issuance costs			(1,377)
Total notes payable, net			<u>\$ 160,890</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

GASB 88 Disclosure Footnotes**A. Amount of Unused Lines of Credit**

A1 SDHC has no open lines of credit.

B. Assets Pledged as Collateral

B1 1122 Broadway, 92101

B2 2172 Front Street, 92101

B3 1301-1333 Fifth Avenue, San Diego, 92101. Lots D,E, and F in Block 191 of Horton's Addition in the City of San Diego

B4 3222-3224 Camulos St, San Diego, CA, 4095 Valeta Street, San Diego, CA, 3919 Mason Street, San Diego, CA, 2420 44th Street, San Diego, CA, 5385-5389 Trojan Avenue, San Diego, CA

B5 605-695 Picador Blvd, San Diego, 92154

B6 4395 El Cajon Boulevard, 92105

B7 7705-7795 Belden Street, 92111 APN: 420-451-03 and 04

B8 3501 1st Avenue, 92103, 4131 Maryland Street 92103, 7105-20 Eastman Street, 92111, 7526-80 Fulton Street, 92111, 2615-65 Genesee Avenue, 92123, 7085-95 Levant Street, 92111
2932 30th Street, 92104, 3012 30th Street, 92104, 3030 30th Street, 92104, 3217 30th Street, 92104, 3350-3356 1/2 Grim Avenue, 92104, 4729 32nd street, 92104, 4541 #1-8 33rd Street, 92116, 4751 33rd Street, 92116, 4254 36th Street, 92104, 4164 #1-8 37th Street, 92105, 4575-4579 38th Street, 92116, 4343 38th Street, 92105, 4054-4060 1/2 Cherokee Avenue, 92104, 3850 Cherokee Avenue, 92104, 4360 Cherokee Avenue, 4043 Wilson Avenue, 92104, 3755-3761 Alabama Street, 92104, 4081-4087 1/2 Florida Street, 92104, 4450-4456 1/2 Georgia Street, 92116, 4637-4643 1/2 Hamilton Street, 92116, 4381-4387 Louisiana Street, 92104, 2727-2729 Meade Avenue, 92116, 4352 #1-8 Oregon Street, 92104, 3125 Ivy Street, 92104, 7891-7899 Golfcrest Drive 92119, 3974-84 Bancroft, 92104

B9

B10 1351-15359 Hollister Street, 92154, 2381-2389 Grove Avenue, 92154, 121-125 Averil Road, 92173, 2005-2065 Alaquinas Drive, 92173, 178-190 Calle Primera, 92173, 281-289 Sycamore Road (North), 92173, 391-417 Sycamore Road (West), 92173, 402-412 Sycamore Road (East), 92173

B11 12643-12687 El Camino Real, 92130, 8792 Mira Mesa Boulevard, 92126, 5071-5077 1/2 Muir Avenue, 92107, 8637-8643 Glenhaven Street, 92123, 8649-8655 Genhaven Street, 92123, 8661-8667 Glenhaven Street, 92123, 8701 Glenhaven Street, 92123, 8714-8720 Hurlbut Street, 92123, 8726-8732 Hurlbut Street, 92123

B12 7281-7289 Saranac Street, 92115, 4560 Altadena Avenue, 92115, 4479-4481 Altadena Avenue, 92115, 4164 Altadena Avenue, 92105, 5316 Meade Avenue, 92115, 5330-5332 1/2 Rex Avenue, 92105, 5326-5328 Rex Avenue, 92105, 4261 45th Street, 92115, 4225 44th Street, 92115, 2628-2630 44th Street, 92105, 4416 #1-8 Highland Avenue, 92115, 4566 51st Street, 92115, 3051 54th Street, 92105, 4147-4157 Chamoune Avenue, 92105, 4205-4215 Juniper Street, 92105, 4273-4283 Juniper Street, 92105, 4390 Maple Street, 92105, 4180-4182 Poplar Street, 92105, 4451-4459 Market Street, 92102, 5359-5389 Santa Margarita, 92114, 2883 Boston Avenue, 92113, 2955 Boston Avenue, 92113



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

C. Events of Default with finance-related consequences

- C1 The outstanding note contains event(s) of default which change the timing of repayment of outstanding amounts which can become immediately due.
- C2 The outstanding note contains event(s) of default which change the timing of repayment of outstanding amounts which can become immediately due including a prepayment premium.
- C3 The outstanding note contains event(s) of default which change the timing of repayment of outstanding principal amounts to become immediately due, adjusts the interest rate equal to the lesser of 4 percentage points above the current interest rate or the maximum allowed under applicable law and includes a prepayment premium prior to December 31, 2024
- C4 The outstanding note contains event(s) of default which change the timing of repayment of outstanding amounts which can become immediately due including a variable rate prepayment premium prior to October 31, 2020.
- C5 The outstanding note contains event(s) of default which change the timing of repayment of outstanding amounts which can become immediately due if not cured within the respective time periods provided by the Agency.
- C6 The outstanding note contains event(s) of default, which if not remedied to the satisfaction of the Department within the time line set forth by the Department could result in loss of rents and income, possession of the Development and/or change the timing of the repayment of outstanding amounts to become immediately due.

D. Subjective Acceleration Clause

- D1 The outstanding note contains an acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due for an ongoing default or if the lender determines a material adverse change occurs.
- D2 The outstanding note contains an acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due for an ongoing default or if the lender determines a material adverse change occurs. The acceleration clause increases the interest rate to 15% or the maximum reate permitted by law, whichever is less.
- D3 The outstanding note contains an acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due for an ongoing default or if the lender determines a material adverse change occurs. The acceleration clause increases the interest rate to 10% per annum.
- D4 The outstanding note contains an acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due for an ongoing default or if the lender determines a material adverse change occurs. The acceleration clause increases the interest rate to 10% or the highest rate of interest permitted by law, from disbursement until paid in full.

E. Termination events with finance-related consequences

- E1 SDHC does not have an outstanding note that contains a termination clause



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

Note 10 - Lease Commitments (Dollars in Thousands)**Lease Revenue**

SDHC receives revenue from long-term land leases and commercial tenants. Land leases have varying terms with a majority of them payable annually as the lesser of 4.5% of gross revenue or 100% of the project's residual receipts. Commercial lease revenue is recognized on a straight line basis over the term of the lease. SDHC receives income from commercial leases at the Smart Corner building, Park Crest, Courtyard and Hotel Sandford. For fiscal year 2020, SDHC received land lease and other rental income comprised of the following:

Land leases	\$	1,851
Commercial leases		879
Parking and other rental income		621
		<hr/>
	\$	3,351
		<hr/>

Aggregate future minimum lease revenues are as follows:

Year(s) ending June 30, 2021	\$	2,295
2022		2,304
2023		2,189
2024		2,060
2025		2,028
2026-2030		6,982
2031-2035		6,743
2036-2040		6,699
2041-2045		6,318
		<hr/>
	\$	37,618
		<hr/>

Operating Leases

SDHC accounts for all lease arrangements as operating leases. SDHC does not hold any leases payable at June 30, 2020.

Note 11 - Defined Contribution Pension Plan (Dollars in Thousands)

SDHC provides a pension plan which is a defined contribution plan and is intended to be a "governmental plan" as defined by Sections 411(s)(1)(A) and 414(d) of the IRC and Section 3(32) of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

pension plan covers all SDHC employees classified as permanent full time and permanent part time hired to work a minimum of 20 hours per week.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Eligible employees participate on their date of hire. SDHC contributes 14% of defined earnings each pay period for each eligible employee. Contributions (and interest allocated to the employee's account) vest ratably over four years of service, with a year of service defined as an employee completing at least 1,000 hours of service. Any forfeited SDHC contributions and related interest are used to fund a future SDHC pay period contribution. For the fiscal year ended June 30, 2020, covered payroll was \$27,176. Pension expense related to SDHC's required contribution was \$3,763 and plan members contributed \$217 for the fiscal year ended June 30, 2020.

At June 30, 2020, there were 405 participants in the plan, including: 4 inactives receiving benefits, 86 inactives not receiving benefits and 315 active participants, inclusive of 1 active receiving benefits.

The retirement pension benefit is available at normal retirement age (62nd birthday) or upon termination or disability. The retirement pension benefits are determined based upon the vested value of the participant's accumulation accounts at the time of distribution. Distributions must commence no later than April 1st of the calendar year following the calendar year in which the participant attains age seventy and one-half (70½) years of age.

The Plan has a third party fiduciary, Retirement Benefits Group, and a third party recordkeeper, Transamerica. SDHC has the authority to establish and amend the provisions of the Plan including the contribution requirements with the approval of the Board of Commissioners. The Plan assets have been included in the Fiduciary Funds statements. The Plan is audited by an outside firm, and a copy of the audit report can be obtained by contacting the San Diego Housing Commission at 1122 Broadway, Suite 300, San Diego, California 92101.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

Note 12 - Deferred Compensation Plan (Dollars in Thousands)

SDHC offers a deferred compensation plan which is a defined contribution plan as permitted under Section 457 of the Internal Revenue Code (IRC). The deferred compensation plan is intended to be a "governmental plan" as defined by Sections 411(s)(1)(A) and 414(d) of the IRC and Section 3(32) of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The deferred compensation plan is available to all permanent and temporary non-benefited employees of the SDHC who have completed one hour of service (qualified employees) and it permits qualified employees to defer a portion of their salary until future years.

SDHC is required to contribute 3.75% of defined earnings for each temporary non-benefited employee and 1% of defined earnings for each permanent employee. SDHC also contributes a 100% matching contribution of elective deferrals up to a maximum of 1.5% for each permanent employee. All contributions by SDHC and the qualified employees are fully vested at the time of contribution. For the fiscal year ended June 30, 2020, SDHC's covered payroll was \$28,381. Deferred compensation expense related to SDHC's required contribution was \$659 and plan members contributed \$1,476 for the fiscal year ended June 30, 2020.

At June 30, 2020, there were 694 participants in the plan, including: 7 inactives receiving benefits, 255 inactives not yet receiving benefits and 432 active participants.

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

Great-West Life & Annuity Insurance Company (Great-West) is the third party trustee of the deferred compensation plan and Retirement Benefits Group is the third party fiduciary. All assets and income of the deferred compensation plan are held in trust by a third party for the exclusive benefit of the participants and their beneficiaries, and per federal law, are not available to SDHC or its creditors. As a result, the plan's assets are not included in SDHC's basic financial statements. The plan assets, however, are included in the Fiduciary Funds basic financial statements. The assets held by the plan had a market value of \$20,562 at June 30, 2020. The plan is audited by an outside firm, and a copy of the audit can be obtained by contacting the San Diego Housing Commission at 1122 Broadway, Suite 300, San Diego, CA 92101.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

Note 13 - Risk Management

Workers' Compensation Insurance

SDHC is a member of the California Housing Workers' Compensation Authority (CHWCA), which is a self-insurance pool that provides workers' compensation insurance, including employer's liability coverage, to its members with limits of \$750,000 per occurrence. CHWCA also procures excess workers' compensation insurance coverage for all of its members, which provides additional coverage above the self-insurance pool's \$750,000 limit up to the statutory requirements (\$5,000,000 per occurrence).

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

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

- Rates per \$100 of payroll for CHWCA's four class codes, as determined annually by CHWCA's independent actuary, are multiplied by each member's estimated payroll by class code to calculate the pure loss premium;
- An experience modification factor (ex-mod) is applied to each member's pure loss premium, causing total pure loss premium to change according to the pool's average ex-mod;
- An off-balance factor is applied proportionately to each member's pure loss premium to return total premium to the actuarially-determined total; and
- Each member is allocated their proportionate share of administrative costs, claims servicing, and excess insurance coverage premium.

If CHWCA is dissolved by a vote of three-quarters or more of its members, the remaining assets of the joint powers authority, after all premiums and assessments have been paid and final disposition of all claims has been determined, will be distributed to members in proportion to each member's cash contributions (including premiums paid and property contributed, less incurred losses) made during the life of CHWCA. Until dissolution, however, no member has identifiable equity.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

Property, General Liability and Other Liability Insurance

SDHC retained the services of various brokers and direct insurers to provide coverage for other identified risks. Deductibles under the policies vary. Claims and deductibles payable were \$0 at June 30, 2020. The amount of claims has not exceeded the insurance coverage purchased; accordingly, no liability is reported for these claims. Settlements have not exceeded coverage for each of the past five fiscal years.

Note 14 - Net Position (Dollars in Thousands)

SDHC's net position totaled \$670,346 for the period ending June 30, 2020 and is comprised of the following:

Net Investment in Capital Assets

SDHC's net investment in capital assets totaled \$98,905 for the period ending June 30, 2020. This relates to funds spent on capital assets being used for operations of SDHC.

Restricted Net Position

SDHC's restricted net position totaled \$218,949 for the period ending June 30, 2020. Of the total amount, \$184,123 is related to HOME - funded notes receivable, \$19,106 is related to CDBG Affordable Housing Revolving Loan Fund (AHRLF) – funded notes receivable, \$6,766 is related to Neighborhood Stabilization Program (NSP) - funded notes receivable, while \$1,005 is related to CDBG Loan Management, Housing Trust Fund, and Homeownership – funded notes receivable and accrued interest receivable net of the related allowance for loan losses.

The HOME loans are made to qualified applicants using grant proceeds received by SDHC under the HOME Program provisions of the 1990 National Affordable Housing Act. These HOME loans are nonrecourse and are collateralized by a subordinated mortgage on the underlying property of the borrower. Any repayments received by SDHC on these loans (including principal and interest) are treated as program income and must be used for future HOME program purposes, including 10% that SDHC can retain to cover its administrative costs for HOME activities. As such, the net position associated with the HOME loans are treated as restricted net position because of the perpetual purpose restriction to continue to recycle these resources into eligible uses under the HOME program.

The CDBG AHRLF provides loans for the First Time Homebuyer Down Payment Assistance Program, which provides low-income households with assistance to help with the purchase of a single family home, the "Pilot" Clean and Green Housing Rehabilitation Program Development, providing rehabilitation grants and/or loans for efficiency and



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

sustainability upgrades to single-family detached, owner-occupied units, and Affordable Multi-Family Housing which contributes to the creation of affordable rental housing opportunities and will provide gap financing loans for the acquisition and/or rehabilitation of multi-family housing.

The NSP funds were granted under President Bush's economic stimulus plan under Housing Economic Recovery Act of 2008. These funds were made available to provide emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become source of abandonment and blight within their communities. These NSP loans made to individuals and not-for-profit organizations are nonrecourse and are collateralized by a subordinated mortgage on the underlying property of the borrower. Any repayments received by SDHC on these loans (including principal and interest) are treated as program income and must be used for future NSP program purposes, including 10% that SDHC can retain to cover its administrative costs for NSP activities. As such, the net position associated with the NSP loans are treated as restricted because of the perpetual purpose restriction to continue to recycle these resources into eligible uses under the NSP program.

In addition to HOME, AHRLF and NSP grant funds, \$3,683 is restricted for the replacement and operating reserves required by the debt obligations of the LLC's, Otay Villas, Adaptable Housing, Courtyard Apartments and Hotel Sandford projects. The remaining restricted balance, amounting to \$4,266, is related to Veterans Affairs Supportive Housing (VASH) reserves. VASH restricted balance is administered in accordance with Housing Choice Vouchers (HCV) requirements.

Unrestricted Net Position

SDHC's unrestricted net position totaled \$352,492 for the period ending June 30, 2020. Unrestricted net position follows GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", wherein these funds are not included in the determination of net investment in capital assets or the restricted component of net position. In addition, although these funds are defined as unrestricted, these funds are not necessarily indicative of funds available for discretionary use. Of the total unrestricted amount, \$217,473 relates to notes receivable (money due to SDHC, not on-hand and net of allowance for loan loss), \$36,953 relates to loans and grants SDHC has committed to fund (also see Note 16), and the remaining \$98,066 either have federal/state/local programmatic restrictions, are earmarked for property maintenance or are reserves required by the City of San Diego for contingencies.

Note 15 - Economic Dependency (Dollars in Thousands)

SDHC receives the majority of its funding from HUD. HUD is subject to the federal budget allocation process each year. For the fiscal year ended June 30, 2020, SDHC's original



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

budget included \$295,844 of estimated HUD funding. A reduction in funding from HUD could significantly change the services provided by SDHC.

Note 16 - Commitments and Contingencies (Dollars in Thousands)

Grants

SDHC has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. SDHC management believes such disallowances, if any, would not have a material effect on SDHC's financial statements.

Loan Commitments

SDHC has committed funds for loans and grants to various individuals and entities as of June 30, 2020. The amount of loans and grants SDHC has committed to fund, but has not funded as of June 30, 2020, is \$36,953.

Lawsuits and Claims

SDHC is subject to lawsuits and claims, which arise out of the normal course of its activities. In the opinion of management, based upon the opinions of legal counsel, the disposition of any and all such actions of which it is aware, will not have a material effect on the financial position of SDHC.

Purchases

On February 21, 2020, SDHC and S. Wilson Uptown, Inc. entered into a Purchase and Sale Agreement for certain real property commonly referred to as "Hillcrest Inn" at 3754 Fifth Avenue, San Diego, CA 92103 for a total purchase price of \$8,000 and the purchase was completed on October 1, 2020. A deposit of \$100 was made on February 21, 2020.

COVID-19 Pandemic

In 2020, the financial impact of the novel COVID-19 coronavirus has been felt both worldwide and in the United States. Throughout the United States businesses in all financial sectors have felt the negative impacts of the COVID-19 pandemic as jobs have been lost due to sheltering in place in order to mitigate the spread of the virus.

While SDHC cannot readily estimate the financial impact that the pandemic will have on its business operations, SDHC does not believe that the Agency's mission will be adversely impacted as it has received federal stimulus funding to continue providing essential housing assistance to the thousands of families, seniors, veterans and San Diegans experiencing



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

homelessness in the City of San Diego. In May 2020, SDHC directly received approximately \$3,100 of CARES Act funds, principally from the Housing Choice Vouchers program. As of June 30, 2020, SDHC has expended \$200. The deadline to expend the CARES Act funds was extended to December 31, 2021. SDHC anticipates expending all funds it directly receives by this deadline.

Note 17 - Affordable Housing

The San Diego Affordable Housing Fund (AHF) was created by the San Diego City Council (City Council) on June 3, 2003, as a permanent and annually renewable source of revenue to help meet the housing needs of the City of San Diego's (City) lower-income households. The City Council expressed the purposes of the AHF in San Diego Municipal Code Chapter 9, Article 8, Division 5 (Code). The fund seeks to:

- Meet a portion of the need for housing that is affordable to households with very-low, low-, and median-incomes;
- Leverage every \$1 of City funds with \$2 of non-City subsidy capital funds;
- Support the City's Balanced Communities Policy by fostering a mix of family incomes in AHF assisted projects and dispersing affordable housing projects throughout the City;
- Preserve and maintain affordable rental and ownership housing; and
- Encourage private sector activities that advance these goals.

The AHF is composed of two funds which are included in the financial statements of SDHC: the Housing Trust Fund (HTF) and the Inclusionary Housing Fund (IHF).

The Housing Trust Fund:

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

- No less than ten percent (10%) of the funds in the San Diego Housing Trust Fund account shall be expended to provide transitional housing for households who lack permanent housing;
- No less than sixty percent (60%) of the funds in the Trust Fund account shall be expended to provide housing to very low income households at affordable housing costs;



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

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

Inclusionary Housing Fund:

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

The following table reflects the condensed statement of revenues, expenses and changes in net position as of the fiscal year ended June 30, 2020 for IHF and HTF as required by the AHF Ordinance (San Diego Municipal Code Section 98.0515) and the dollars presented in the table below are in thousands.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

	Inclusionary Housing Fund	Housing Trust Fund
Operating Revenues		
Fee revenue	\$ 46	\$ 25
Other revenue	5	7
Total operating revenue	51	32
Operating Expenses		
Administrative expenses	3,750	270
Grant expense	2,957	518
Housing assistance	1,241	254
Total operating expenses	7,948	1,042
Operating loss	(7,897)	(1,010)
Non- Operating Revenues		
Grant revenue	15,681	1,382
Interest income on investments and notes receivable	3,844	1,392
Total non-operating revenues	19,525	2,774
Change in net assets	\$ 11,628	\$ 1,764



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

NOTE 18 - Blended Component Units

SDHC's blended component units reflect SDHC Building Opportunities, Inc. (Building Opportunities) and the LLCs.

Building Opportunities

Building Opportunities is a 501(c) (3) California Nonprofit Public Benefit Corporation, which has been classified by the Internal Revenue Service as a public charity. For the fiscal year-ended June 30, 2020, Building Opportunities recorded approximately \$366,000 in other revenue in the statement of revenues, expenses and changes in net position. As of June 30, 2020, there was no unearned revenue.

LLCs

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

A portion of SDHC's larger properties (33 properties) were leveraged with three loans from Fannie Mae under the conventional multifamily loan program and generated \$37,140,000 in total loan proceeds. Another portion of SDHC's portfolio (44 properties) was leveraged under FHA's 223(f) program and generated \$58,243,400 in total loan proceeds. The Fannie Mae loans closed in December 2009; two of the FHA loans closed in August 2010 and one FHA loan closed in September 2010. The loans were obtained by grouping the properties into six Limited Liability Companies. The groupings were primarily based on property location. Each of these LLC loans is nonrecourse.

On January 31, 2011, SDHC established its seventh wholly-owned LLC, Mercado SDHC LLC (Mercado). Mercado was created to acquire land for the Estrella del Mercado project which was subsequently ground leased to the developer of the project.

The following are the financial statements of the Blended Component Units of the San Diego Housing Commission for the year ended June 30, 2020:



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2020San Diego Housing Commission - Blended Component Units
Balance Sheet
June 30, 2020
(Dollars in Thousands)

	Belden SDHC FNMA LLC	Northern SDHC FNMA LLC	Central SDHC FNMA LLC	Northern SDHC FHA LLC	Southern SDHC FHA LLC	Central SDHC FHA LLC	Mercado SDHC LLC	LLCs Total	SDHC Building Opportunities	Blended Component Units Total
Assets										
Current assets										
Operating cash	\$ 509	\$ 481	\$ 503	\$ 1,364	\$ 1,412	\$ 1,492	\$ -	\$ 5,761	\$ 124	\$ 5,885
Security deposit account	107	83	125	103	194	151	-	763	-	763
Restricted cash	280	85	236	343	711	590	-	2,245	-	2,245
Accounts receivable	61	31	40	67	78	89	2	368	-	368
Allowance for doubtful accounts	(4)	(3)	(4)	(4)	(5)	(21)	-	(41)	-	(41)
Prepaid mortgage insurance	-	-	-	22	32	25	-	79	-	79
Escrow account - MIP	-	-	-	58	83	47	-	188	-	188
Total current assets	953	677	900	1,953	2,505	2,373	2	9,363	124	9,487
Capital assets										
Land	2,226	2,985	3,218	3,691	3,683	3,852	30	19,685	-	19,685
Building	1,815	3,252	3,929	5,098	3,901	3,857	-	21,852	-	21,852
Building improvements	303	2,302	5,440	5,962	6,627	5,221	-	25,855	-	25,855
Office Furniture & Equipment	36	44	57	55	132	103	-	427	-	427
Accumulated depreciation	(749)	(1,630)	(3,541)	(4,011)	(3,991)	(3,069)	-	(16,991)	-	(16,991)
Work In Progress - Bldg improv	-	88	9	11	-	158	-	266	-	266
Total capital assets	3,631	7,041	9,112	10,806	10,352	10,122	30	51,094	-	51,094
Total assets	\$ 4,584	\$ 7,718	\$ 10,012	\$ 12,759	\$ 12,857	\$ 12,495	\$ 32	\$ 60,457	\$ 124	\$ 60,581



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2020San Diego Housing Commission - Blended Component Units
Balance Sheet
June 30, 2020
(Dollars in Thousands)

	Belden SDHC FNMA LLC	Northern SDHC FNMA LLC	Central SDHC FNMA LLC	Northern SDHC FHA LLC	Southern SDHC FHA LLC	Central SDHC FHA LLC	Mercado SDHC LLC	LLCs Total	SDHC Building Opportunities	Blended Component Units Total
<u>Liabilities</u>										
Current liabilities										
Accounts payable	\$ 179	\$ 233	\$ 102	\$ 145	\$ 183	\$ 349	\$ 2	\$ 1,193	\$ 58	\$ 1,251
Related party payable	127	84	131	109	171	124	-	746	-	746
Accrued interest payable	64	57	73	46	65	40	-	345	-	345
First mortgage - current portion	252	221	286	355	507	322	-	1,943	-	1,943
Prepaid revenue	49	23	32	38	52	31	-	225	-	225
Tenant security deposits	107	82	125	102	194	151	-	761	-	761
Total current liabilities	778	700	749	795	1,172	1,017	2	5,213	58	5,271
Long -term liabilities										
First mortgage payable , net	10,210	8,956	11,560	13,981	20,006	12,537	-	77,250	-	77,250
Total liabilities	10,988	9,656	12,309	14,776	21,178	13,554	2	82,463	58	82,521
<u>Net Position</u>										
Net investment in capital assets	(6,920)	(2,217)	(2,886)	(3,851)	(10,601)	(2,847)	30	(29,292)	-	(29,292)
Restricted net position	280	85	235	343	712	590	-	2,245	-	2,245
Unrestricted net position	236	194	354	1,491	1,568	1,198	-	5,041	66	5,107
Total net position	(6,404)	(1,938)	(2,297)	(2,017)	(8,321)	(1,059)	30	(22,006)	66	(21,940)
Total liabilities and net position	\$ 4,584	\$ 7,718	\$ 10,012	\$ 12,759	\$ 12,857	\$ 12,495	\$ 32	\$ 60,457	\$ 124	\$ 60,581



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2020San Diego Housing Commission - Blended Component Units
Statement of Operations
For the Year Ended June 30, 2020
(Dollars in Thousands)

	Belden SDHC FNMA LLC	Northern SDHC FNMA LLC	Central SDHC FNMA LLC	Northern SDHC FHA LLC	Southern SDHC FHA LLC	Central SDHC FHA LLC	Mercado SDHC LLC	LLCs Total	SDHC Building Opportunities	Blended Component Units Total
Income										
Rental income	\$ 2,534	\$ 2,230	\$ 3,067	\$ 2,966	\$ 5,000	\$ 3,889	\$ -	\$ 19,686	\$ -	\$ 19,686
Other income	281	37	23	230	311	45	-	927	-	927
Total income	2,815	2,267	3,090	3,196	5,311	3,934	-	20,613	-	20,613
Expenses										
Operating expenses										
Salaries and benefits	247	183	331	233	452	384	-	1,830	-	1,830
Management fee	128	113	154	150	252	196	-	993	-	993
Other admin	62	32	55	66	67	83	2	367	-	367
Utilities	193	179	226	224	422	379	-	1,623	-	1,623
Repairs and maintenance	463	487	642	580	909	1,248	-	4,329	-	4,329
Protective services	34	19	-	-	67	79	-	199	-	199
Insurance	50	27	27	30	48	43	-	225	-	225
Total operating expenses	1,177	1,040	1,435	1,283	2,217	2,412	2	9,566	-	9,566
Non-Operating revenues (expenses)										
Grant revenue	-	-	-	-	-	-	-	-	366	366
Grant expense	-	-	-	-	-	-	-	-	(307)	(307)
Interest expense	(780)	(685)	(887)	(557)	(796)	(485)	-	(4,190)	-	(4,190)
Mortgage insurance	-	-	-	(69)	(99)	(65)	-	(233)	-	(233)
Depreciation	(77)	(252)	(493)	(571)	(591)	(485)	-	(2,469)	-	(2,469)
Amortization	(5)	(5)	(9)	(18)	(25)	(16)	-	(78)	-	(78)
Bad debt expense	(10)	(6)	(16)	(2)	(7)	(42)	-	(83)	-	(83)
Other expenses	(40)	(16)	(10)	(7)	(19)	(15)	(1)	(108)	-	(108)
Total other expenses	(912)	(964)	(1,415)	(1,224)	(1,537)	(1,108)	(1)	(7,161)	59	(7,102)
Total expenses	2,089	2,004	2,850	2,507	3,754	3,520	3	16,727	(59)	16,668
Net income	\$ 726	\$ 263	\$ 240	\$ 689	\$ 1,557	\$ 414	\$ (3)	\$ 3,886	\$ 59	\$ 3,945
Net income (loss) net of financing sources	\$ 726	\$ 263	\$ 240	\$ 689	\$ 1,557	\$ 414	\$ -	\$ 3,889	\$ 59	\$ 3,948



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

Note 19 - Discretely Presented Component Units

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

HDP's financial statements are presented in uniformity with the Primary Government. Significant differences in presentation from the HDP consolidated financial statements, which primarily include common control transactions, are detailed below.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

**Reconciliation of HDP Discrete Component Unit Presentation
Statement of Net Position
As of December 31, 2019**

<u>Assets</u>	CAFR	HDP audit presentation	Presentation variance
Current assets			
Cash and cash equivalents	\$ 11,303	\$ 11,303	\$ -
Restricted cash and cash equivalents	672	567	(105)
Accounts receivable - tenants, net	50	50	-
Accounts receivable - funding sources	77	77	-
Accounts receivable - other	414	414	-
Deposits	-	105	105
Prepaid items and other assets	379	379	-
Total current assets	12,895	12,895	-
Noncurrent assets			
Restricted cash and cash equivalents nc	14,526	15,610	1,084
Investment in partnerships	58	58	-
Other assets	4,543	3,459	(1,084)
Capital assets not being depreciated	10,046	10,046	-
Capital assets, net of accumulated depreciation	89,765	89,765	-
Total noncurrent assets	118,938	118,938	-
Total assets	<u>\$ 131,833</u>	<u>\$ 131,833</u>	<u>\$ -</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 2,395	\$ 618	\$ (1,776)
Construction costs payable	-	836	836
Accrued payroll and benefits	46	-	(46)
Accrued interest payable	164	164	-
Ground lease payable	-	151	151
Notes payable, current portion	778	778	-
Deposits payable	479	479	-
Unearned revenue	18	18	-
Related Party Payables	-	835	835
Total current liabilities	3,880	3,880	-
Noncurrent liabilities			
Accrued interest payable - noncurrent	5,083	3,624	(1,459)
Notes payable noncurrent, net	102,736	89,999	(12,737)
Other liabilities	10,906	10,906	-
Total noncurrent liabilities	118,725	104,530	(14,196)
Total liabilities	<u>\$ 122,605</u>	<u>\$ 108,410</u>	<u>\$ (14,196)</u>
Net Position			
Replacement reserves	4,671	4,671	-
Non-controlling interest - tax credit partnerships	26,478	26,478	-
Total restricted	31,149	31,149	-
Unrestricted	(21,921)	(7,726)	14,196
Total net position	<u>\$ 9,228</u>	<u>\$ 23,423</u>	<u>\$ 14,196</u>
Total liabilities and net position	<u>\$ 131,833</u>	<u>\$ 131,833</u>	<u>\$ -</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

**Reconciliation of HDP Discrete Component Unit Presentation
Statement of Net Position
As of December 31, 2020**

	CAFR	HDP audit presentation	Presentation variance
Operating revenues			
Dwelling rental income	\$ 11,356	\$ 11,378	\$ 22
Land lease and other rental income	152	152	-
Fee revenue	1,125	1,125	-
Other revenue	751	558	(193)
Interest Income	-	96	96
Total operating revenues	<u>13,384</u>	<u>13,309</u>	<u>(75)</u>
Operating expenses			
Program services	-	14,725	14,725
Management and general	-	1,948	1,948
Administrative expenses	3,734	-	(3,734)
Tenant services	455	-	(455)
Asset management	4,269	-	(4,269)
General expenses	904	-	(904)
Depreciation	4,118	-	(4,118)
Total operating expenses	<u>13,480</u>	<u>16,673</u>	<u>3,193</u>
Operating income (loss)	(96)	(3,364)	(3,268)
Nonoperating revenues (expenses)			
Grant revenue	374	-	(374)
Interest income on investments and notes receivable	96	-	(96)
Interest expense	(4,187)	-	4,187
Total nonoperating revenues (expenses)	<u>(3,717)</u>	<u>-</u>	<u>3,717</u>
Change in net position before capital transactions	(3,813)	(3,364)	449
Contributions, net of distributions	<u>18,658</u>	<u>18,145</u>	<u>(513)</u>
Change in net position	14,845	14,781	(64)
Net position			
Beginning of year	<u>(5,617)</u>	<u>8,641</u>	<u>14,258</u>
End of year	<u>\$ 9,228</u>	<u>\$ 23,422</u>	<u>\$ 14,194</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

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

Type of Obligation		HDP Balance, 12/31/2019	Additions	Payments	SDHC Balance, 6/30/2020
SALARIES PAYABLE AND OTHER PAYABLES					
<u>Debts of Housing Development Partners of San Diego</u>					
San Diego Housing Commission		\$ 375	\$ 756	\$ (957)	\$ 174
ACCRUED INTEREST PAYABLE AND NOTES PAYABLE					
<u>Debts of HDP Mason Housing Corporation</u>					
San Diego Housing Commission	Principal	2,503	-	-	2,503
San Diego Housing Commission	Interest	574	36	-	610
<u>Debts of Casa Colina, LP</u>					
San Diego Housing Commission	Principal	1,238	-	(56)	1,182
San Diego Housing Commission	Interest	22	19	(39)	2
<u>Debts of Logan Development II, LP</u>					
San Diego Housing Commission	Principal	1,400	-	-	1,400
San Diego Housing Commission	Interest	1,458	42	(84)	1,416
<u>Debts of HDP Churchill, LP</u>					
San Diego Housing Commission	Principal	6,012	-	-	6,012
San Diego Housing Commission	Interest	441	90	(82)	449
<u>Debts of HDP New Palace, LP</u>					
San Diego Housing Commission	Principal	3,100	-	-	3,100
San Diego Housing Commission	Interest	194	62	(69)	187
<u>Debts of HDP Town & Country, LP</u>					
San Diego Housing Commission	Principal	13,250	1,349 *	-	14,599
San Diego Housing Commission	Interest	1,459	496	(1,349) *	606
<u>Debts of HDP Quality Inn, LLC</u>					
San Diego Housing Commission	Principal	4,632	-	-	4,632
San Diego Housing Commission	Interest	2	93	-	95
<u>Debts of HDP Mariner's Village, LLC</u>					
San Diego Housing Commission	Principal	-	29,800	-	29,800
San Diego Housing Commission	Interest	-	399	-	399
Total		<u>\$ 36,661</u>	<u>\$ 33,141</u>	<u>\$ (2,637)</u>	<u>\$ 67,166</u>

*Interest capitalized to principal



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

Note 20 - Subsequent Events (Dollars in Thousands)

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management evaluated the activity of SDHC through November 3, 2020, 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 except as noted below:

Purchase Agreements

On February 21, 2020 SDHC and S. Wilson Uptown, Inc. entered into a Purchase and Sale Agreement for certain real property commonly referred to as “Hillcrest Inn” located at 3754 Fifth Avenue, San Diego, CA 92103 for a total purchase price of \$8,000 and the purchase was completed on October 1, 2020.

On July 20, 2020, SDHC and RT San Diego, LLC entered into a Purchase and Sale Agreement for a certain 144-unit Residence Inn located at 5400 Kearny Mesa Road, San Diego, CA 92111 for a total purchase price of \$39,500. Due diligence is expected to end on November 17, 2020, with closing sometime thereafter.

On August 20, 2020, SDHC and Chatham RIMV, LLC entered into a Purchase and Sale Agreement for a certain 192-unit Residence Inn located at 1865 Hotel Circle South, San Diego, CA 92108 for a total purchase price of \$67,000. Due diligence is expected to end on November 17, 2020, with closing sometime thereafter.

Cares Act Funding

On August 13, 2020, SDHC received approximately \$3,800 of additional CARES Act funding for the Housing Choice Voucher and Mainstream programs. SDHC plans to expend these funds by the December 31, 2021 deadline.

Supplementary Information



We're About People

SDHC is the lead organizer for Project Homeless Connect, a one-day resource fair for homeless San Diegans.

On February 26, 2020, more than 200 volunteers and 100 service provider booths offered services to 771 homeless individuals and families.

Services included flu shots; haircuts; dental and health exams; employment and housing assistance; and identification cards from the California Department of Motor Vehicles. In addition, child care and veterinary care were available, and attendees also received donated hygiene kits, blankets, clothing, and shoes.





San Diego Housing Commission
COMBINING SCHEDULE OF NET POSITION - ENTERPRISE FUNDS
June 30, 2020
(Dollars in Thousands)

	<u>Business activities</u>	<u>Federal funds</u>	<u>State funds</u>	<u>Eliminations</u>	<u>Primary Government</u>
<u>Assets</u>					
Current assets					
Cash and cash equivalents	\$ 30,589	\$ -	\$ -	\$ -	\$ 30,589
Restricted cash and cash equivalents	3,291	3,393	-	-	6,684
Short-term investments	32,735	22,433	-	-	55,168
Accounts receivable - tenants, net	270	694	-	-	964
Accounts receivable - funding sources	9,895	6,009	1,031	(804)	16,131
Accounts receivable - other	2,044	465	-	-	2,509
Notes and mortgages receivable, current portion	2	107	-	-	109
Accrued interest receivable - investments	263	72	3	-	338
Prepaid items and other assets	2,007	1	2,327	-	4,335
Total current assets	81,096	33,174	3,361	(804)	116,827
Noncurrent assets					
Long-term investments	61,256	16,591	516	-	78,363
Accrued interest receivable - notes and mortgages receivable	25,860	29,323	1,658	-	56,841
Notes and mortgages receivable, net of allowance for doubtful accounts	180,069	202,471	8,808	-	391,348
Other assets	34	-	-	-	34
Capital assets not being depreciated	76,690	3,280	-	-	79,970
Capital assets, net of accumulated depreciation	97,740	19,338	-	-	117,078
Total noncurrent assets	441,649	271,003	10,982	-	723,634
Total assets	<u>\$ 522,745</u>	<u>\$ 304,177</u>	<u>\$ 14,343</u>	<u>\$ (804)</u>	<u>\$ 840,461</u>



San Diego Housing Commission
COMBINING SCHEDULE OF NET POSITION - ENTERPRISE FUNDS - CONTINUED
June 30, 2020
(Dollars in Thousands)

	<u>Business activities</u>	<u>Federal funds</u>	<u>State funds</u>	<u>Eliminations</u>	<u>Primary Government</u>
<u>Liabilities</u>					
Current liabilities					
Accounts payable	\$ 9,913	\$ 2,212	\$ 2,551	\$ (804)	\$ 13,872
Accounts payable - funding sources	2	694	-	-	696
Accrued payroll and benefits	1,209	507	-	-	1,716
Accrued compensated absences	2,704	-	-	-	2,704
Accrued interest payable	376	19	-	-	395
Notes payable, current portion	3,053	-	-	-	3,053
Deposits payable	2,119	180	-	-	2,299
Unearned revenue	32,759	16,899	-	-	49,658
Other current liabilities	40	-	-	-	40
Total current liabilities	52,175	20,511	2,551	(804)	74,433
Noncurrent liabilities					
Accrued interest payable - noncurrent	540	773	-	-	1,313
Notes payable noncurrent, net	89,339	4,555	-	-	93,894
Other liabilities	-	475	-	-	475
Total noncurrent liabilities	89,879	5,803	-	-	95,682
Total liabilities	142,054	26,314	2,551	(804)	170,115



San Diego Housing Commission
COMBINING SCHEDULE OF NET POSITION - ENTERPRISE FUNDS - CONTINUED
June 30, 2020
(Dollars in Thousands)

	<u>Business activities</u>	<u>Federal funds</u>	<u>State funds</u>	<u>Eliminations</u>	<u>Primary Government</u>
<u>Net Position</u>					
Net investment in capital assets	80,841	18,064	-	-	98,905
Restricted					
HOME notes receivable reserve	-	184,123	-	-	184,123
NSP notes receivable reserve	-	6,766	-	-	6,766
CDBG notes receivable reserve	-	20,111	-	-	20,111
Replacement reserves	2,530	1,153	-	-	3,683
VASH, FUP and Mainstream housing assistance reserves	-	4,266	-	-	4,266
Unrestricted	<u>297,320</u>	<u>43,380</u>	<u>11,792</u>	<u>-</u>	<u>352,492</u>
Total net position	<u>380,691</u>	<u>277,863</u>	<u>11,792</u>	<u>-</u>	<u>670,346</u>
Total liabilities and net position	<u>\$ 522,745</u>	<u>\$ 304,177</u>	<u>\$ 14,343</u>	<u>\$ (804)</u>	<u>\$ 840,461</u>



San Diego Housing Commission
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUNDS
Year Ended June 30, 2020
(Dollars in Thousands)

	Business activities	Federal funds	State funds	Eliminations	Primary Government
Operating revenues					
Dwelling rental income	\$ 29,624	\$ 1,081	\$ -	\$ (12)	\$ 30,693
Land lease and other rental income	3,271	80	-	-	3,351
Fee revenue	5,477	6	2	(1,006)	4,479
Other revenue	3,105	3,882	3	(30)	6,960
Total operating revenues	<u>41,477</u>	<u>5,049</u>	<u>5</u>	<u>(1,048)</u>	<u>45,483</u>
Operating expenses					
Administrative expenses	22,276	22,426	342	(1,040)	44,004
Tenant services	449	1,419	-	-	1,868
Asset management	13,257	2,209	-	-	15,466
General expenses	1,503	467	80	-	2,050
Grant expense	18,958	19,120	2,369	(8)	40,439
Housing assistance	1,607	174,093	269	-	175,969
Depreciation	6,510	1,622	-	-	8,132
Total operating expenses	<u>64,560</u>	<u>221,356</u>	<u>3,060</u>	<u>(1,048)</u>	<u>287,928</u>
Net operating loss	<u>(23,083)</u>	<u>(216,307)</u>	<u>(3,055)</u>	<u>-</u>	<u>(242,445)</u>



San Diego Housing Commission
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUNDS - CONTINUED
Year Ended June 30, 2020
(Dollars in Thousands)

	Business activities	Federal funds	State funds	Eliminations	Primary Government
Nonoperating revenues (expenses)					
Grant revenue	22,465	225,063	2,683	-	250,211
Interest income on investments and notes receivable	9,379	6,471	279	-	16,129
Interest expense	(4,891)	(135)	-	-	(5,026)
Total nonoperating revenues (expenses)	<u>26,953</u>	<u>231,399</u>	<u>2,962</u>	<u>-</u>	<u>261,314</u>
Change in net position before capital transactions	<u>3,870</u>	<u>15,092</u>	<u>(92)</u>	<u>-</u>	<u>18,869</u>
Net income before operating transfers	<u>3,870</u>	<u>15,092</u>	<u>(92)</u>	<u>-</u>	<u>18,869</u>
Operating transfers in	4,875	202,581	-	-	207,456
Operating transfers out	<u>(200)</u>	<u>(207,256)</u>	<u>-</u>	<u>-</u>	<u>(207,456)</u>
Change in net position	<u>8,545</u>	<u>10,417</u>	<u>(92)</u>	<u>-</u>	<u>18,869</u>
Net position - beginning of year	<u>372,149</u>	<u>267,444</u>	<u>11,884</u>	<u>-</u>	<u>651,477</u>
Net position - end of year	<u>\$ 380,691</u>	<u>\$ 277,863</u>	<u>\$ 11,792</u>	<u>\$ -</u>	<u>\$ 670,346</u>



San Diego Housing Commission
COMBINING SCHEDULE OF CASH FLOWS - ENTERPRISE FUNDS - CONTINUED
Year Ended June 30, 2020
(Dollars in Thousands)

	Business activities	Federal funds	State funds	Primary Government
Cash flows from operating activities				
Cash received from tenants and other revenue	\$ 40,389	\$ 4,637	\$ 6	\$ 45,032
Cash payments to suppliers for operations	(35,742)	(196,099)	(102)	(231,943)
Cash received/payments for general and administrative expenses	(16,166)	(18,062)	(2,417)	(36,645)
Net cash used for operating activities	(11,519)	(209,524)	(2,513)	(223,556)
Cash flows from capital and related financing activities				
Principal paid on notes payable	(3,183)	-	-	(3,183)
Acquisition and construction of capital assets	(4,256)	(14)	-	(4,270)
Proceeds on sale of capital assets	17,000	-	-	17,000
Interest payments	(4,848)	(63)	-	(4,911)
Net cash provided by (used for) capital and related financing activities	4,713	(77)	-	4,636
Cash flows from noncapital financing activities				
Cash received from grants	22,836	223,524	1,687	248,047
Transfers in (out)	4,675	(4,675)	-	-
Net cash provided by noncapital financing activities	27,511	218,849	1,687	248,047
Cash flows from investing activities				
Interest on investments and notes receivable	5,803	3,627	152	9,582
Collection of notes receivable	3,832	3,653	457	7,942
Cash loaned on notes receivable	(18,057)	(20,167)	-	(38,224)
Purchases of investments	23,759	17,609	477	41,845
Proceeds from sale of investments				
Net cash provided by (used for) investing activities	(8,351)	(6,361)	826	(13,886)
Net increase in cash and cash equivalents	12,354	2,887	-	15,241
Cash and cash equivalents				
Beginning of year	21,526	506	-	22,032
End of year	\$ 33,880	\$ 3,393	\$ -	\$ 37,273
Financial statement presentation				
Cash and cash equivalents				\$ 30,589
Restricted cash and cash equivalents				6,684
Total cash and cash equivalents				<u>\$ 37,273</u>



San Diego Housing Commission
COMBINING SCHEDULE OF CASH FLOWS - ENTERPRISE FUNDS - CONTINUED
Year Ended June 30, 2020
(Dollars in Thousands)

	Business activities	Federal funds	State funds	Primary Government
Reconciliation of operating loss to net cash used for operating activities				
Operating loss	\$ (23,083)	\$ (216,307)	\$ (3,055)	\$ (242,445)
Adjustments to reconcile operating loss to net cash used for operating activities:				
Depreciation	6,510	1,622	-	8,132
Amortization	138	-	-	138
Allowance for accounts receivable	(228)	22	-	(206)
Provision for loan losses	86	326	80	492
Allowance for forgiveable loans	(2,504)	2,075	252	(177)
Changes in operating assets and liabilities:				
Decrease (increase) in tenant receivables	15	(294)	-	(279)
Decrease (increase) in other receivables	4,536	(1,512)	-	3,024
Decrease (increase) in prepaid items and other assets	845	151	(2,327)	(1,331)
Increase in accounts payable	1,519	737	2,536	4,792
Increase in accrued payroll and benefits	439	94	-	533
Increase in deposits payable	337	90	-	427
Increase (decrease) in unearned revenues	(128)	3,476	-	3,348
Decrease in other liabilities	-	(4)	-	(4)
Net cash used for operating activities	<u>\$ (11,518)</u>	<u>\$ (209,524)</u>	<u>\$ (2,514)</u>	<u>\$ (223,556)</u>

Supplemental disclosure of cash flow information:

Noncash capital and related financing activities:

Changes in capital assets included in unearned revenue upon sale of capital asset	\$ 2,430	\$ -	\$ -	\$ 2,430
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Noncash investing activities:

Increase in notes receivable and in unearned revenue upon sale of capital asset	29,800	-	-	29,800
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Total noncash investing and capital related financing activities	<u>\$ 32,230</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,230</u>
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FINANCIAL DATA SCHEDULE

San Diego Housing Commission (CA0630)
SAN DIEGO, CA
Entity Wide Balance Sheet Summary
Fiscal Year End 06/30/2020

	Project Total	14.267 Continuum of Care Program	14.OPS MTW Demonstration Program for Low Rent	14.CFP MTW Demonstration Program for Capital Fund	14.218 Community Development Block Grants/Entitlement Grants	14.HCV MTW Demonstration Program for HCV program	14.870 Resident Opportunity and Supportive Services	14.879 Mainstream Vouchers	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.880 Family Unification Program (FUP)	14.231 Emergency Shelter Grants Program	14.881 Moving to Work Demonstration Program
111 Cash - Unrestricted									\$11,303,234	\$5,884,999			
112 Cash - Restricted - Modernization and Development													
113 Cash - Other Restricted									\$14,706,622	\$2,245,238	\$19,570		\$486,065
114 Cash - Tenant Security Deposits									\$491,060	\$761,607			
115 Cash - Restricted for Payment of Current Liabilities													
100 Total Cash	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$26,500,916	\$8,891,844	\$19,570	\$0	\$486,065
121 Accounts Receivable - PHA Projects													\$362,642
122 Accounts Receivable - HUD Other Projects													\$1,911,854
124 Accounts Receivable - Other Government	\$645,948	\$646,244			\$1,802,443		\$11,364	\$39,452	\$76,672			\$495,193	\$31,693
125 Accounts Receivable - Miscellaneous	\$1,525								\$413,431	\$174,480	\$1,756		\$97,683
126 Accounts Receivable - Tenants	\$24,969							\$8,094	\$69,601	\$176,604	\$18,071		\$646,205
126.1 Allowance for Doubtful Accounts - Tenants	(\$3,271)							\$0	(\$19,826)	(\$23,807)	\$0		\$0
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0			\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current					\$106,542								
128 Fraud Recovery													\$200,668
128.1 Allowance for Doubtful Accounts - Fraud													(\$200,668)
129 Accrued Interest Receivable	\$18,262				\$1,960,179					\$4	\$733		\$21,738
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$687,433	\$646,244	\$0	\$0	\$3,869,164	\$0	\$11,364	\$47,546	\$539,878	\$327,281	\$20,560	\$495,193	\$3,071,815
131 Investments - Unrestricted	\$9,620,943				\$14,547,444				\$58,282		\$354,822		\$5,370,255
132 Investments - Restricted													
135 Investments - Restricted for Payment of Current Liability													
142 Prepaid Expenses and Other Assets									\$379,105	\$267,128			\$936
143 Inventories													
143.1 Allowance for Obsolete Inventories													
144 Inter Program Due From													
145 Assets Held for Sale													
150 Total Current Assets	\$10,308,376	\$646,244	\$0	\$0	\$18,416,608	\$0	\$11,364	\$47,546	\$27,478,181	\$9,486,253	\$394,952	\$495,193	\$8,929,071
161 Land	\$3,279,738								\$4,232,087	\$19,684,284			
162 Buildings	\$22,374,629								\$101,404,995	\$47,708,414			\$5,250,178
163 Furniture, Equipment & Machinery - Dwellings	\$13,500								\$5,596,477	\$427,317			
164 Furniture, Equipment & Machinery - Administration													
165 Leasehold Improvements									\$10,863				
166 Accumulated Depreciation	(\$7,571,405)								(\$17,246,872)	(\$16,991,731)			(\$729,191)
167 Construction in Progress									\$5,814,256	\$265,687			
168 Infrastructure													
160 Total Capital Assets, Net of Accumulated Depreciation	\$18,096,462	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$99,811,806	\$51,093,971	\$0	\$0	\$4,520,987
171 Notes, Loans and Mortgages Receivable - Non-Current					\$25,282,850								
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due													
173 Grants Receivable - Non Current													
174 Other Assets									\$4,543,275				
176 Investments in Joint Ventures													
180 Total Non-Current Assets	\$18,096,462	\$0	\$0	\$0	\$25,282,850	\$0	\$0	\$0	\$104,355,081	\$51,093,971	\$0	\$0	\$4,520,987
200 Deferred Outflow of Resources													
290 Total Assets and Deferred Outflow of Resources	\$28,404,838	\$646,244	\$0	\$0	\$43,699,458	\$0	\$11,364	\$47,546	\$131,833,262	\$60,580,224	\$394,952	\$495,193	\$13,450,058
311 Bank Overdraft													
312 Accounts Payable <= 90 Days	\$571,758	\$551,289			\$430,519		\$150	\$3,570	\$2,395,259	\$1,901,678		\$52,344	\$603,701
313 Accounts Payable >90 Days Past Due													
321 Accrued Wage/Payroll Taxes Payable	\$26,192				\$1,602			\$346	\$45,506	\$93,723	\$697		\$454,501
322 Accrued Compensated Absences - Current Portion													
324 Accrued Contingency Liability													
325 Accrued Interest Payable	\$792,294								\$5,247,405	\$345,605			
331 Accounts Payable - HUD PHA Programs													
332 Account Payable - PHA Projects													
333 Accounts Payable - Other Government	\$102,242	\$94,955					\$11,214	\$43,630	\$427	\$237		\$442,849	
341 Tenant Security Deposits	\$94,427								\$478,552	\$761,601			\$725
342 Unearned Revenue	\$16,518				\$13,994,421			\$0	\$18,240	\$224,005			\$2,493
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue									\$777,516	\$1,942,102			
344 Current Portion of Long-term Debt - Operating Borrowings													
345 Other Current Liabilities													

San Diego Housing Commission (CA0630)
SAN DIEGO, CA
Entity Wide Balance Sheet Summary
Fiscal Year End 06/30/2020

	14.239 HOME Investment Partnerships Program	93.602 New Assets for Independence Demonstration Program	9 Other Federal Program 2	2 State/Local	1 Business Activities	14.MSC Mainstream CARES Act Funding	14.CMT CARES Act Funding Transferred to MTW	14.HCC HCV CARES Act Funding	14.856 Lower Income Housing Assistance Program, Section 8 Moderate	Subtotal	ELIM	Total
111 Cash - Unrestricted					\$24,704,164				\$0	\$41,892,397		\$41,892,397
112 Cash - Restricted - Modernization and Development									\$0			
113 Cash - Other Restricted					\$284,420	\$1,020		\$2,885,930	\$0	\$20,628,865		\$20,628,865
114 Cash - Tenant Security Deposits									\$0	\$1,252,667		\$1,252,667
115 Cash - Restricted for Payment of Current Liabilities									\$0			
100 Total Cash	\$0	\$0	\$0	\$0	\$24,988,584	\$1,020	\$0	\$2,885,930	\$0	\$63,773,929	\$0	\$63,773,929
121 Accounts Receivable - PHA Projects									\$0	\$362,642		\$362,642
122 Accounts Receivable - HUD Other Projects									\$0	\$1,988,526		\$1,988,526
124 Accounts Receivable - Other Government	\$421,555			\$1,030,721	\$9,091,412				\$3,609	\$14,219,634		\$14,219,634
125 Accounts Receivable - Miscellaneous	\$21				\$2,711,011				\$1,832	\$3,401,739	(\$804,385)	\$2,597,354
126 Accounts Receivable - Tenants					\$101,269				\$0	\$1,044,813		\$1,044,813
126.1 Allowance for Doubtful Accounts - Tenants					(\$7,160)				\$0	(\$54,064)		(\$54,064)
126.2 Allowance for Doubtful Accounts - Other	\$0			\$0	(\$15,133)				\$0	(\$15,133)		(\$15,133)
127 Notes, Loans, & Mortgages Receivable - Current					\$2,824				\$0	\$109,366		\$109,366
128 Fraud Recovery									\$0	\$200,668		\$200,668
128.1 Allowance for Doubtful Accounts - Fraud									\$0	(\$200,668)		(\$200,668)
129 Accrued Interest Receivable	\$27,393,084			\$1,660,721	\$26,124,007				\$552	\$57,179,280		\$57,179,280
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$27,814,660	\$0	\$0	\$2,691,442	\$38,008,230	\$0	\$0	\$0	\$5,993	\$78,236,803	(\$804,385)	\$77,432,418
131 Investments - Unrestricted	\$8,821,119		\$21,625	\$515,596	\$93,990,043				\$289,766	\$133,589,895		\$133,589,895
132 Investments - Restricted									\$0			
135 Investments - Restricted for Payment of Current Liability									\$0			
142 Prepaid Expenses and Other Assets				\$2,327,022	\$1,739,533				\$0	\$4,713,724		\$4,713,724
143 Inventories									\$0			
143.1 Allowance for Obsolete Inventories									\$0			
144 Inter Program Due From									\$0			
145 Assets Held for Sale									\$0			
150 Total Current Assets	\$36,635,779	\$0	\$21,625	\$5,534,060	\$158,726,390	\$1,020	\$0	\$2,885,930	\$295,759	\$280,314,351	(\$804,385)	\$279,509,966
161 Land					\$53,913,237				\$0	\$81,109,346		\$81,109,346
162 Buildings					\$97,364,523				\$0	\$274,102,739		\$274,102,739
163 Furniture, Equipment & Machinery - Dwellings					\$306,159				\$0	\$6,343,453		\$6,343,453
164 Furniture, Equipment & Machinery - Administration					\$3,754,245				\$0	\$3,754,245		\$3,754,245
165 Leasehold Improvements									\$0	\$10,863		\$10,863
166 Accumulated Depreciation					(\$34,828,628)				\$0	(\$77,367,827)		(\$77,367,827)
167 Construction in Progress					\$2,827,470				\$0	\$8,907,413		\$8,907,413
168 Infrastructure									\$0			
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$0	\$0	\$123,337,006	\$0	\$0	\$0	\$0	\$296,860,232	\$0	\$296,860,232
171 Notes, Loans and Mortgages Receivable - Non-Current	\$177,188,025			\$8,808,154	\$180,069,493				\$0	\$391,348,522		\$391,348,522
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due									\$0			
173 Grants Receivable - Non Current									\$0			
174 Other Assets					\$34,184				\$0	\$4,577,459		\$4,577,459
176 Investments in Joint Ventures					\$8,423,731				\$0	\$8,423,731	(\$8,423,731)	\$0
180 Total Non-Current Assets	\$177,188,025	\$0	\$0	\$8,808,154	\$311,864,414	\$0	\$0	\$0	\$0	\$701,209,944	(\$8,423,731)	\$692,786,213
200 Deferred Outflow of Resources									\$0			
290 Total Assets and Deferred Outflow of Resources	\$213,823,804	\$0	\$21,625	\$14,342,214	\$470,590,804	\$1,020	\$0	\$2,885,930	\$295,759	\$981,524,295	(\$9,228,116)	\$972,296,179
311 Bank Overdraft									\$0			
312 Accounts Payable <= 90 Days	\$144			\$2,550,626	\$8,010,494				\$0	\$17,071,532	(\$804,385)	\$16,267,147
313 Accounts Payable >90 Days Past Due									\$0			
321 Accrued Wage/Payroll Taxes Payable	\$22,217				\$1,116,140				\$35	\$1,760,959		\$1,760,959
322 Accrued Compensated Absences - Current Portion					\$2,704,083				\$0	\$2,704,083		\$2,704,083
324 Accrued Contingency Liability									\$0			
325 Accrued Interest Payable					\$569,071				\$0	\$6,954,375		\$6,954,375
331 Accounts Payable - HUD PHA Programs									\$84,788	\$84,788		\$84,788
332 Account Payable - PHA Projects									\$0			
333 Accounts Payable - Other Government					\$553				\$0	\$896,107		\$896,107
341 Tenant Security Deposits					\$314,078				\$0	\$1,649,383		\$1,649,383
342 Unearned Revenue	\$0			\$0	\$32,533,494	\$1,020		\$2,885,930	\$0	\$49,676,121		\$49,676,121
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					\$1,111,345				\$0	\$3,830,963		\$3,830,963
344 Current Portion of Long-term Debt - Operating Borrowings									\$0			
345 Other Current Liabilities					\$1,084,286				\$0	\$1,084,286		\$1,084,286

San Diego Housing Commission (CA0630)
SAN DIEGO, CA
Entity Wide Balance Sheet Summary
Fiscal Year End 06/30/2020

	Project Total	14.267 Continuum of Care Program	14.OPS MTW Demonstration Program for Low Rent	14.CFP MTW Demonstration Program for Capital Fund	14.218 Community Development Block Grants/Entitlement Grants	14.HCV MTW Demonstration Program for HCV program	14.870 Resident Opportunity and Supportive Services	14.879 Mainstream Vouchers	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.880 Family Unification Program (FUP)	14.231 Emergency Shelter Grants Program	14.881 Moving to Work Demonstration Program
346 Accrued Liabilities - Other													
347 Inter Program - Due To													
348 Loan Liability - Current													
310 Total Current Liabilities	\$1,603,431	\$646,244	\$0	\$0	\$14,426,542	\$0	\$11,364	\$47,546	\$8,962,905	\$5,268,951	\$697	\$495,193	\$1,061,420
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$4,554,849								\$102,736,486	\$77,250,692			
352 Long-term Debt, Net of Current - Operating Borrowings													
353 Non-current Liabilities - Other									\$10,906,081		\$8,862		\$465,862
354 Accrued Compensated Absences - Non Current													
355 Loan Liability - Non Current													
356 FASB 5 Liabilities													
357 Accrued Pension and OPEB Liabilities													
350 Total Non-Current Liabilities	\$4,554,849	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$113,642,567	\$77,250,692	\$8,862	\$0	\$465,862
300 Total Liabilities	\$6,158,280	\$646,244	\$0	\$0	\$14,426,542	\$0	\$11,364	\$47,546	\$122,605,472	\$82,519,643	\$9,559	\$495,193	\$1,527,282
400 Deferred Inflow of Resources													
508.3 Nonspendable Fund Balance													
508.4 Net Investment in Capital Assets	\$13,541,613								\$0	-\$28,098,840			\$4,520,986
509.3 Restricted Fund Balance													
510.3 Committed Fund Balance													
511.3 Assigned Fund Balance													
511.4 Restricted Net Position	\$1,152,868				\$26,877,156			\$634,371	\$31,149,674	\$2,428,667	\$0		\$3,631,716
512.3 Unassigned Fund Balance													
512.4 Unrestricted Net Position	\$7,552,077	\$0	\$0	\$0	\$2,395,760	\$0	\$0	(\$634,371)	-\$21,921,884	\$3,730,754	\$385,393	\$0	\$3,770,074
513 Total Equity - Net Assets / Position	\$22,246,558	\$0	\$0	\$0	\$29,272,916	\$0	\$0	\$0	\$9,227,790	-\$21,939,419	\$385,393	\$0	\$11,922,776
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$28,404,838	\$646,244	\$0	\$0	\$43,699,458	\$0	\$11,364	\$47,546	\$131,833,262	\$60,580,224	\$394,952	\$495,193	\$13,450,058

San Diego Housing Commission (CA0630)
SAN DIEGO, CA
Entity Wide Balance Sheet Summary
Fiscal Year End 06/30/2020

	14.239 HOME Investment Partnerships Program	93.602 New Assets for Independence Demonstration Program	9 Other Federal Program 2	2 State/Local	1 Business Activities	14.MSC Mainstream CARES Act Funding	14.CMT CARES Act Funding Transferred to MTW	14.HCC HCV CARES Act Funding	14.856 Lower Income Housing Assistance Program, Section 8 Moderate	Subtotal	ELIM	Total
346 Accrued Liabilities - Other									\$0			
347 Inter Program - Due To									\$0			
348 Loan Liability - Current									\$0			
310 Total Current Liabilities	\$22,361	\$0	\$0	\$2,550,626	\$47,443,544	\$1,020	\$0	\$2,885,930	\$84,823	\$85,512,597	-\$804,385	\$84,708,212
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue					\$12,090,838				\$0	\$196,632,865		\$196,632,865
352 Long-term Debt, Net of Current - Operating Borrowings									\$0			
353 Non-current Liabilities - Other									\$0	\$11,380,805		\$11,380,805
354 Accrued Compensated Absences - Non Current									\$0			
355 Loan Liability - Non Current									\$0			
356 FASB 5 Liabilities									\$0			
357 Accrued Pension and OPEB Liabilities									\$0			
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0	\$12,090,838	\$0	\$0	\$0	\$0	\$208,013,670	\$0	\$208,013,670
300 Total Liabilities	\$22,361	\$0	\$0	\$2,550,626	\$59,534,382	\$1,020	\$0	\$2,885,930	\$84,823	\$293,526,267	-\$804,385	\$292,721,882
400 Deferred Inflow of Resources									\$0			
508.3 Nonspendable Fund Balance									\$0			
508.4 Net Investment in Capital Assets					\$110,134,823				\$0	\$100,098,582		\$100,098,582
509.3 Restricted Fund Balance									\$0			
510.3 Committed Fund Balance									\$0			
511.3 Assigned Fund Balance									\$0			
511.4 Restricted Net Position	\$184,122,999				\$284,420				\$0	\$250,281,871		\$250,281,871
512.3 Unassigned Fund Balance									\$0			
512.4 Unrestricted Net Position	\$29,678,444	\$0	\$21,625	\$11,791,588	\$300,637,179	\$0	\$0	\$0	\$210,936	\$337,617,575	-\$8,423,731	\$329,193,844
513 Total Equity - Net Assets / Position	\$213,801,443	\$0	\$21,625	\$11,791,588	\$411,056,422	\$0	\$0	\$0	\$210,936	\$687,998,028	-\$8,423,731	\$679,574,297
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$213,823,804	\$0	\$21,625	\$14,342,214	\$470,590,804	\$1,020	\$0	\$2,885,930	\$295,759	\$981,524,295	-\$9,228,116	\$972,296,179

SAN DIEGO, CA
Entity Wide Revenue and Expense Summary
Fiscal Year End 06/30/2020

	Project Total	14.267 Continuum of Care Program	14.OPS MTW Demonstration Program for Low Rent	14.CFP MTW Demonstration Program for Capital Fund	14.218 Community Development Block Grants/Entitlement Grants	14.HCV MTW Demonstration Program for HCV program	14.870 Resident Opportunity and Supportive Services	14.879 Mainstream Vouchers	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.880 Family Unification Program (FUP)	14.231 Emergency Shelter Grants Program	14.881 Moving to Work Demonstration Program
70300 Net Tenant Rental Revenue	\$1,073,351								\$11,317,652	\$19,641,022			
70400 Tenant Revenue - Other	\$7,020								\$38,820	\$49,096			\$250
70500 Total Tenant Revenue	\$1,080,371	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$11,356,472	\$19,690,118	\$0	\$0	\$250
70600 HUD PHA Operating Grants		\$4,770,977	\$391,997	\$1,462,809	\$11,890,933	\$198,271,475	\$121,935	\$429,718	\$373,884		\$1,494,771	\$991,289	
70610 Capital Grants													
70710 Management Fee													
70720 Asset Management Fee													
70730 Book Keeping Fee													
70740 Front Line Service Fee													
70750 Other Fees													
70700 Total Fee Revenue													
70800 Other Government Grants													
71100 Investment Income - Unrestricted	\$241,175				(\$118,050)				\$78,593	\$1,251	\$9,124		\$325,086
71200 Mortgage Interest Income					\$530,998								
71300 Proceeds from Disposition of Assets Held for Sale													
71310 Cost of Sale of Assets													
71400 Fraud Recovery													\$84,277
71500 Other Revenue	\$24,853				\$450				\$2,028,463	\$1,289,948	\$2,690		\$3,565,331
71600 Gain or Loss on Sale of Capital Assets													
72000 Investment Income - Restricted	\$4,974								\$17,602	\$2,226			\$0
70000 Total Revenue	\$1,551,373	\$4,770,977	\$391,997	\$1,462,809	\$12,304,322	\$198,271,475	\$121,935	\$429,718	\$13,855,014	\$20,983,543	\$1,506,585	\$991,289	\$3,974,924
91100 Administrative Salaries	\$216,165	\$213,869			\$145,741			\$667	\$533,608	\$637,954	\$26,351	\$43,053	\$6,862,982
91200 Auditing Fees	\$14,200								\$176,463	\$67,850			
91300 Management Fee													
91310 Book-keeping Fee									\$35,025				
91400 Advertising and Marketing									\$627				\$2,475
91500 Employee Benefit Contributions - Administrative	\$68,230	\$69,081			\$48,961			\$206	\$154,583	\$229,496	\$7,766	\$16,371	\$2,422,283
91600 Office Expenses	\$43,669	\$178							\$340,831	\$112,048			\$147,928
91700 Legal Expense	\$61,637				\$592				\$130,939	\$87,154			\$317,467
91800 Travel									\$8,335				\$6,116
91810 Allocated Overhead	\$332,406				\$25,338			\$705		\$993,342	\$24,508		\$8,567,358
91900 Other	\$44,849	\$23,676			\$254				\$2,294,592	\$114,095	\$219		\$611,037
91000 Total Operating - Administrative	\$781,156	\$306,804	\$0	\$0	\$220,886	\$0	\$0	\$1,578	\$3,675,003	\$2,241,939	\$58,844	\$59,424	\$18,937,646
92000 Asset Management Fee													
92100 Tenant Services - Salaries							\$79,074		\$135,968				\$922,542
92200 Relocation Costs									\$166,562	\$11,888			\$208
92300 Employee Benefit Contributions - Tenant Services							\$27,013						\$300,364
92400 Tenant Services - Other	\$1,224								\$152,903	\$46,740			\$51,983
92500 Total Tenant Services	\$1,224	\$0	\$0	\$0	\$0	\$0	\$106,087	\$0	\$455,433	\$58,628	\$0	\$0	\$1,275,097
93100 Water	\$116,323								\$265,211	\$823,986			\$6,889
93200 Electricity	\$29,727								\$449,208	\$122,033			\$41,851
93300 Gas	\$33,923								\$96,007	\$161,707			
93400 Fuel													
93500 Labor													
93600 Sewer	\$70,587								\$169,471	\$514,112			\$5,164
93700 Employee Benefit Contributions - Utilities													
93800 Other Utilities Expense									\$6,975				
93000 Total Utilities	\$250,560	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$986,872	\$1,623,838	\$0	\$0	\$53,904
94100 Ordinary Maintenance and Operations - Labor	\$141,640								\$541,051	\$623,957			
94200 Ordinary Maintenance and Operations - Materials and Other	\$27,458								\$100,862	\$222,758			
94300 Ordinary Maintenance and Operations Contracts	\$1,589,993								\$898,986	\$4,108,319			
94500 Employee Benefit Contributions - Ordinary Maintenance	\$53,163									\$252,297			
94000 Total Maintenance	\$1,812,254	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,540,899	\$5,206,429	\$0	\$0	\$0
95100 Protective Services - Labor													
95200 Protective Services - Other Contract Costs	\$71,335								\$452,833	\$198,182			
95300 Protective Services - Other									\$33,468				
95500 Employee Benefit Contributions - Protective Services													
95000 Total Protective Services	\$71,335	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$486,301	\$198,182	\$0	\$0	\$0

SAN DIEGO, CA
Entity Wide Revenue and Expense Summary
Fiscal Year End 06/30/2020

	14.239 HOME Investment Partnerships Program	93.602 New Assets for Independence Demonstration Program	9 Other Federal Program 2	2 State/Local	1 Business Activities	14.MSC Mainstream CARES Act Funding	14.CMT CARES Act Funding Transferred to MTW	14 HCC HCV CARES Act Funding	14.856 Lower Income Housing Assistance Program, Section 8 Moderate	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue					\$9,883,624				\$0	\$41,915,649	(\$11,789)	\$41,903,860
70400 Tenant Revenue - Other					\$340,300				\$0	\$435,486		\$435,486
70500 Total Tenant Revenue	\$0	\$0	\$0	\$0	\$10,223,924	\$0	\$0	\$0	\$0	\$42,351,135	(\$11,789)	\$42,339,346
70600 HUD PHA Operating Grants	\$4,588,565							\$218,224	\$430,389	\$225,436,966		\$225,436,966
70610 Capital Grants									\$0			
70710 Management Fee									\$0			
70720 Asset Management Fee									\$0			
70730 Book Keeping Fee									\$0			
70740 Front Line Service Fee									\$0			
70750 Other Fees					\$5,476,958				\$0	\$5,476,958	(\$1,006,226)	\$4,470,732
70700 Total Fee Revenue									\$0	\$0	(\$1,006,226)	(\$1,006,226)
70800 Other Government Grants				\$2,683,440	\$22,464,367				\$0	\$25,147,807		\$25,147,807
71100 Investment Income - Unrestricted			\$0	\$27,698	\$3,379,887				\$6,655	\$3,951,491		\$3,951,491
71200 Mortgage Interest Income	\$5,471,179			\$250,894	\$5,995,844				\$0	\$12,248,915		\$12,248,915
71300 Proceeds from Disposition of Assets Held for Sale									\$0			
71310 Cost of Sale of Assets									\$0			
71400 Fraud Recovery									\$0	\$84,277		\$84,277
71500 Other Revenue	\$290,817			\$5,745	\$4,795,854				\$0	\$12,004,151	(\$30,384)	\$11,973,767
71600 Gain or Loss on Sale of Capital Assets									\$0			
72000 Investment Income - Restricted					\$32				\$0	\$24,834		\$24,834
70000 Total Revenue	\$10,350,662	\$0	\$0	\$2,967,777	\$52,336,866	\$0	\$0	\$218,224	\$437,044	\$326,726,534	(\$1,048,399)	\$325,678,135
91100 Administrative Salaries	\$677,902			\$199,772	\$16,282,282		\$160,484		\$11,910	\$26,012,740		\$26,012,740
91200 Auditing Fees					\$106,850				\$0	\$365,363		\$365,363
91300 Management Fee									\$0			
91310 Book-keeping Fee									\$0	\$35,025		\$35,025
91400 Advertising and Marketing					\$14,488				\$0	\$17,590		\$17,590
91500 Employee Benefit contributions - Administrative	\$197,549			\$43,423	\$4,973,081		\$43,694		\$3,313	\$8,278,037		\$8,278,037
91600 Office Expenses	\$16,902			\$29	\$4,160,656		\$2,016		\$0	\$4,824,257	(\$11,789)	\$4,812,468
91700 Legal Expense	\$6,846			\$113	\$910,932				\$0	\$1,515,680		\$1,515,680
91800 Travel					\$69,010				\$0	\$83,461		\$83,461
91810 Allocated Overhead	\$543,156			\$92,126	(\$9,597,387)				\$11,790	\$993,342	(\$993,342)	\$0
91900 Other	\$23,107			\$1,357	\$2,083,899		\$1,938		\$164	\$5,199,187	(\$34,573)	\$5,164,614
91000 Total Operating - Administrative	\$1,465,462	\$0	\$0	\$336,820	\$19,003,811	\$0	\$208,132	\$0	\$27,177	\$47,324,682	(\$1,039,704)	\$46,284,978
92000 Asset Management Fee									\$0			
92100 Tenant Services - Salaries					\$43,517		\$1,069		\$0	\$1,182,170		\$1,182,170
92200 Relocation Costs					\$245,299				\$0	\$423,957		\$423,957
92300 Employee Benefit Contributions - Tenant Services					\$13,462		\$370		\$0	\$341,209		\$341,209
92400 Tenant Services - Other	\$25				\$68,945				\$0	\$321,820		\$321,820
92500 Total Tenant Services	\$25	\$0	\$0	\$0	\$371,223	\$0	\$1,439	\$0	\$0	\$2,269,156	\$0	\$2,269,156
93100 Water					\$360,100				\$0	\$1,574,509		\$1,574,509
93200 Electricity					\$648,581				\$0	\$1,291,400		\$1,291,400
93300 Gas					\$107,109				\$0	\$398,746		\$398,746
93400 Fuel									\$0			
93500 Labor									\$0			
93600 Sewer					\$241,816				\$0	\$1,001,150		\$1,001,150
93700 Employee Benefit Contributions - Utilities									\$0			
93800 Other Utilities Expense					\$41,330				\$0	\$48,305		\$48,305
93000 Total Utilities	\$0	\$0	\$0	\$0	\$1,398,936	\$0	\$0	\$0	\$0	\$4,314,110	\$0	\$4,314,110
94100 Ordinary Maintenance and Operations - Labor					\$548,978				\$0	\$1,854,726		\$1,854,726
94200 Ordinary Maintenance and Operations - Materials and Other					\$182,719				\$0	\$533,795		\$533,795
94300 Ordinary Maintenance and Operations Contracts					\$2,961,147				\$0	\$9,558,445		\$9,558,445
94500 Employee Benefit Contributions - Ordinary Maintenance				\$84	\$230,937				\$0	\$536,481		\$536,481
94000 Total Maintenance	\$0	\$0	\$0	\$84	\$3,923,781	\$0	\$0	\$0	\$0	\$12,483,447	\$0	\$12,483,447
95100 Protective Services - Labor									\$0			
95200 Protective Services - Other Contract Costs					\$578,826				\$0	\$1,301,176		\$1,301,176
95300 Protective Services - Other					\$1,449				\$0	\$34,917		\$34,917
95500 Employee Benefit Contributions - Protective Services									\$0			
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$580,275	\$0	\$0	\$0	\$0	\$1,336,093	\$0	\$1,336,093

SAN DIEGO, CA
Entity Wide Revenue and Expense Summary
Fiscal Year End 06/30/2020

	Project Total	14.267 Continuum of Care Program	14.OPS MTW Demonstration Program for Low Rent	14.CFP MTW Demonstration Program for Capital Fund	14.218 Community Development Block Grants/Entitlement Grants	14.HCV MTW Demonstration Program for HCV program	14.870 Resident Opportunity and Supportive Services	14.879 Mainstream Vouchers	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.880 Family Unification Program (FUP)	14.231 Emergency Shelter Grants Program	14.881 Moving to Work Demonstration Program
96110 Property Insurance	\$11,299									\$105,882			
96120 Liability Insurance	\$8,477							\$6	\$354,560	\$56,917	\$245		\$77,573
96130 Workmen's Compensation	\$16,409	\$3,889			\$2,964		\$747	\$13	\$100,939	\$73,283	\$313	\$924	\$126,927
96140 All Other Insurance	\$14,421				\$848				\$14,087	\$62,943	\$2		\$539
96100 Total Insurance Premiums	\$50,606	\$3,889	\$0	\$0	\$3,812	\$0	\$747	\$19	\$469,586	\$299,025	\$560	\$924	\$205,039
96200 Other General Expenses	\$699	\$477,840			\$2,233,528		\$15,101	\$512,857	\$908,861	\$385,590		\$930,941	\$12,759,160
96210 Compensated Absences	(\$1,912)				\$1,914			\$4		\$13,170	\$478		\$211,124
96300 Payments in Lieu of Taxes	\$84								\$39,134	\$53,423			
96400 Bad debt - Tenant Rents	\$1,017								\$34,080	\$32,115			
96500 Bad debt - Mortgages					(\$15,605)								
96600 Bad debt - Other	\$3,654								\$22,461	\$30,447			\$26,764
96800 Severance Expense													
96000 Total Other General Expenses	\$3,542	\$477,840	\$0	\$0	\$2,219,837	\$0	\$15,101	\$512,861	\$1,004,536	\$514,745	\$478	\$930,941	\$12,997,048
96710 Interest of Mortgage (or Bonds) Payable	\$135,171								\$4,186,524	\$4,423,492			
96720 Interest on Notes Payable (Short and Long Term)													
96730 Amortization of Bond Issue Costs													
96700 Total Interest Expense and Amortization Cost	\$135,171	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,186,524	\$4,423,492	\$0	\$0	\$0
96900 Total Operating Expenses	\$3,105,848	\$788,533	\$0	\$0	\$2,444,535	\$0	\$121,935	\$514,458	\$12,805,154	\$14,566,278	\$59,882	\$991,289	\$33,468,734
97000 Excess of Operating Revenue over Operating Expenses	(\$1,754,475)	\$3,982,444	\$391,997	\$1,462,809	\$9,859,787	\$198,271,475	\$0	(\$84,740)	\$1,049,860	\$6,417,265	\$1,446,703	\$0	(\$29,493,810)
97100 Extraordinary Maintenance									\$744,779				
97200 Casualty Losses - Non-capitalized													
97300 Housing Assistance Payments		\$3,982,444						\$571,222			\$1,354,101		\$164,507,811
97350 HAP Portability-In													\$3,299,633
97400 Depreciation Expense	\$1,271,625								\$4,118,228	\$2,469,019			\$350,012
97500 Fraud Losses													
97600 Capital Outlays - Governmental Funds													
97700 Debt Principal Payment - Governmental Funds													
97800 Dwelling Units Rent Expense													
90000 Total Expenses	\$4,377,473	\$4,770,977	\$0	\$0	\$2,444,535	\$0	\$121,935	\$1,085,680	\$17,668,161	\$17,035,297	\$1,413,983	\$991,289	\$201,626,190
10010 Operating Transfer In	\$2,221,145									\$2,966			\$200,126,281
10020 Operating transfer Out	(\$148,339)		(\$391,997)	(\$1,462,809)	(\$23,277)	(\$198,271,475)							(\$6,727,157)
10030 Operating Transfers from/to Primary Government													
10040 Operating Transfers from/to Component Unit													
10050 Proceeds from Notes, Loans and Bonds													
10060 Proceeds from Property Sales													
10070 Extraordinary Items, Net Gain/Loss													
10080 Special Items (Net Gain/Loss)									\$18,658,316	(\$3,582,776)			
10091 Inter Project Excess Cash Transfer In													
10092 Inter Project Excess Cash Transfer Out													
10093 Transfers between Program and Project - In													
10094 Transfers between Project and Program - Out													
10100 Total Other financing Sources (Uses)	\$2,072,806	\$0	(\$391,997)	(\$1,462,809)	(\$23,277)	(\$198,271,475)	\$0	\$0	\$18,658,316	(\$3,579,810)	\$0	\$0	\$193,399,124
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(\$953,294)	\$0	\$0	\$0	\$9,836,510	\$0	\$0	(\$655,962)	\$14,845,169	\$368,436	\$92,602	\$0	(\$4,252,142)
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$465,178	\$1,845,453	\$0	\$0	\$0
11030 Beginning Equity	\$23,199,852	\$0	\$0	\$0	\$19,436,406	\$0	\$0	\$655,962	(\$5,617,379)	(\$22,307,855)	\$292,791	\$0	\$16,174,918
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0												
11050 Changes in Compensated Absence Balance													
11060 Changes in Contingent Liability Balance													
11070 Changes in Unrecognized Pension Transition Liability													
11080 Changes in Special Term/Severance Benefits Liability													
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents													
11100 Changes in Allowance for Doubtful Accounts - Other													
11170 Administrative Fee Equity													
11180 Housing Assistance Payments Equity													
11190 Unit Months Available	2268							996	11444	15060	1275		184103
11210 Number of Unit Months Leased	2206							530	11158	14791	1166		178425
11270 Excess Cash	\$8,568,027												
11610 Land Purchases	\$0												

SAN DIEGO, CA
Entity Wide Revenue and Expense Summary
Fiscal Year End 06/30/2020

	14.239 HOME Investment Partnerships Program	93.602 New Assets for Independence Demonstration Program	9 Other Federal Program 2	2 State/Local	1 Business Activities	14.MSC Mainstream CARES Act Funding	14.CMT CARES Act Funding Transferred to MTW	14.HCC HCV CARES Act Funding	14.856 Lower Income Housing Assistance Program, Section 8 Moderate	Subtotal	ELIM	Total
96110 Property Insurance					\$96,349				\$0	\$213,530		\$213,530
96120 Liability Insurance	\$314				\$142,857				\$106	\$641,055		\$641,055
96130 Workmen's Compensation	\$9,244			\$2,591	\$296,192		\$1,402		\$180	\$636,017		\$636,017
96140 All Other Insurance	\$2				\$275,955				\$0	\$368,797		\$368,797
96100 Total Insurance Premiums	\$9,560	\$0	\$0	\$2,591	\$611,353	\$0	\$1,402	\$0	\$286	\$1,859,399	\$0	\$1,859,399
96200 Other General Expenses	\$2,185,720			\$2,369,926	\$19,195,750				\$0	\$41,975,973	(\$8,695)	\$41,967,278
96210 Compensated Absences	\$32,872			\$2,713	\$794,750		\$7,251		\$147	\$1,062,511		\$1,062,511
96300 Payments in Lieu of Taxes					\$344				\$0	\$92,985		\$92,985
96400 Bad debt - Tenant Rents					\$64,959				\$0	\$132,171		\$132,171
96500 Bad debt - Mortgages	\$341,811			\$79,536	\$86,360				\$0	\$492,102		\$492,102
96600 Bad debt - Other					\$68,120				\$0	\$151,446		\$151,446
96800 Severance Expense									\$0			
96000 Total Other General Expenses	\$2,560,403	\$0	\$0	\$2,452,175	\$20,210,283	\$0	\$7,251	\$0	\$147	\$43,907,188	(\$8,695)	\$43,898,493
96710 Interest of Mortgage (or Bonds) Payable					\$467,669				\$0	\$9,212,856		\$9,212,856
96720 Interest on Notes Payable (Short and Long Term)									\$0			
96730 Amortization of Bond Issue Costs									\$0			
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$467,669	\$0	\$0	\$0	\$0	\$9,212,856	\$0	\$9,212,856
96900 Total Operating Expenses	\$4,035,450	\$0	\$0	\$2,791,670	\$46,767,331	\$0	\$218,224	\$0	\$27,610	\$122,706,931	(\$1,048,399)	\$121,658,532
97000 Excess of Operating Revenue over Operating Expenses	\$6,315,212	\$0	\$0	\$176,107	\$5,569,535	\$0	(\$218,224)	\$218,224	\$409,434	\$204,019,603	\$0	\$204,019,603
97100 Extraordinary Maintenance									\$0	\$744,779		\$744,779
97200 Casualty Losses - Non-capitalized									\$0			
97300 Housing Assistance Payments				\$268,513	\$1,607,614				\$377,452	\$172,669,157		\$172,669,157
97350 HAP Portability-In									\$0	\$3,299,633		\$3,299,633
97400 Depreciation Expense					\$4,041,203				\$0	\$12,250,087		\$12,250,087
97500 Fraud Losses									\$0			
97600 Capital Outlays - Governmental Funds									\$0			
97700 Debt Principal Payment - Governmental Funds									\$0			
97800 Dwelling Units Rent Expense									\$0			
90000 Total Expenses	\$4,035,450	\$0	\$0	\$3,060,183	\$52,416,148	\$0	\$218,224	\$0	\$405,062	\$311,670,587	(\$1,048,399)	\$310,622,188
10010 Operating Transfer In	\$2,745				\$4,872,351		\$218,224		\$12,551	\$207,456,263	(\$207,456,263)	\$0
10020 Operating transfer Out					(\$200,434)			(\$218,224)	(\$12,551)	(\$207,456,263)	\$207,456,263	\$0
10030 Operating Transfers from/to Primary Government									\$0			
10040 Operating Transfers from/to Component Unit									\$0			
10050 Proceeds from Notes, Loans and Bonds									\$0			
10060 Proceeds from Property Sales									\$0			
10070 Extraordinary Items, Net Gain/Loss									\$0			
10080 Special Items (Net Gain/Loss)									\$0	\$15,075,540	\$3,582,776	\$18,658,316
10091 Inter Project Excess Cash Transfer In									\$0			
10092 Inter Project Excess Cash Transfer Out									\$0			
10093 Transfers between Program and Project - In									\$0			
10094 Transfers between Project and Program - Out									\$0			
10100 Total Other financing Sources (Uses)	\$2,745	\$0	\$0	\$0	\$4,671,917	\$0	\$218,224	(\$218,224)	\$0	\$15,075,540	\$3,582,776	\$18,658,316
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$6,317,957	\$0	\$0	(\$92,406)	\$4,592,635	\$0	\$0	\$0	\$31,982	\$30,131,487	\$3,582,776	\$33,714,263
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$1,027,821	\$0	\$0	\$0	\$0	\$3,338,452		\$3,338,452
11030 Beginning Equity	\$207,483,486	\$0	\$21,625	\$11,883,994	\$406,463,787	\$0	\$0	\$0	\$178,954	\$657,866,541		\$657,866,541
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors									\$0	\$0		\$0
11050 Changes in Compensated Absence Balance									\$0			
11060 Changes in Contingent Liability Balance									\$0			
11070 Changes in Unrecognized Pension Transition Liability									\$0			
11080 Changes in Special Term/Severance Benefits Liability									\$0			
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents									\$0			
11100 Changes in Allowance for Doubtful Accounts - Other									\$0			
11170 Administrative Fee Equity									\$0			
11180 Housing Assistance Payments Equity									\$0			
11190 Unit Months Available					8152				437	223735		223735
11210 Number of Unit Months Leased					7984				369	216629		216629
11270 Excess Cash									\$0	\$8,568,027		\$8,568,027
11610 Land Purchases									\$0	\$0		\$0

SAN DIEGO, CA
Entity Wide Revenue and Expense Summary
Fiscal Year End 06/30/2020

	Project Total	14.267 Continuum of Care Program	14.OPS MTW Demonstration Program for Low Rent	14.CFP MTW Demonstration Program for Capital Fund	14.218 Community Development Block Grants/Entitlement Grants	14.HCV MTW Demonstration Program for HCV program	14.870 Resident Opportunity and Supportive Services	14.879 Mainstream Vouchers	6.1 Component Unit Discretely Presented	6.2 Component Unit Blended	14.880 Family Unification Program (FUP)	14.231 Emergency Shelter Grants Program	14.881 Moving to Work Demonstration Program
11620 Building Purchases	\$0												
11630 Furniture & Equipment - Dwelling Purchases	\$0												
11640 Furniture & Equipment - Administrative Purchases	\$0												
11650 Leasehold Improvements Purchases	\$0												
11660 Infrastructure Purchases	\$0												
13510 CFFP Debt Service Payments	\$0												
13901 Replacement Housing Factor Funds	\$0												

SAN DIEGO, CA
Entity Wide Revenue and Expense Summary
Fiscal Year End 06/30/2020

	14.239 HOME Investment Partnerships Program	93.602 New Assets for Independence Demonstration Program	9 Other Federal Program 2	2 State/Local	1 Business Activities	14.MSC Mainstream CARES Act Funding	14.CMT CARES Act Funding Transferred to MTW	14 HCC HCV CARES Act Funding	14.856 Lower Income Housing Assistance Program, Section 8 Moderate	Subtotal	ELIM	Total
11620 Building Purchases									\$0	\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases									\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases									\$0	\$0		\$0
11650 Leasehold Improvements Purchases									\$0	\$0		\$0
11660 Infrastructure Purchases									\$0	\$0		\$0
13510 CFFP Debt Service Payments									\$0	\$0		\$0
13901 Replacement Housing Factor Funds									\$0	\$0		\$0



SAN DIEGO
HOUSING
COMMISSION

Statistical Section (Unaudited)



We're About People

The San Diego Housing Commission's (SDHC) Achievement Academy is a learning and resource center and computer lab located at SDHC's headquarters. Its programs—including Family Self-Sufficiency—emphasize career planning, job skills, and personal financial education to help individuals and families become more financially self-reliant. Current Bridges to Careers Opportunities participants are pictured above.





San Diego Housing Commission

Statistical Section (Unaudited)

This part of the Comprehensive Annual Financial Report represents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about SDHC's overall financial health. These schedules are for the Primary Government only and do not include activity of the discretely presented component units of HDP. The following are the categories of the schedules that are included in this Section:

Financial Trends

These schedules contain trend information to help the reader understand how SDHC's financial performance and well-being have changed over time. These schedules can be viewed on pages 120 to 122.

Revenue Capacity

This schedule contains information to help the reader assess SDHC's most significant revenue source. This schedule can be viewed on page 124.

Debt Capacity

This schedule presents information to help the reader assess the affordability of SDHC's current level of outstanding debt. This schedule can be viewed on page 126.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which SDHC's financial activities take place. These schedules can be viewed on pages 128 to 132.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in SDHC's financial report relates to the services SDHC provides and the activities it performs. These schedules can be viewed on pages 134 to 140.

FINANCIAL TRENDS



San Diego Housing Commission

Net Position by Component (Unaudited)

Ten Years Ending June 30, 2020

<u>Fiscal Year</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total Net Position</u>
2011	\$ 43,092,084	\$ 137,161,661	\$ 224,260,898	\$ 404,514,643
2012	54,768,792	142,430,835	225,494,849	422,694,476
2013	55,992,979	151,444,156	237,319,083	444,756,218
2014	54,862,209	160,498,486	241,567,614	456,928,309
2015	68,871,666	170,194,739	244,645,686	483,712,091
2016	73,122,616	176,980,821	268,461,293	518,564,730
2017	95,953,834	182,546,323	288,586,654	567,086,811
2018	107,299,446	199,381,101	324,301,550	630,982,097
2019	114,531,527	200,545,488	336,400,398	651,477,413
2020	98,905,348	218,948,768	352,492,391	670,346,507

Source: Annual Financial Statements



San Diego Housing Commission

Revenue, Expenses and Changes in Net Position (Unaudited)

Last Ten Years Ending June 30, 2020

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Operating revenues										
Dwelling rental income	\$ 30,693,343	\$ 31,520,369	\$ 31,061,313	\$ 30,079,966	\$ 28,090,296	\$ 26,450,075	\$ 25,750,939	\$ 25,669,589	\$ 25,082,830	\$ 24,309,910
Land lease and other rental income	3,350,791	2,969,373	2,601,204	2,492,779	2,668,438	2,245,059	2,119,188	2,023,344	1,892,027	1,970,080
Fee revenue	4,478,995	3,163,802	4,213,854	4,511,918	3,866,857	2,947,588	2,145,715	2,030,042	1,886,252	2,867,606
Shared equity income	-	-	-	-	-	-	-	-	171,422	158,270
Other revenue	6,960,058	6,571,628	6,276,590	4,407,790	3,777,214	2,767,714	3,222,683	1,927,430	1,120,603	2,076,205
Total operating revenues	45,483,188	44,225,172	44,152,961	41,492,453	38,402,805	34,410,436	33,238,525	31,650,405	30,153,134	31,382,071
Operating expenses										
Administrative expenses	44,004,239	39,905,313	37,026,223	34,542,960	31,826,310	29,500,978	28,839,617	28,713,564	26,870,807	24,686,591
Tenant services	1,867,580	2,613,917	2,544,030	1,988,632	1,626,314	1,541,169	1,370,247	1,919,200	2,207,747	2,450,010
Asset management	15,466,148	16,929,473	20,288,174	14,170,505	8,895,547	9,505,111	8,885,279	7,790,710	7,470,695	10,130,088
General expenses	2,050,469	1,263,618	3,059,488	1,435,332	2,072,713	985,363	2,266,935	1,201,718	2,615,886	3,840,050
Grant expense	40,438,608	25,020,659	20,432,499	11,752,995	15,753,280	11,103,144	17,115,718	6,650,674	5,879,572	4,698,932
Housing assistance	175,968,790	155,150,246	149,691,267	144,557,990	146,570,467	145,836,071	147,311,387	150,905,154	147,823,240	145,876,110
Depreciation	8,131,859	8,118,368	7,214,950	5,764,403	5,130,888	4,916,809	4,800,693	4,113,552	3,920,321	4,047,879
Total operating expenses	287,927,693	249,001,594	240,256,631	214,212,817	211,875,519	203,388,645	210,589,876	201,294,572	196,788,268	195,729,660
Operating loss	(242,444,505)	(204,776,422)	(196,103,670)	(172,720,364)	(173,472,714)	(168,978,209)	(177,351,351)	(169,644,167)	(166,635,134)	(164,347,589)
Nonoperating revenues (expenses):										
Grant revenue	250,210,888	214,794,552	240,541,580	217,487,187	200,005,483	191,703,603	186,987,313	188,240,947	182,353,583	184,749,521
Investment income	16,129,043	15,683,989	10,968,696	9,099,264	9,988,417	9,742,843	9,118,073	8,637,551	8,774,498	6,974,862
Gain/loss on sale of capital assets	-	(21,936)	2,376	-	3,844,578	-	-	38,220	(49,695)	(683)
Gain on fair market value of interest swap	-	-	-	-	-	-	-	-	-	859,125
Interest expense	(5,026,332)	(5,184,867)	(5,195,160)	(5,344,008)	(5,513,125)	(5,684,425)	(5,879,510)	(5,913,243)	(6,263,417)	(6,558,569)
Net nonoperating revenues	261,313,599	225,271,738	246,317,492	221,242,443	208,325,353	195,762,021	190,225,876	191,003,475	184,814,969	186,024,256
Change in net position before capital transactions	18,869,094	20,495,316	50,213,822	48,522,079	34,852,639	26,783,812	12,874,525	21,359,308	18,179,835	21,676,667
Gain on sale of property to component unit	-	-	13,681,464	-	-	-	-	-	-	-
Total revenues and expenses	18,869,094	20,495,316	63,895,286	48,522,079	34,852,639	26,783,812	12,874,525	21,359,308	18,179,835	21,676,667
Change in net position	\$ 18,869,094	\$ 20,495,316	\$ 63,895,286	\$ 48,522,079	\$ 34,852,639	\$ 26,783,812	\$ 12,874,525	\$ 21,359,308	\$ 18,179,835	\$ 21,676,667



San Diego Housing Commission

Capital Assets by Category (Unaudited)

Last Ten Years Ending June 30, 2020

CATEGORY	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Land	\$ 76,877,260	\$ 76,875,550	\$ 70,080,168	\$ 69,340,679	\$ 68,081,575	\$ 68,369,250	\$ 63,186,873	\$ 63,036,133	\$ 60,563,275	\$ 60,440,951
Construction in progress	3,093,157	532,390	879,290	2,772,651	8,296,759	2,267,262	751,305	1,854,210	9,831,387	465,800
Buildings	94,180,464	111,991,212	111,991,212	107,701,541	98,468,109	98,468,109	88,811,413	88,811,413	84,722,349	84,722,349
Building improvements	78,517,279	78,849,095	73,450,053	57,589,992	36,008,102	33,581,403	33,581,403	30,811,213	17,719,475	17,719,475
Furniture and equipment	4,501,221	4,242,430	4,749,007	4,821,310	4,495,410	4,347,152	4,105,103	3,781,552	3,494,073	3,213,224
Total capital assets	257,169,381	272,490,677	261,149,730	242,226,173	215,349,955	207,033,176	190,436,097	188,294,521	176,330,559	166,561,799
Less accumulated depreciation										
Buildings	27,496,880	28,970,736	26,128,333	23,542,214	20,922,471	18,418,147	16,115,003	13,852,095	11,620,965	9,464,032
Building improvements	28,919,104	24,313,071	19,304,745	15,194,653	12,332,422	10,056,086	7,816,863	5,678,975	4,087,090	2,774,997
Furniture and equipment	3,704,971	3,572,613	3,910,710	4,119,438	3,960,054	3,741,342	3,366,900	2,967,003	2,731,187	2,309,871
Total accumulated depreciation	60,120,955	56,856,420	49,343,788	42,856,305	37,214,947	32,215,575	27,298,766	22,498,073	18,439,242	14,548,900
Net capital assets	197,048,425	215,634,257	211,805,942	199,369,868	178,135,008	174,817,601	163,137,331	165,796,448	157,891,317	152,012,899
Related debt	98,143,077	101,102,730	104,506,496	103,416,034	105,012,392	105,945,935	108,275,122	110,505,903	103,122,525	108,920,815
Net investment in capital assets	\$ 98,905,348	\$ 114,531,527	\$ 107,299,446	\$ 95,953,834	\$ 73,122,616	\$ 68,871,666	\$ 54,862,209	\$ 55,290,545	\$ 54,768,792	\$ 43,092,084

REVENUE CAPACITY



San Diego Housing Commission
Revenue on a Gross Basis (Unaudited)
Last Ten Years Ending June 30, 2020

DESCRIPTION	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues (gross):										
Operating revenues	\$ 45,483,188	\$ 44,225,172	\$ 44,152,961	\$ 41,492,453	\$ 38,402,805	\$ 34,410,406	\$ 33,238,525	\$ 31,650,405	\$ 30,153,134	\$ 31,382,071
Subsidies and grants	250,210,888	214,794,552	240,541,580	217,487,187	200,005,483	191,703,603	186,987,313	188,240,947	182,353,583	184,749,521
Investment income	16,129,043	15,683,988	10,968,696	9,099,264	9,988,417	9,742,843	9,118,073	8,637,551	8,774,498	6,974,862
Gain/loss on sale of capital assets	-	(21,936)	2,376	-	3,844,578	-	-	38,220	(49,695)	(683)
Gain on sale of property to component unit	-	-	13,681,464	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	859,125
Total revenues	<u>\$311,823,120</u>	<u>\$274,681,776</u>	<u>\$309,347,077</u>	<u>\$268,078,904</u>	<u>\$252,241,283</u>	<u>\$235,856,852</u>	<u>\$229,343,911</u>	<u>\$228,567,123</u>	<u>\$221,231,520</u>	<u>\$223,964,896</u>

DEBT CAPACITY



San Diego Housing Commission

Ratios of Outstanding Debt (Unaudited)

Last Ten Years Ending June 30, 2020

Fiscal year	Notes Payable		Capital Assets Less Accumulated Depreciation¹	Ratio of outstanding debt to capital assets	Ratio of outstanding debt to total personal income²
2011	125,321,940	**	152,012,899	82.44%	0.0010%
2012	117,326,102	***	157,891,317	74.31%	0.0009%
2013	115,500,409	****	165,796,448	69.66%	0.0008%
2014	112,993,522	*****	163,137,331	69.26%	0.0008%
2015	109,913,912	*****	174,814,601	62.87%	0.0007%
2016	106,884,501	*****	178,135,008	60.00%	0.0007%
2017	103,813,347	*****	199,369,868	52.07%	0.0006%
2018	103,369,851	*****	211,805,942	48.80%	0.0006%
2019	100,054,425	*****	215,634,258	46.40%	0.0005%
2020	96,949,826	*****	197,048,425	49.20%	0.0005%

¹Source: Annual Financial Statements²Source: The Bureau of Economic Analysis - U.S. Department of Commerce

** The outstanding debt of \$125 million includes \$16 million of unspent loan proceeds.

*** The outstanding debt of \$117 million includes \$14 million of unspent loan proceeds.

**** The outstanding debt of \$115 million includes \$5 million of unspent loan proceeds.

***** The outstanding debt of \$113 million includes \$5 million of unspent loan proceeds.

***** The outstanding debt of \$110 million includes \$4 million of unspent loan proceeds.

***** The outstanding debt of \$107 million includes \$2 million of unspent loan proceeds.

***** The outstanding debt of \$103 million includes \$398,000 of unspent loan proceeds,
and \$1.6 million of unamortized debt issuance costs***** The outstanding debt of \$103 million includes \$400,000 of unspent loan proceeds,
and \$1.6 million of unamortized debt issuance costs***** The outstanding debt of \$100 million includes \$407,000 of unspent loan proceeds,
and \$1.5 million of unamortized debt issuance costs***** The outstanding debt of \$97 million includes \$183,000 of unspent loan proceeds,
and \$1.4 million of unamortized debt issuance costs

DEMOGRAPHIC AND ECONOMIC INFORMATION



San Diego Housing Commission Demographic Statistics - Ten Year Trend

Population

Year	United States	Change from Prior Period	City of San Diego	Change from Prior Period
2010-11	311,591,917	0.92%	1,311,882	-3.48%
2011-12	312,780,968	0.38%	1,321,315	0.72%
2012-13	316,122,143	1.07%	1,326,238	0.37%
2013-14	318,853,648	0.86%	1,345,895	1.48%
2014-15	321,188,034	0.73%	1,368,061	1.65%
2015-16	323,882,704	0.84%	1,391,676	1.73%
2016-17	325,337,675	0.45%	1,406,318	1.05%
2017-18	328,026,343	0.83%	1,419,845	0.96%
2018-19	329,152,485	0.34%	1,420,572	0.05%
2019-20	329,872,465	0.22%	1,430,489	0.70%

Source: U.S. Department of Commerce, Bureau of Economic Analysis
MuniServices, LLC, and Comprehensive Annual Financial Reports



**San Diego Housing Commission
Demographic and Economic Statistics for the City of San Diego
Ten Years Ended June 30, 2020**

Population and Personal Income - City of San Diego

Year	Population¹	Personal Income² (1,000s)	Per Capita Personal Income	Unemployment Rate³(%)
2010-11	1,311,882	40,336,435	30,747	10.2
2011-12	1,321,315	42,754,529	32,358	9.5
2012-13	1,326,238	43,540,765	32,830	8.9
2013-14	1,345,895	45,869,487	34,081	7.5
2014-15	1,368,061	46,297,920	33,842	4.6
2015-16	1,391,676	47,718,552	34,289	4.9
2016-17	1,406,318	50,542,056	35,939	4.4
2017-18	1,419,845	54,274,285	38,226	3.1
2018-19	1,420,572	57,277,776	40,320	3.2
2019-20	1,430,489	59,988,300	41,936	14.7

Footnotes:

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

²Income data is provided by the U.S. Census Bureau, 2010 American Community Survey

³Unemployment data is provided by the EDD's Bureau of Labor Statistics Department

Sources: MuniServices, LLC / *an Avenu Insights & Analytics Company*

The California Department of Finance demographics estimates now incorporate 2010 Census counts as the benchmark



City of San Diego
Principal Employers (Unaudited)
Current Year and Nine Years Ago

Employer	Number of Employees	Percentage of Total Employment
For the Fiscal Year Ended June 30, 2020		
Naval Base San Diego(1)	41,111	5.85%
University of California San Diego (2)	40,088	5.71%
Sharp Health Care (3)	19,148	2.73%
County of San Diego	17,929	2.55%
San Diego Unified School District	14,020	2.00%
Scripps Health (5)	13,254	1.89%
Qualcomm Inc (5)	11,050	1.57%
City of San Diego	9,987	1.42%
Kaiser Permanente (6)	9,653	1.37%
San Diego Community College District (7)	6,804	0.97%
Total Top Employers	183,044	26.06%
Total City Employment (8)	702,300	
For the Fiscal Year Ended June 30, 2021		
Naval Base San Diego(1)	54,000	7.71%
University of California San Diego (2)	27,406	3.91%
San Diego Unified School District	16,158	2.31%
County of San Diego	15,063	2.15%
Sharp Health Care (3)	14,924	2.13%
Qualcomm Inc (4)	11,500	1.64%
City of San Diego	10,051	1.43%
Kaiser Permanente (6)	7,101	1.01%
UC San Diego Medical Center	5,799	0.83%
San Diego Gas & Electric Co.	4,643	0.66%
Total Top Employers	166,645	23.79%
Total City Employment (8)	700,600	

Source: MuniServices, LLC / *an Avenu Insights & Analytics Company*

Source: 2010-11 data from previously published CAFR

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

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

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

(3) Employee count is countywide

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

(5) Excludes temps and interns

(6) Count includes physicians

(7) Not including out of state military instructors

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



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

Resident Members Per Household			Number Bedrooms Per Household		
Categories	Households	Percent	Categories	Households	Percent
1 Member	7,664	45.9%	Studio	2,037	12.2%
2 Members	3,768	22.6%	1 Bedroom	4,662	27.9%
3 Members	1,914	11.5%	2 Bedrooms	5,557	33.3%
4 Members	1,501	9.0%	3 Bedrooms	3,222	19.3%
5 Members	919	5.5%	4 Bedrooms	1,019	6.1%
6 Members	470	2.8%	5 Bedrooms	179	1.1%
7 Members	220	1.3%	6 Bedrooms	14	0.1%
8 Members	109	0.7%	7 Bedrooms	-	0.0%
9 Members	69	0.4%	8 Bedrooms	-	0.0%
10 + Members	57	0.3%	9 Bedrooms	1	0.0%
Total	16,691	100%	Total	16,691	100%

**San Diego Housing Commission
Resident Income Information - Unaudited
Housing Choice Voucher Programs**

Income Ranges (All Sources)

Annual Income Ranges	No. of Households	Percentage
\$ 0-99	712	4.3%
\$ 100-9,999	1,596	9.6%
\$ 10,000-19,999	8,673	52.0%
\$ 20,000-29,999	2,733	16.4%
\$ 30,000-39,999	1,590	9.5%
\$ 40,000-49,999	781	4.7%
\$ 50,000 +	606	3.6%
Total	16,691	100%

Source: San Diego Housing Commission Statistics



**San Diego Housing Commission
Years in Housing Choice Voucher Program**

Length of Residency - Current

Years in Housing	Households	Quantity
<1	410	2.5%
1	1,976	11.8%
2	989	5.9%
3	1,075	6.4%
4	704	4.2%
5	1,031	6.2%
6	815	4.9%
7	204	1.2%
8	657	3.9%
9	660	4.0%
10	284	1.7%
11	407	2.4%
12	325	1.9%
13	1,575	9.4%
14	323	1.9%
15	768	4.6%
16	390	2.3%
17	239	1.4%
18	590	3.5%
19	1,139	6.8%
20+	2130	12.8%
Total	16,691	100%

Source: San Diego Housing Commission Statistics

OPERATING INFORMATION



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

San Diego Housing Commission Owned

Address		No. Units	Year Built
4720 - 4722	34th Street	3	1982
4756 - 4758	35th Street	4	1982
3010 #A - B	39th Street	2	1975
3617 - 3619	42nd Street	4	1984
2716 - 2718	44th Street	4	1983
2734 - 2736	44th Street	4	1983
4078 #A - D	47th Street	4	1964
4286 - 4292	48th Street	4	1960
3280	A Street	2	1982
4207 - 4209	Altadena Avenue	2	1984
4123	Arey Drive	1	1970
4080	Arizona Street	4	1987
2766	Cardinal Road	2	1982
7410-7412	Cuvier Street	8	1977
4314	Darwin way	1	1970
2326 - 2332	East Jewett Street	4	1944
4334	Ebersole Drive	1	1970
4181	Enero Street	1	1970
2477 - 2477 1/2	Fairmount Avenue	4	1967
3081 - 3083	Hawthorn Street	4	1983
1170	Ilexey Avenue	1	1970
1366	Ilexey Avenue	1	1970
4230	Kimsue Way	1	1970
1255	Kostner Drive	1	1970
4259	Layla Court	1	1970
4276	Layla Court	1	1970
4256	Layla Way	1	1970
4269	Layla Way	1	1970
4274	Layla Way	1	1970
4339	Marcia Court	1	1970
4074	Marcwade Drive	1	1970
4150	Marcwade Drive	1	1970
4186	Marcwade Drive	1	1970
4293	Marcwade Drive	1	1970
4239	Marge Way	1	1971
4331	Marge Way	1	1970
4334	Marge Way	1	1970



San Diego Housing Commission Owned - Continued

Address	No. Units	Year Built
4890 Naples Street	4	1982
1152 Nevin Street	1	1970
8505 Noeline Avenue	1	1975
4050 - 4056 Oakcrest Drive	4	1960
5974 Old Memory Lane	1	1941
4034 Peterlynn Court	1	1970
1232 Peterlynn Drive	1	1970
1327 Peterlynn Drive	1	1970
1405 Peterlynn Drive	1	1970
1506 Peterlynn Drive	1	1970
1530 Peterlynn Drive	1	1970
4024 Peterlynn Way	1	1970
2325 Rachel Avenue	3	1982
1128 Ransom Street	1	1970
1145 Ransom Street	1	1970
1169 Ransom Street	1	1970
5955 #1 - 4 Streamview Drive	4	1963
4233 Stu Court	1	1970
3755 - 3757 Swift Avenue	4	1997
6511 - 6517 Tait Street	4	1952
1041 Twining Avenue	1	1970
1144 Twining Avenue	1	1970
1250 Twining Avenue	1	1970
1317 Twining Avenue	1	1970
3630 - 3632 Van Dyke Avenue	4	1982
10101 - 10191 Maya Linda Road	132	1978
2052 - 2098 Via Las Cumbres	84	1984
4262-4268 44th Street	4	2009
4395 El Cajon Boulevard	33	2009
1301 Fifth Avenue	130	1914
5330 Orange Avenue	71	1985
Total SDHC Owned	579	

Belden SDHC FNMA, LLC

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

Northern SDHC FNMA, LLC

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



Central SDHC FNMA, LLC

Address	No. Units	Year Built
2932 30th street	5	1986
3012 30th street	5	1986
3030 30th street	5	1988
3217 30th street	5	1986
4729 32nd street	5	1985
4541 #1 - 8 33rd street	8	1965
4632 33rd street	5	1986
4751 33rd street	8	1968
4254 36th street	5	1988
4164 #1 - 8 37th street	8	1962
4343 38th street	5	1989
4575 - 4579 38th street	8	1985
3755 - 3761 Alabama Street	8	1985
3974 - 3984 Bancroft Street	14	1988
3850 Cherokee Avenue	5	1986
4054 - 4060 1/2 Cherokee Avenue	8	1961
4360 Cherokee Avenue	5	1986
4081 - 4087 1/2 Florida Street	8	1960
4450 - 4456 1/2 Georgia Street	8	1966
7891 - 7899 Golfcrest Drive	9	1997
3350 - 3356 1/2 Grim Avenue	8	1959
4637 - 4643 1/2 Hamilton Street	8	1956
3125 Ivy Street	5	1988
4381 - 4387 Louisiana Street	8	1968
2727 - 2729 Meade Avenue	6	1964
2739 - 2745 Oregon Street	8	1960
4352 #1 - 8 Wilson Avenue	5	1986
Total Central SDHC FNMA, LLC	185	

Northern SDHC FHA, LLC

Address	No. Units	Year Built
12643 - 12687 El Camino Real	45	1995
2701 - 2711 Figueroa Boulevard	6	1966
8637 - 8643 Glenhaven Street	4	1971
8649 - 8655 Glenhaven Street	4	1962
8661 - 8667 Glenhaven Street	4	1962
8701 - 8707 Glenhaven Street	4	1962
2045 - 2049 Grand Avenue	6	1990
2644 Hornblend Street	5	1989
8714 - 8720 Hurlbut Street	4	1962
8726 - 8732 Hurlbut Street	4	1971
8792 Mira Mesa Boulevard	5	1978
8816 Mira Mesa Boulevard	5	1978
5071 - 5077 1/2 Muir Avenue	8	1960
4055 - 4083 Pulitzer Place	50	1985
Total Northern SDHC FHA, LLC	154	



Southern SDHC FHA, LLC

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

Central SDHC FHA, LLC

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

Statistical Section (Unaudited)



Public Housing Units

Address		No. Units	Year Built
2420 #A - H	44th Street	8	1982
3222 - 24	Camulos Street	12	1982
3919 #1 - 8	Mason Street	8	1982
5385 - 5389	Trojan Avenue	3	1982
4095 #A - D	Valeta Street	4	1982
605 - 695	Picador Boulevard	78	1984
325-415	South 33rd Street	40	1999
2055 - 2095	Via Las Cumbres	36	1984
Total Public Housing		189	

Housing Development Partners (HDP)

Address		No. Units	Year Built
5207	52nd Place*	75	1978
1345	5th Ave	17	1913
4754	Logan Avenue	54	1996
2170-2172	Front Street*	34	1913
827	C Street*	73	1910
1055	9th Ave*	156	1980
4066	Messina Drive	145	1981/85
1814	5th Avenue	80	1912
7720-7780	Belden Street*	120	1986
1830	Fourth Avenue*	92	1990
1840	Fourth Avenue*	47	1989
6847	Potomac Street*	172	1989
Total Housing Development Partners		1,065	

Total SDHC, LLC and Public Housing Units **3,088**

Other Program Housing Units - Partnerships

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

Combined total units **4,141**

* SDHC retains ownership in the land compliance period



**San Diego Housing Commission
Employee Demographics - Unaudited
As of June 30, 2020**

Seniority of Employees			Racial Composition		
Categories	Number	Percent	Categories	Number	Percent
Less than 3 years	95	30.16%	American Indian or Alaska Native, White	2	0.63%
3 to 5 years	87	27.62%	Asian	19	6.03%
6 to 9 years	38	12.06%	Black or African American	23	7.30%
10 to 19 years	53	16.83%	Hispanic or Latino	122	38.73%
20 to 29 years	26	8.25%	Native Hawaiian or Other Pacific Islander	16	5.08%
30 years and over	<u>16</u>	5.08%	Two or More Races	5	1.59%
Grand Total	<u><u>315</u></u>		White	104	33.02%
			Other	<u>24</u>	7.62%
			Grand Total	<u><u>315</u></u>	

Source: Information provided by San Diego Housing Commission HR Department
includes Direct hires



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

Department:	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Board & Executive Functions	6	9	8	9	7	6	8	5	4	17
Business Services	39	38	37	40	44	41	37	35	26	23
Community Relations & Communications	7	7	7	7	8	6	7	5	7	4
Financial Services	25	25	26	26	22	24	25	24	25	21
Housing Finance	15	16	16	16	12	0	0	0	0	0
Housing Innovations	31	32	25	20	12	6	0	0	0	0
Housing Development Partners	8	8	5	5	4	3	3	3	3	0
Policy & Public Affairs	5	0	0	0	0	0	0	0	5	0
Real Estate Development	67	74	77	77	70	75	75	80	77	92
Rental Assistance Program	112	114	114	106	115	105	107	109	110	105
	315	323	315	306	294	266	274	273	268	262

Source: Information provided by San Diego Housing Commission Payroll Department

San Diego Housing Commission
Single Audit Reports and Schedule of Expenditures of
Federal Awards
Year Ended June 30, 2020

San Diego Housing Commission

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

To the Board of Commissioners
San Diego Housing Commission

We have audited, in accordance with 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 the business-type activities, the aggregate discretely presented component units, and the fiduciary funds of the San Diego Housing Commission ("SDHC"), a component unit of the City of San Diego, California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise SDHC's basic financial statements, and have issued our report thereon dated November 3, 2020. The financial statements of the aggregate discretely presented component units and the fiduciary funds were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the aggregate discretely presented component units and the fiduciary funds of SDHC.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Sacramento, California
November 3, 2020

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

To the Board of Commissioners
San Diego Housing Commission

Report on Compliance for the Major Federal Program

We have audited the San Diego Housing Commission's ("SDHC"), a component unit of the City of San Diego, California, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the SDHC's major federal program for the year ended June 30, 2020. SDHC's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the SDHC's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SDHC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of SDHC's compliance.

Opinion on the Major Federal Program

In our opinion, SDHC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of SDHC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SDHC's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SDHC's 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 type of compliance requirement of a federal 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this 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. However, material weaknesses may exist that have not been identified.

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

Report on Schedule of Expenditures of Federal Awards

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 the business-type activities, the aggregate discretely presented component units, and the fiduciary funds of SDHC, a component unit of the City of San Diego, California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated November 3, 2020 which contained unmodified opinions of the financial statements. Our audit was performed for the purpose of forming opinions on the financial statements of SDHC as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements

or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

This report on the Schedule of Expenditures of Federal Awards is intended solely for the information and use of the Audit Committee, Board of Commissioners and management of SDHC, and federal awarding agencies and pass-through entities, and is not suitable for any other purpose.

CohnReznick LLP

Sacramento, California
November 3, 2020

San Diego Housing Commission

Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

Federal Grantor / Passthrough Grantor Program Title:	Federal CFDA Number	Direct Programs	Passed Through Programs	Federal Expenditures Amount	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development					
<u>CDBG Cluster</u>					
CDBG (City)-Passed through the City of San Diego					
Contract: B-19-MC-06-0542	14.218	\$ -	\$ 1,317,909	\$ 1,317,909	\$ 1,218,542
Contract: B-18-MC-06-0542	14.218	-	10,096,251	10,096,251	1,089,722
Contract: B-17-MC-06-0542	14.218	-	414,876	414,876	-
CDBG (County)Pass-through the County of San Diego Contract: 561530	14.218	-	61,897	61,897	-
Subtotal CDBG Cluster	14.218	-	11,890,933	11,890,933	2,308,264
<u>Emergency Solutions Grant</u>					
Passed through the City of San Diego					
Contract#: E-19-MC-06-0542	14.231	-	990,716	990,716	719,882
Contract#: E-18-MC-06-0542	14.231	-	573	573	-
Subtotal ESG	14.231	-	991,289	991,289	719,882
Subtotal CDBG, ESG				12,882,222	3,028,146
<u>Continuum of Care</u>					
Special Needs Assistance					
CA0534L9D011811	14.267	3,566,596	-	3,566,596	3,301,119
CA1208L9D011805	14.267	232,894	-	232,894	226,002
CA1602L9D011802	14.267	707,520	-	707,520	679,164
CA1349L9D011703/804	14.267	263,967	-	263,967	253,998
Subtotal Continuum of Care	14.267	4,770,977	-	4,770,977	4,460,283

San Diego Housing Commission

Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

Federal Grantor / Passthrough Grantor Program Title:	Federal CFDA Number	Direct Programs	Passed Through Programs	Federal Expenditures Amount	Passed Through to Subrecipients
<u>HOME Program</u>					
HOME Program: M-19-MC-06-0533	14.239	-	693,721	693,721	-
HOME Program: M-18-MC-06-0533	14.239	-	122,000	122,000	-
HOME Program: M-17-MC-06-0533	14.239	-	840,508	840,508	-
HOME Program: M-16-MC-06-0533	14.239	-	2,081,704	2,081,704	-
HOME Program: M-15-MC-06-0533	14.239	-	850,632	850,632	-
Subtotal - HOME Program	14.239	-	4,588,565	4,588,565	-
<u>Section 8 Project-Based Cluster</u>					
Section 8 Moderate Rehabilitation					
Project 1 MR1: CA063MR0001	14.856	38,800	-	38,800	-
Project 2 MR2: CA063MR0002	14.856	62,255	-	62,255	-
Project 7 MR7: CA063MR0007	14.856	329,334	-	329,334	-
Subtotal - Section 8 Project-Based Cluster	14.856	430,389	-	430,389	-
<u>Resident Opportunity & Self Sufficiency (ROSS)</u>					
ROSS191266	14.870	121,935	-	121,935	-
<u>Moving to Work</u>					
Housing Assistance Payments Program:					
For Low Income Families					
Voucher CA063VOW086--/CA06VOW091	14.871	172,969,468	-	172,969,468	5,944,504
Voucher CA063AF0243--/CA063AF0247	14.871	14,491,821	-	14,491,821	-
Voucher CA063AF0251	14.871	218,224	-	218,224	-
VASH Program - CA063VO067--/CA063VO077	14.871	10,393,364	-	10,393,364	-
HCV FSS Coord: FSS18CA2220	14.871	204,178	-	204,178	-
HCV FSS Coord: FSS20CA3111	14.871	212,644	-	212,644	-
Subtotal - Housing Assistance Payments		198,489,699	-	198,489,699	5,944,504
Capital Fund					
Capital Fund Program: CA16-P063-501-18	14.872	1,462,809	-	1,462,809	-
Subtotal - Capital Fund		1,462,809	-	1,462,809	-

San Diego Housing Commission

Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

Federal Grantor / Passthrough Grantor Program Title:	Federal CFDA Number	Direct Programs	Passed Through Programs	Federal Expenditures Amount	Passed Through to Subrecipients
Operating Fund					
AMP 7 CA06300000718D	14.850A	161	-	161	-
AMP 7 CA06300000719D	14.850A	41,004	-	41,004	-
AMP 8 CA06300000720D	14.850A	35,513	-	35,513	-
AMP 8 CA06300000818D	14.850A	207	-	207	-
AMP 8 CA06300000819D	14.850A	42,109	-	42,109	-
AMP 8 CA06300000820D	14.850A	42,136	-	42,136	-
AMP 9 CA06300000918D	14.850A	224	-	224	-
AMP 9 CA06300000919D	14.850A	73,103	-	73,103	-
AMP 9 CA06300000920D	14.850A	82,268	-	82,268	-
AMP 10 CA06300001018D	14.850A	254	-	254	-
AMP 10 CA06300001019D	14.850A	42,014	-	42,014	-
AMP 10 CA06300001020D	14.850A	33,004	-	33,004	-
Subtotal - Operating Fund		391,997	-	391,997	-
Subtotal - Moving to Work	14.881 ¹	200,344,505	-	200,344,505	5,944,504
<u>Housing Voucher Cluster</u>					
Family Unification Program (FUP) Contract #: CA063VO0361-- /CA063VO0366/CA063V00382	14.880	1,494,771	-	1,494,771	-
Subtotal - FUP		1,494,771	-	1,494,771	-
Mainstream Program Vouchers Contract #: CA063DV0001--/CA063DV0006 Contract #: CA0638F002--/CA0638F0007	14.879 14.879	416,870 12,848	- -	416,870 12,848	- -
Subtotal - FUP		429,718	-	429,718	-
Subtotal - Housing Voucher Cluster		1,924,489	-	1,924,489	-
TOTAL		\$ 207,592,295	\$ 17,470,787	\$ 225,063,082	\$13,432,933

1 - audited as a major program

See notes to Schedule of Expenditures of Federal Awards.

San Diego Housing Commission

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

Note 1 - Reporting Entity

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Schedule of Expenditures of Federal Awards (the "Schedule") presents the federal awards activity of SDHC under programs of the federal government. Federal awards received directly from federal agencies, as well as federal awards passed through from nonfederal agencies or other organizations are included in the Schedule. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). As the Schedule presents only the federal award activity of SDHC, it is not intended to and does not present the financial position, changes in net position or cash flows of SDHC as a whole.

Significant Accounting Policies

The expenditures included in the Schedule are reported under the accrual basis of accounting. The expenditures are recognized in accordance with the cost principles contained in the Uniform Guidance. SDHC has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Reconciliation from the Statement of Revenues, Expenses and Changes in Net Position to the Schedule of Expenditures of Federal Awards

The amounts reported in the Schedule are reconciled with the amounts reported in SDHC's financial statements as follows (Dollars in Thousands):

Grant revenue	\$ 250,211
Less grants from City and local agencies	(24,772)
Less grants from state agencies	<u>(376)</u>
Grant revenue from federal sources	<u><u>\$ 225,063</u></u>

San Diego Housing Commission

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

Note 4 - Subrecipient Expenditures

The amounts reported in the Schedule include the following subrecipient expenditures:

<u>Federal Grantor / Passthrough Grantor Program Title:</u>	<u>Federal CFDA Number</u>	<u>Subrecipient Expenditures Amount</u>
Continuum of Care	14.267	\$ 4,460,283
CDBG	14.218	2,308,264
Emergency Solutions Grant	14.231	719,882
Moving to Work	14.881	<u>5,944,504</u>
Total Subrecipient Expenditures		<u><u>\$ 13,432,933</u></u>

Note 5 - Blended Component Units Federal Expenditures

SDHC has three blended component units Southern SDHC FHA LLC, Northern SDHC FHA LLC and Central SDHC FHA LLC whose federal expenditures are excluded from the Schedule because their federal expenditures have been separately audited and reported to HUD. The federal expenditures for the programs of Southern SDHC FHA LLC, Northern SDHC FHA LLC and Central SDHC FHA LLC for the year ended June 30, 2020 are as follows:

<u>Federal Grantor / Passthrough Grantor Program Title:</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures Amount</u>
<u>Direct Programs</u>			
U.S. Department of Housing and Urban Development			
<u>Federal Housing Administration - Insured loans under Section 223(f)</u>			
FHA Insured Loan - Southern SDHC FHA LLC		FHA # 12911055	\$20,953,094
FHA Insured Loan - Northern SDHC FHA LLC		FHA # 12911053	14,657,307
FHA Insured Loan - Central SDHC FHA LLC		FHA # 12911054	<u>13,152,531</u>
TOTAL			<u><u>\$48,762,932</u></u>

San Diego Housing Commission

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

Note 6 - COVID-19 Pandemic

In 2020, the financial impact of the novel COVID-19 coronavirus has been felt both worldwide and in the United States. Throughout the United States businesses in all financial sectors have felt the negative impacts of the COVID-19 pandemic as jobs have been lost due to sheltering in place in order to mitigate the spread of the virus.

While SDHC cannot readily estimate the financial impact that the pandemic will have on its business operations, SDHC does not believe that the Agency's mission will be adversely impacted as it has received federal stimulus funding to continue providing essential housing assistance to the thousands of families, seniors, veterans and San Diegans experiencing homelessness in the City of San Diego. In May 2020, SDHC directly received approximately \$3.1 million of CARES Act funds, principally from the Housing Choice Vouchers program. As of June 30, 2020, SDHC has expended \$218,224. The deadline to expend the CARES Act funds was extended to December 31, 2021. SDHC anticipates expending all funds it directly receives by this deadline.

San Diego Housing Commission
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

A. Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

*Material weakness(es) identified? Yes x No

*Significant deficiency(ies) identified? Yes x None reported

Noncompliance material to financial statements noted? Yes x No

Federal Awards

Internal control over major programs:

*Material weakness(es) identified? Yes x No

*Significant deficiency(ies) identified? Yes x None reported

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?

 Yes x No

Identification of major programs:

<u>CFDA Numbers(s)</u>	<u>Name of Federal Program or Cluster</u>
14.881	Moving to Work

Dollar threshold used to distinguish between Type A and Type B programs:

\$3,000,000

Auditee qualified as low-risk auditee x Yes No

San Diego Housing Commission
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

B. Findings - Financial Statements Audit

None

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

None



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San Diego Housing Commission

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

June 30, 2020

November 3, 2020

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

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary funds of the San Diego Housing Commission ("SDHC"), a component unit of the City of San Diego, California as of and for the year ended June 30, 2020, and have issued our report thereon dated November 3, 2020. The financial statements of the fiduciary funds have been audited by other auditors and we have made a reference to the reports of those auditors in our report on SDHC's financial statements. Professional standards require that we provide you with information about our responsibilities under Generally Accepted Auditing Standards, *Government Auditing Standards* and Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 11, 2020. We conducted our audit consistent with the planned scope and timing we previously communicated to you. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Compliance with all Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. A summary of the significant accounting policies used by SDHC are described in Note 2 to the financial statements. The new accounting pronouncements adopted by SDHC during the year ended June 30, 2020 are disclosed in Note 2 to the financial statements and include the adoption of Government Accounting Standards Board ("GASB") Statement No. 84, "Fiduciary Activities" which resulted in the reporting of the financial statements of the fiduciary funds of SDHC. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

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

- Depreciation estimates for capital assets including depreciation methods and useful lives assigned to the depreciable assets
- Accrued compensated absences

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

- Estimated allowances for losses on notes, mortgages and accounts receivable were based upon historical collection experience for loans and accounts receivable and management's assessment of the likelihood of collectability on the notes and mortgages receivable.
- Useful lives and method of depreciation for capital assets were determined by management based upon the nature of the capital assets and their expected economic lives.
- Accrual and disclosures of compensated absences were based on accrued eligible hours of annual leave at current pay rates for eligible employees.

For all significant estimates made by management, we evaluated the key factors and assumptions used to determine that the estimates are reasonable in relation to the financial statements as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are included in notes 1 through 20 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 3, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, and operating and regulatory conditions affecting the entity, with management each year prior to retention as SDHC's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

No matters were brought to our attention by the auditors of the fiduciary funds that we consider significant to the responsibilities of those charged with governance. No instances or limitations in which the evaluation of the work of the auditors of the fiduciary funds raised concerns about the quality of the work.

Other Services

We assisted in preparing the financial statements, schedule of expenditures of federal awards, and related notes of the SDHC in conformity with U.S. generally accepted accounting principles and the Uniform Guidance based on information provided by management. These nonattest services were performed under the supervision and approval of management and do not constitute audit services under governmental auditing standards.

Other Matters

We applied certain limited procedures to the Management Discussion & Analysis which is required supplementary information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining schedules of net position, revenues, expenses and changes in net position and cash flows, and the Financial Data Schedule, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

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

Very truly yours,

CohnReznick LLP

Sacramento, California



Independent Member of Nexia International

cohnreznick.com

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

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

June 30, 2020 and 2019

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

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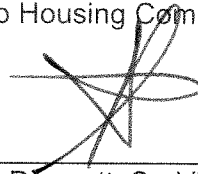
**Otay Villas Housing Development
Project No. 12-HLCP-0003
A Project of San Diego Housing Commission**

June 30, 2020

Certificate of Owner

I, as an officer of the San Diego Housing Commission, owner of Otay Villas Housing Development, hereby certify that I have examined the accompanying financial statements and supplementary information of Otay Villas Housing Development as of and for the year ended June 30, 2020 and, to the best of my knowledge and belief, these financial statements and supplementary information are complete and accurate.

San Diego Housing Commission



Tracey McDermott, Sr. Vice President and
Chief Financial Officer

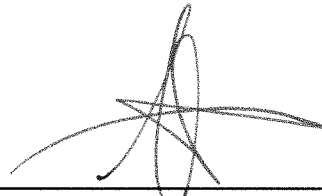
Employer Identification Number: 95-3390896

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

June 30, 2020

Managing Agent's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary data of Otay Villas Housing Development as of and for the year ended June 30, 2020, to the best of my knowledge and belief, the same are complete and accurate.

A handwritten signature in black ink, appearing to be 'Tracey McDermott', written over a horizontal line.

San Diego Housing Commission
Tracey McDermott, Sr. Vice President and
Chief Financial Officer

Independent Auditor's Report

To the Board of Commissioners
San Diego Housing Commission

Report on the Financial Statements

We have audited the accompanying financial statements of Otay Villas Housing Development Project No. 12-HLCP-0003 (the "Project") owned by San Diego Housing Commission ("SDHC"), which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements.

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Diego Housing Commission's Otay Villas Housing Development Project No. 12-HLCP-0003 as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2, the financial statements referred to above present only the financial position and changes in financial position of the Project and do not purport to, and do not, present fairly, the financial position of SDHC as of June 30, 2020 and 2019 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 18 to 26 as required by the California Department of Housing and Community Development, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020 on our consideration of the Project'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 the Project'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 the Project's internal control over financial reporting and compliance.



Sacramento, California
September 23, 2020

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

**Statements of Net Position
June 30, 2020 and 2019**

	<u>Assets</u>	
	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 380,012	\$ 120,073
Tenants' accounts receivable, net	6,163	2,148
Accounts receivable - other	20,749	34,807
	<u>406,924</u>	<u>157,028</u>
Total current assets		
Other assets		
Restricted deposits and funded reserves	<u>1,123,480</u>	<u>1,280,318</u>
	<u>1,123,480</u>	<u>1,280,318</u>
Total other assets		
Capital assets		
Buildings and improvements	6,255,040	6,255,040
Accumulated depreciation	<u>(3,482,858)</u>	<u>(3,149,639)</u>
	2,772,182	3,105,401
Land	<u>1,087,727</u>	<u>1,087,727</u>
	<u>3,859,909</u>	<u>4,193,128</u>
Total capital assets		
Total assets	<u>\$ 5,390,313</u>	<u>\$ 5,630,474</u>

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

**Statements of Net Position
June 30, 2020 and 2019**

Liabilities and Net Position

	<u>2020</u>	<u>2019</u>
Current liabilities		
Accounts payable - operations	\$ 37,022	\$ 59,895
Accrued expenses	5,121	2,906
Accrued interest payable - first mortgage, current	13,230	13,230
Prepaid rent	7,685	4,746
	<u>63,058</u>	<u>80,777</u>
Total current liabilities		
Deposits and prepaid liability		
Tenants' security deposits liability	41,462	42,024
	<u>41,462</u>	<u>42,024</u>
Total deposits and prepaid liability		
Long-term liabilities		
Mortgage payable - first mortgage	3,150,000	3,150,000
Accrued interest payable - first mortgage, net of current portion	565,593	485,373
	<u>3,715,593</u>	<u>3,635,373</u>
Total long-term liabilities		
	<u>3,820,113</u>	<u>3,758,174</u>
Total liabilities		
Contingency	-	-
Net Position		
Net investment in capital assets	709,909	1,043,128
Restricted for operating and replacement reserves	860,291	803,990
Unrestricted	-	25,182
	<u>1,570,200</u>	<u>1,872,300</u>
Total net position		
	<u>\$ 5,390,313</u>	<u>\$ 5,630,474</u>
Total liabilities and net position		

See Notes to Financial Statements.

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

Statements of Revenue, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenue		
Rental income	\$ 439,465	\$ 461,896
Subsidy income	155,595	124,509
Other operating income	<u>9,015</u>	<u>10,934</u>
Total operating revenue	<u>604,075</u>	<u>597,339</u>
Operating expenses		
Administrative	179,292	182,935
Utilities	149,446	171,725
Operating and maintenance	250,958	198,991
Taxes and insurance	58,427	41,946
Depreciation	<u>333,219</u>	<u>331,378</u>
Total operating expenses	<u>971,342</u>	<u>926,975</u>
Net operating loss	<u>(367,267)</u>	<u>(329,636)</u>
Nonoperating revenue (expense)		
Financial revenue - investments	37,108	39,692
Interest expense - first mortgage	<u>(93,450)</u>	<u>(94,500)</u>
Total nonoperating revenue (expense)	<u>(56,342)</u>	<u>(54,808)</u>
Change in net position before capital transactions	(423,609)	(384,444)
Contributions	<u>121,509</u>	<u>451,313</u>
Change in net position	(302,100)	66,869
Net position		
Beginning of year	<u>1,872,300</u>	<u>1,805,431</u>
End of year	<u><u>\$ 1,570,200</u></u>	<u><u>\$ 1,872,300</u></u>

See Notes to Financial Statements.

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

**Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Cash received from tenants and operations	\$ 570,687	\$ 566,849
Less cash payments for operations and administration		
Administrative expenses paid	(17,026)	(88,386)
Management fee and sponsor overhead paid	(73,008)	(65,097)
Utilities paid	(145,145)	(170,345)
Salaries and wages paid	(133,777)	(97,884)
Operating and maintenance paid	(186,132)	(97,906)
Property insurance paid	(12,111)	(13,874)
Other operating expenses paid	(46,316)	(28,072)
	<u>(613,515)</u>	<u>(561,564)</u>
Net cash (used in) provided by operating activities	<u>(42,828)</u>	<u>5,285</u>
Cash flows from capital and related financing activities		
Contributions from owner	121,509	451,313
Acquisition and construction of capital assets	-	(331,323)
Interest paid	(13,230)	(13,230)
	<u>108,279</u>	<u>106,760</u>
Net cash provided by capital and related financing activities		
Cash flows from investing activities		
Net deposits to replacement reserve	(55,351)	(49,326)
Net deposits to operating reserve	(951)	(943)
Interest on investments	38,212	37,485
Net sales (purchases) of investments	212,578	(237,150)
	<u>194,488</u>	<u>(249,934)</u>
Net cash provided by (used in) investing activities		
Net increase (decrease) in cash and cash equivalents	259,939	(137,889)
Cash and cash equivalents, beginning	120,073	257,962
Cash and cash equivalents, end	<u>\$ 380,012</u>	<u>\$ 120,073</u>

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

**Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Reconciliation of net operating loss to net cash (used in) provided by operating activities		
Net operating loss	\$ (367,267)	\$ (329,636)
Adjustments to reconcile net operating loss to net cash (used in) provided by operating activities		
Depreciation	333,219	331,378
Bad debt	3,176	16,902
Changes in		
Tenants' accounts receivable	(7,191)	(16,959)
Accounts receivable - other	12,954	(30,859)
Prepaid revenue	2,939	1,697
Accounts payable - operations	(22,873)	32,885
Accrued expenses	<u>2,215</u>	<u>(123)</u>
Net cash (used in) provided by operating activities	<u>\$ (42,828)</u>	<u>\$ 5,285</u>

See Notes to Financial Statements.

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

**Notes to Financial Statements
June 30, 2020 and 2019**

Note 1 - The financial reporting entity

The San Diego Housing Commission ("SDHC")'s Otay Villas Housing Development Project consists of 78 rental housing units (the "Project") located in San Diego, California. SDHC entered into a regulatory agreement and permanent loan agreement with the California Department of Housing and Community Development ("RHCP"). Under the terms of the agreements, SDHC is to submit to RHCP an annual budget of the operating revenue and operating expenses for the Project. In May 2013, SDHC and RHCP amended the original agreements and entered into a new regulatory and loan agreement under which the previous loan was refinanced and the new permanent loan was extended for a period of 55 years.

Note 2 - Significant accounting policies

Basic financial statements

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

Measurement focus, basis of accounting and financial statement presentation

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

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

Cash and cash equivalents

The Project cash and cash equivalents are maintained within the general operating bank account of SDHC. The ending balance of the operating account is allocated between several projects of SDHC based upon each project's relative cash activities. The reconciled balance of SDHC general cash account is \$27,669,903 and \$13,450,126 of which \$380,012 and \$120,073 belongs to the Project as of June 30, 2020 and 2019, respectively.

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

**Notes to Financial Statements
June 30, 2020 and 2019**

Restricted deposits and funded reserves

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

In accordance with California state statute and U.S. Department of Housing and Urban Development ("HUD") regulations, SDHC has authorized the Chief Financial Officer or designee to invest in obligations of the U.S. Treasury, U.S. Government agencies or other investments as outlined in SDHC's Investment Policy. An Investment Committee, consisting of two Commission 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.

Resident 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 \$877 and \$36 as of June 30, 2020 and 2019, respectively.

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

**Notes to Financial Statements
June 30, 2020 and 2019**

Capital assets

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

Building and improvements	15 - 40 years
---------------------------	---------------

Impairment of capital assets

SDHC reviews the capital assets of the Project for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. There has been no impairment of the capital assets as of June 30, 2020 and 2019.

Rental income

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

HUD public housing operating subsidy

Effective with the fiscal year ended June 30, 2015, the Project converted to public housing and receives an operating subsidy from HUD. The Project received \$155,595 and \$124,509 of operating subsidy income which is included in the statements of revenue, expenses and changes in net position for the years ended June 30, 2020 and 2019, respectively. Due to the receipt of the HUD operating subsidy, the Project no longer receives annuity income from RHCP.

Net position

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

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

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

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

Use of estimates

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

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

**Notes to Financial Statements
June 30, 2020 and 2019**

Note 3 - Restricted deposits and funded reserves

As of June 30, 2020 and 2019, the restricted deposits and reserves consist of the following:

Tenant security deposits

The Project collects security deposits from tenants at the inception of the tenant lease. These deposits, which are reported in the basic financial statements as restricted cash, are refundable to the tenants to the extent there are no unpaid rents or damages to the housing unit. Tenant security deposits held amounted to \$41,462 and \$42,024 as of June 30, 2020 and 2019, respectively.

Replacement reserve

The Project established and will continue to fund a replacement reserve account for the term of the regulatory agreement. The replacement reserve was funded in the initial amount of \$78,000 to provide for future major additions, repairs or replacements. The Project shall make annual deposits of \$46,800 per year. The replacement reserve balance is \$639,935 and \$584,584 as of June 30, 2020 and 2019, respectively. During the years ended June 30, 2020 and 2019, the replacement reserve activity was as follows:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 584,584	\$ 535,258
Deposits (\$600 x 78 units)	46,800	46,800
Project cash flow	5,790	-
Interest earned	<u>2,761</u>	<u>2,526</u>
Ending balance	<u><u>\$ 639,935</u></u>	<u><u>\$ 584,584</u></u>

Operating reserve

The Project established and will continue to fund an operating reserve account pursuant to the regulatory agreement. The operating reserve was funded by previous project cash flow and RHCP annuity payments. The operating reserve balance is \$220,356 and \$219,406 as of June 30, 2020 and 2019, respectively.

Other investments

The Project has other investments with a balance of \$221,727 and \$434,304 as of June 30, 2020 and 2019, respectively.

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

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

**Notes to Financial Statements
June 30, 2020 and 2019**

Note 4 - Mortgage payable

Mortgage payable to RHCP associated with the acquisition of the Project is in the amount of \$3,150,000. Repayment of the interest and any outstanding principal balance is due in its entirety on the maturity date of May 10, 2068. The note bears interest at 3.00% and is payable in the annual amount of 0.42% of the outstanding principal balance (\$13,230 per year). Interest expense was \$93,450 and \$94,500 for the years ended June 30, 2020 and 2019, respectively. Outstanding principal and accrued interest is \$3,150,000 and \$578,823, respectively, as of June 30, 2020 and \$3,150,000 and \$498,603, respectively, as of June 30, 2019.

Note 5 - Management fee and sponsor overhead

The Project incurs management fees and overhead costs from SDHC for central office services which includes but is not limited to clerical and management overhead expenses, such as salaries and benefits, office supplies and equipment, data processing or computer services, postage, training and telephone services. This does not include the salary of the project manager whether onsite or offsite. SDHC allocated to the Project management fees and overhead expenses in the amount of \$73,008 and \$65,097 for the years ended June 30, 2020 and 2019, respectively.

Note 6 - Concentration of credit risk

The Project maintains its cash and cash equivalents with various financial institutions. At times, these balances may exceed the federal insurance limits; however, the Project has not experienced any losses with respect to its bank balances in excess of government provided insurance. The Project Owner believes that no significant concentration of credit risks exists with respect to these cash balances at June 30, 2020.

Note 7 - Current vulnerability due to certain concentrations

The Project's principal assets consist of 78 units within various apartment projects. The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations of governmental agencies, including, but not limited to 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 - Contingency

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to the Project's financial position, results of operations, and cash flows. The Project Owner is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Project's operations continue for an extended period of time the Project Owner may have to seek alternative measures to finance its operations.

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

**Notes to Financial Statements
June 30, 2020 and 2019**

Note 9 - 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 23, 2020, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information
Supporting Data Required by RHCP

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

**Supplementary Information
Years Ended June 30, 2020 and 2019**

Schedules of Operating Revenue

<u>Account No.</u>	<u>2020</u>	<u>2019</u>
Rental revenue		
5120 Rent revenue - gross potential	\$ 439,465	\$ 461,896
5121 Tenant assistance payments	155,595	124,509
	<hr/>	<hr/>
5100T Total rental revenue	595,060	586,405
	<hr/>	<hr/>
5152N Net rental revenue	595,060	586,405
	<hr/>	<hr/>
Financial revenue		
5410 Financial revenue - project operations	33,396	36,223
5440 Revenue from investments - replacement reserve	2,761	2,526
5490 Revenue from investments - miscellaneous	951	943
	<hr/>	<hr/>
5400T Total financial revenue	37,108	39,692
	<hr/>	<hr/>
Other revenue		
5910 Laundry and vending	6,815	6,434
5920 Tenant charges	2,200	4,500
	<hr/>	<hr/>
5900T Total other revenue	9,015	10,934
	<hr/>	<hr/>
5000T Total revenue	641,183	637,031
	<hr/>	<hr/>

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

**Supplementary Information
Years Ended June 30, 2020 and 2019**

Schedules of Operating Expenses

Account No.	2020	2019
Administrative expenses		
6250 Other renting expenses	2,779	3,543
6310 Office salaries	44,178	27,836
6311 Office expenses	7,940	8,962
6320 Management fee	73,008	65,097
6331 Administrative rent free unit	11,789	15,228
6340 Legal expense - project	18,736	3,172
6350 Auditing expense	7,100	15,541
6351 Bookkeeping fees/accounting services	8,892	23,407
6370 Bad debts	3,176	16,902
6390 Miscellaneous administrative expenses	1,694	3,247
6263T Total administrative expenses	179,292	182,935
Utilities expense		
6450 Electricity	19,866	16,579
6451 Water	71,824	72,304
6452 Gas	14,039	9,300
6453 Sewer	43,717	73,542
6400T Total utilities expense	149,446	171,725
Operating and maintenance expenses		
6510 Payroll	56,490	38,493
6515 Supplies	25,152	17,495
6520 Contracts	113,056	94,764
6525 Garbage and trash removal	16,183	15,851
6530 Security payroll/contract	35,324	31,432
6570 Vehicle and maintenance equipment operation and repairs	4,453	956
6590 Miscellaneous operating and maintenance expenses	300	-
6500T Total operating and maintenance expenses	250,958	198,991

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

**Supplementary Information
Years Ended June 30, 2020 and 2019**

<u>Account No.</u>	<u>2020</u>	<u>2019</u>
Taxes and insurance		
6720 Property and liability insurance	12,111	13,874
6722 Workmen's compensation	6,810	4,131
6723 Health insurance and other employee benefits	39,506	23,941
6700T Total taxes and insurance	58,427	41,946
Financial expenses		
6820 Interest on first mortgage payable	93,450	94,500
6800T Total financial expenses	93,450	94,500
6000T Total cost of operations before depreciation	731,573	690,097
5060T Income (loss) before depreciation	(90,390)	(53,066)
Depreciation		
6600 Depreciation expense	333,219	331,378
Total depreciation	333,219	331,378
5060N Operating income (loss)	(423,609)	(384,444)
Total expenses	1,064,792	1,021,475
3250 Change in net assets	\$ (423,609)	\$ (384,444)

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

**Supplementary Information
Years Ended June 30, 2020 and 2019**

Detail of Accounts - Schedules of Activities

	<u>2020</u>	<u>2019</u>
Miscellaneous Administrative Expenses (Account No. 6390)		
Professional consultants	\$ 41	\$ 1,693
Bus or trolley reimbursements	-	2
Business expense	17	48
Mileage reimbursement	652	648
Parking fees and permits	475	158
Gym membership	109	148
Training - computer	-	4
Training - local	264	546
Employee bilingual testing	10	-
Education and training classes	126	-
	<u>\$ 1,694</u>	<u>\$ 3,247</u>

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

Supplementary Information
Year Ended June 30, 2020

Cash on Hand and in Banks

Unrestricted cash operating accounts	
Operating account	\$ 380,012
	<u>\$ 380,012</u>
Restricted cash accounts	
Tenant security deposits	\$ 41,462
Replacement reserve	639,935
Operating reserve	220,356
Investments	221,727
	<u>\$ 1,123,480</u>

Mortgage Impound Accounts

None.

Reserves for Replacement and Operating Expenses

	Replacement reserve	Operating reserve
Balance as of June 30, 2019	\$ 584,584	\$ 219,406
Deposits (\$600 x 78 units)	46,800	-
Project cash flow	5,790	-
Interest earned	2,761	950
	<u>\$ 639,935</u>	<u>\$ 220,356</u>
Balance as of June 30, 2020	<u>\$ 639,935</u>	<u>\$ 220,356</u>

Property, Equipment and Improvements

Following are the details of property, equipment and improvements:

	Property, equipment and improvements			
	Balance 6/30/19	Additions	Deletions	Balance 6/30/20
Land	\$ 1,087,727	\$ -	\$ -	\$ 1,087,727
Buildings	6,255,040	-	-	6,255,040
	<u>\$ 7,342,767</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,342,767</u>

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

**Supplementary Information
Year Ended June 30, 2020**

Accounts Payable and Accrued Expenses

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

Current	\$ 37,022
Total	<u>\$ 37,022</u>

Gross Potential Rents

Gross potential rents includes the following:

Tenant rental payments	\$ 424,500
Tenant assistance payments	155,595
Rent free units	11,789
Bad debt	<u>3,176</u>
Total gross potential rents	<u>\$ 595,060</u>

Management Fee

The management fee and sponsor overhead authorized by RHCP totals \$73,008 and \$65,097 for the years ended June 30, 2020 and 2019, respectively.

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

**Supplementary Information
Year Ended June 30, 2020**

Operating Cash Flow/Surplus Cash Computation

Operating income	
Total income	\$ 641,183
Interest earned on restricted reserve accounts	(3,712)
	<u>637,471</u>
Adjusted operating income	637,471
Operating expenses	<u>(638,123)</u>
Adjusted net income	(652)
Operating cash flow/surplus cash	<u>(652)</u>
Total cash available for distributions (net cash flow)	<u>\$ -</u>

Reconciliation to RHCP Form 181

Total operating revenue	\$ 604,075
Interest income	37,108
Less interest on reserves	(3,712)
	<u>1</u>
Effective gross rent per RHCP Form 181	<u>\$ 637,472</u>

Reconciliation to RHCP Form 180

Total operating expenses	\$ 971,342
Less depreciation	<u>(333,219)</u>
Total operating costs per RHCP Form 180	<u>\$ 638,123</u>

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

Supplementary Information
Year Ended June 30, 2020

Rental Housing Construction Program -- Original

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

Contract No: 80-RHC-026

Reporting Period: 7/1/19 to 6/30/20

Project Name: Otay Villas

Prepared by:

Date Prepared:

Rev 9/28/16

ACCOUNT NAME		UNIT EXPENSES					
	ACCOUNT CODES	Approved Assisted (A)	Actual Assisted	Approved Non-Assisted	Actual Non-Assisted	Proposed Commercial	Actual Commercial
MANAGEMENT FEE: 6200/6300							
1 Management Fee or Sponsor Overhead	6320	17,192	18,720	49,858	54,288	0	0
ADMINISTRATIVE EXPENSES: 6200/6300							
2 Advertising	6210	459	0	1,332	0	0	0
3 Apartment Resale Expense (Cooperatives)	6235	0	0	0	0	0	0
4 Other Renting Expenses	6250	61	713	178	2,067	0	0
5 Office Salaries	6310	3,462	11,328	10,038	32,850	0	0
6 Office Supplies	6311	1,811	2,036	5,250	5,903	0	0
7 Office or Model Apartment Rent	6312	0	0	0	0	0	0
8 Manager and Superintendent Salaries	6330	8,974	0	26,026	0	0	0
9 Manager's or Superintendent's Rent Free Unit	6331	3,905	3,023	11,323	8,766	0	0
10 Legal Expense - Project	6340	1,026	4,804	2,974	13,932	0	0
11 Audit Expense - Project	6350	1,795	1,821	5,205	5,279	0	0
12 Bookkeeping Fees/Accounting Services	6351	7,692	2,280	22,308	6,612	0	0
13 Telephone and Answering Service Expenses	6360	1,667	0	4,833	0	0	0
14 Bad Debt Expense	6370	0	0	0	3,176	0	0
15 Miscellaneous Administrative Expenses (specify)	6390	295	434	855	1,259	0	0
16 TOTAL ADMINISTRATIVE EXPENSES	6200/6300T	31,146	26,437	90,323	79,845	0	0
UTILITIES EXPENSES: 6400							
17 Fuel Oil/Coal	6420	0	0	0	0	0	0
18 Electricity	6450	5,014	5,094	14,539	14,773	0	0
19 Water	6451	13,787	18,416	39,983	53,408	0	0
20 Gas	6452	3,445	3,600	9,989	10,439	0	0
21 Sewer	6453	16,004	11,210	46,410	32,508	0	0
22 TOTAL UTILITIES EXPENSES	6400T	38,249	38,320	110,922	111,127	0	0
OPERATING AND MAINTENANCE EXPENSES: 6500							
23 Janitor and Cleaning Payroll	6510	0	14,485	0	42,006	0	0
24 Janitor and Cleaning Supplies	6515	209	6,449	605	18,703	0	0
25 Janitor and Cleaning Contracts	6517	1,861	0	5,395	0	0	0
26 Exterminating Payroll/Contract	6519	407	0	1,179	0	0	0
27 Exterminating Supplies	6520	0	33,215	0	96,324	0	0
28 Garbage and Trash Removal	6525	4,297	0	12,462	0	0	0
29 Security Payroll/Contract	6530	5,816	9,057	16,868	26,266	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	7,114	0	20,630	0	0	0
33 Repairs Payroll	6540	11,588	0	33,606	0	0	0
34 Repairs Material	6541	2,959	0	8,580	0	0	0
35 Repairs Contract	6542	4,989	0	14,468	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	456	1,142	1,324	3,311	0	0
43 Misc. Operating and Maintenance Expenses (specify)	6590	0	0	0	0	0	0
44 TOTAL OPERATING & MAINTENANCE EXPENSES	6500T	39,696	64,349	115,117	186,611	0	0
TAXES AND INSURANCE: 6700							
45 Real Estate Taxes	6710	0	0	0	0	0	0
46 Payroll Taxes (Project's Share)	6711	0	0	0	0	0	0
47 Misc. Taxes, Licenses and Permits	6719	0	0	0	0	0	0
48 Property and Liability Insurance (Hazard)	6720	3,119	3,106	9,046	9,006	0	0
49 Fidelity Bond Insurance	6721	0	0	0	0	0	0
50 Worker's Compensation	6722	1,141	1,746	3,310	5,064	0	0
51 Health Insurance and Other Employee Benefits	6723	5,778	10,129	16,755	29,375	0	0
52 Other Insurance	6729	0	0	0	0	0	0
53 TOTAL TAXES AND INSURANCE	6700T	10,038	14,981	29,111	43,445	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		136,321	162,807	395,331	475,316	0	0
For each account below, itemize the expenses (total will flow to account above)							Amount
Account 6390 Miscellaneous Administrative Expenses							
62							
63							
64							
65							
66							
Total Account 6390 Miscellaneous Administrative Expenses							\$0
Account 6590 Miscellaneous Operations & Maintenance Expenses							
67							
68							
69							
70							
71							
Total Account 6590 Miscellaneous Operations & Maintenance Expenses							\$0
Account 6729 Other Insurance							
72							
73							
Total Account 6729 Other Insurance							\$0

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

Supplementary Information
Year Ended June 30, 2020

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

Contract No: 80-RHC-026
 Project Name: Otay Villas
 Prepared by: _____
 Date Prepared: _____

Reporting Period: 7/1/19 to 6/30/20

Units/Sq. Ft. - Assisted: 20
 Units/Sq. Ft. - Total: 78

Rev 9/28/16

Unit Months: 936

ACCOUNT NAME			ASSISTED UNITS		NON-ASSISTED UNITS		COMMERCIAL		TOTAL PROJECT		PROJECT VARIANCE
	Account Codes	Approved Cashflow (A)	Actual Cashflow (B)	Approved Cashflow (C)	Actual Cashflow (D)	Proposed Cashflow (E)	Actual Cashflow (F)	Approved Cashflow (G)	Actual Cashflow (H)	Cashflow Variance (I)	
REVENUE ACCOUNTS/RENT REVENUE: 5100											
1	Rent Revenue	5120	123,288	113,241	364,284	328,399	0	0	487,572	441,640	(45,932)
2	Tenant Assistance Payments	5121	33,413	39,896	96,897	115,699	0	0	130,310	155,595	25,285
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	156,701	153,137	461,181	444,098	0	0	617,882	597,235	(20,647)
VACANCIES: 5200											
Vacancy Percentage:											
11	Apartments -	5220	0	0	0	0	0	0			
12	Stores and Commercial	5240									
13	Rental Concessions	5250									
14	Garage and Parking Spaces	5270									
15	Miscellaneous	5290									
Total Vacancies (HCD Use Only)		5200T	3,699	0	10,929	0	0	0	14,627	0	0
ASSISTED LIVING/BOARD & CARE REVENUES: 5300											
17	Food	5332	0	0	0	0	0	0	0	0	0
18	Recreation (Activities) and Rehabilitation	5380	0	0	0	0	0	0	0	0	0
19	Rehabilitation	5385	0	0	0	0	0	0	0	0	0
20	Other Service Revenue	5390	0	0	0	0	0	0	0	0	0
Total Living Revenue		6300T	0	0	0	0	0	0	0	0	0
FINANCIAL REVENUE: 5400											
21	Financial Revenue - Project Operations	5410	3,077	8,563	8,923	24,833	0	0	12,000	33,396	21,396
Total Financial Revenue		5400T	3,077	8,563	8,923	24,833	0	0	12,000	33,396	21,396
OTHER REVENUE: 5900											
22	Laundry and Vending Revenue	5910	2,051	1,747	5,949	5,068	0	0	8,000	6,815	(1,185)
23	NSF and Late Charges	5920	1,025	6	2,975	19	0	0	4,000	25	(3,975)
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	3,076	1,754	8,924	5,086	0	0	12,000	6,840	(5,160)
27	EFFECTIVE GROSS RENT (EGR)	5152T	159,155	163,454	468,099	474,017	0	0	627,255	637,472	10,217
28	TOTAL OPERATING EXPENSES	6000T	140,411	162,807	407,191	475,316	0	0	547,602	638,123	(90,521)
29	NET OPERATING INCOME (NOI)	5000T	18,745	648	60,909	(1,299)	0	0	79,653	(651)	(80,304)
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	13,230	13,230	0	0	13,230	13,230	0
32	Lease Payment	6890	0	0	0	0	0	0	0	0	0
33	Miscellaneous Financial Expenses	6890	0	0	0	0	0	0	0	0	0
Total Financial Expenses		6800T	0	0	13,230	13,230	0	0	13,230	13,230	0
FUNDED RESERVES:											
34	Escrow Deposits	1300									
35	Replacement Reserve-Deposit	1310	0	0	0	0	0	0	0	0	0
36	Operating Reserve-Deposit	1320	12,000	12,000	34,800	34,800	0	0	46,800	46,800	0
37	Other Reserves (specify)	1300	0	0	0	0	0	0	0	0	0
	#1	1330	0	0	0	0	0	0	0	0	0
	#2	1330	0	0	0	0	0	0	0	0	0
	#3	1330	0	0	0	0	0	0	0	0	0
Total Reserve Deposits			12,000	12,000	34,800	34,800	0	0	46,800	46,800	0
38	PROJECT CASH FLOW (CF)		6,745	(11,353)	12,879	(49,329)	0	0	19,623	(60,681)	(80,304)
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/Prtshp Costs (MHP/HOME under UMR)		0	0	0	0	0	0	0	0	0
46	Borrower Distributions		0	0	0	0	0	0	0	0	0
47	Residual Receipt Loan Payments		0	0	0	0	0	0	0	0	0
48	Other (specify)		0	0	0	0	0	0	0	0	0
Total Use of Cash Flow			0	0	0	0	0	0	0	0	0

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

To the Board of Commissioners
San Diego Housing Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of San Diego Housing Commission's ("SDHC's") Otay Villas Housing Development Project No. 12-HLCP-0003 (the "Project"), which comprise the statement of net position as of June 30, 2020, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2020 which included an emphasis of matter paragraph as indicated on page 5.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Project's internal control over financial reporting ("internal control") as a basis for designing the 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 the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Sacramento, California
September 23, 2020



Independent Member of Nexia International

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

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

June 30, 2020 and 2019

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

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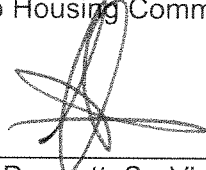
**Adaptable Housing Development
Project No. 12-HLCP-0004
A Project of San Diego Housing Commission**

June 30, 2020

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, 2020 and, to the best of my knowledge and belief, these financial statements and supplementary information are complete and accurate.

San Diego Housing Commission

A handwritten signature in black ink, appearing to be 'Tracey McDermott', written over a horizontal line.

Tracey McDermott, Sr. Vice President and
Chief Financial Officer

Employer Identification Number: 95-3390896

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

June 30, 2020

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, 2020, to the best of my knowledge and belief, the same is complete and accurate.

A handwritten signature in black ink, appearing to be 'Tracey McDermott', written over a horizontal line.

San Diego Housing Commission
Tracey McDermott, Sr. Vice President and
Chief Financial Officer

Independent Auditor's Report

To the Board of Commissioners
San Diego Housing Commission

Report on the Financial Statements

We have audited the accompanying 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, 2020 and 2019, and the related statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Diego Housing Commission's Adaptable Housing Development Project No. 12-HLCP-0004 as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2, the financial statements referred to above present only the financial position and changes in financial position of the Project and do not purport to, and do not, present fairly, the financial position of SDHC as of June 30, 2020 and 2019 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Other Matters**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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 18 to 25 as required by the California Department of Housing and Community Development is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020 on our consideration of SDHC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SDHC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SDHC's internal control over financial reporting and compliance.



Sacramento, California
September 23, 2020

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

**Statements of Net Position
June 30, 2020 and 2019**

	<u>Assets</u>	
	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 138,126	\$ 53,428
Tenants' accounts receivable, net	2,164	1,989
Accounts receivable - grants	2,731	-
Accounts receivable - other	1,016	1,546
	<u>144,037</u>	<u>56,963</u>
Total current assets		
Other assets		
Restricted deposits and funded reserves	<u>401,182</u>	<u>501,355</u>
	<u>401,182</u>	<u>501,355</u>
Total other assets		
Capital assets		
Buildings and improvements	6,802,810	6,802,810
Accumulated depreciation	<u>(2,054,638)</u>	<u>(1,638,410)</u>
	4,748,172	5,164,400
Land	<u>484,372</u>	<u>484,372</u>
	<u>5,232,544</u>	<u>5,648,772</u>
Total capital assets		
Total assets	<u>\$ 5,777,763</u>	<u>\$ 6,207,090</u>

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

**Statements of Net Position
June 30, 2020 and 2019**

Liabilities and Net Position

	<u>2020</u>	<u>2019</u>
Current liabilities		
Accounts payable - operations	\$ 16,473	\$ 45,291
Accounts payable - subsidy	-	1,861
Accrued expenses	3,891	2,139
Accrued interest payable - first mortgage, current	5,900	5,900
Prepaid rent	2,957	2,602
	<u>29,221</u>	<u>57,793</u>
Total current liabilities		
Deposits and prepaid liability		
Tenants' security deposits liability	15,849	14,949
	<u>15,849</u>	<u>14,949</u>
Total deposits and prepaid liability		
Long-term liabilities		
Mortgage payable - first mortgage	1,404,849	1,404,849
Accrued interest payable - first mortgage, net of current portion	207,571	216,428
	<u>1,612,420</u>	<u>1,621,277</u>
Total long-term liabilities		
Total liabilities	<u>1,657,490</u>	<u>1,694,019</u>
Contingency	-	-
Net Position		
Net investment in capital assets	3,827,695	4,243,923
Restricted for operating and replacement reserves	292,577	270,314
Unrestricted	1	(1,166)
	<u>4,120,273</u>	<u>4,513,071</u>
Total net position		
Total liabilities and net position	<u>\$ 5,777,763</u>	<u>\$ 6,207,090</u>

See Notes to Financial Statements.

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

**Statements of Revenue, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Operating revenue		
Rental income	\$ 191,513	\$ 184,598
Subsidy income	75,272	84,096
Other operating income	<u>7,162</u>	<u>6,797</u>
Total operating revenue	<u>273,947</u>	<u>275,491</u>
Operating expenses		
Administrative	107,797	95,908
Utilities	51,912	40,266
Operating and maintenance	97,307	69,139
Taxes and insurance	24,255	19,033
Depreciation	<u>416,228</u>	<u>415,876</u>
Total operating expenses	<u>697,499</u>	<u>640,222</u>
Net operating loss	<u>(423,552)</u>	<u>(364,731)</u>
Nonoperating revenue (expense)		
Financial revenue - investments	13,826	15,277
Interest expense - first mortgage	<u>(41,721)</u>	<u>(42,135)</u>
Total nonoperating revenue (expense)	<u>(27,895)</u>	<u>(26,858)</u>
Change in net position before capital transactions	(451,447)	(391,589)
Contributions	<u>58,649</u>	<u>124,415</u>
Change in net position	(392,798)	(267,174)
Net position		
Beginning of year	<u>4,513,071</u>	<u>4,780,245</u>
End of year	<u><u>\$ 4,120,273</u></u>	<u><u>\$ 4,513,071</u></u>

See Notes to Financial Statements.

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

**Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	2020	2019
Cash flows from operating activities		
Cash received from tenants and operations	\$ 275,216	\$ 347,316
Less cash payments for operations and administration		
Administrative expenses paid	(55,407)	(34,753)
Management fee and sponsor overhead paid	(32,760)	(33,163)
Utilities paid	(50,638)	(41,733)
Salaries and wages paid	(41,228)	(32,132)
Operating and maintenance paid	(107,869)	(34,948)
Real estate taxes paid	-	(34)
Property insurance paid	(3,942)	(4,405)
Net tenant security deposits received (paid)	900	(200)
Other operating expenses paid	(22,174)	(12,733)
	<u>(313,118)</u>	<u>(194,101)</u>
Net cash (used in) provided by operating activities	<u>(37,902)</u>	<u>153,215</u>
Cash flows from capital and related financing activities		
Contributions from owner	58,649	124,415
Acquisition and construction of capital assets	-	(63,498)
Interest paid	(50,578)	(5,900)
	<u>8,071</u>	<u>55,017</u>
Net cash provided by capital and related financing activities		
Cash flows from investing activities		
Net deposits to replacement reserve	(21,923)	(56,829)
Net deposits to operating reserve	(340)	(336)
Interest on investments	14,356	14,199
Net sales (purchases) of investments	122,436	(177,363)
	<u>114,529</u>	<u>(220,329)</u>
Net cash provided by (used in) investing activities		
Net increase (decrease) in cash and cash equivalents	84,698	(12,097)
Cash and cash equivalents, beginning	<u>53,428</u>	<u>65,525</u>
Cash and cash equivalents, end	<u><u>\$ 138,126</u></u>	<u><u>\$ 53,428</u></u>

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

**Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Reconciliation of net operating loss to net cash (used in) provided by operating activities		
Net operating loss	\$ (423,552)	\$ (364,731)
Adjustments to reconcile net operating loss to net cash (used in) provided by operating activities		
Depreciation	416,228	415,876
Bad debt	(1,089)	4,226
Changes in:		
Tenants' accounts receivable	914	(2,490)
Accounts receivable - grants	(2,731)	73,433
Prepaid revenue	355	882
Accounts payable - operations	(28,818)	24,100
Accrued expenses	(109)	2,119
Tenants' security deposits liability	900	(200)
Net cash (used in) provided by operating activities	<u>\$ (37,902)</u>	<u>\$ 153,215</u>

See Notes to Financial Statements.

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

**Notes to Financial Statements
June 30, 2020 and 2019**

Note 1 - The financial reporting entity

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

Note 2 - Significant accounting policies

Basic financial statements

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

Measurement focus, basis of accounting and financial statement presentation

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

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

Cash and cash equivalents

The Project cash and cash equivalents are maintained within the general operating bank account of SDHC. The ending balance of the operating account is allocated between several projects of SDHC based upon each project's relative cash activities. As of June 30, 2020 and 2019, the reconciled balance of SDHC general cash account is \$27,669,903 and \$13,450,126, respectively, of which \$138,126 and \$53,428 belong to the Project as of June 30, 2020 and 2019, respectively.

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

**Notes to Financial Statements
June 30, 2020 and 2019**

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 Commission 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.

Resident 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 \$309 and \$3,330 as of June 30, 2020 and 2019, respectively.

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

**Notes to Financial Statements
June 30, 2020 and 2019**

Capital assets

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

Building and improvements	12 - 40 years
---------------------------	---------------

Impairment of capital assets

SDHC reviews the capital assets of the Project for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. There has been no impairment of the capital assets during the years ended June 30, 2020 and 2019.

Rental income

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

HUD public housing operating subsidy

The Project converted to Public Housing and receives an operating subsidy from HUD. The Project recognized \$75,272 and \$84,096 of operating subsidy income during the years ended June 30, 2020 and 2019, respectively, of which \$2,731 and \$0 is receivable as of June 30, 2020 and 2019, respectively.

Net position

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

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

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

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

Use of estimates

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

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

**Notes to Financial Statements
June 30, 2020 and 2019**

Note 3 - Restricted deposits and funded reserves

As of June 30, 2020 and 2019, 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 \$15,849 and \$14,949 as of June 30, 2020 and 2019, 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 \$213,775 and \$191,852 as of June 30, 2020 and 2019, respectively. During the years ended June 30, 2020 and 2019, the replacement reserve activity was as follows:

	2020	2019
Beginning balance	\$ 191,852	\$ 135,023
Deposits (\$600 x 35 units)	21,000	21,000
Initial capitalized deposit	-	35,000
Interest earned	923	829
Ending balance	<u>\$ 213,775</u>	<u>\$ 191,852</u>

Operating reserve

The Project established and will continue to fund an operating reserve account pursuant the regulatory agreement. The operating reserve was funded by previous project cash flow and RHCP annuity payments. The operating reserve balance is \$78,802 and \$78,462 as of June 30, 2020 and 2019, respectively.

Other investments

The Project has other investments with a balance of \$92,756 and \$216,092 as of June 30, 2020 and 2019, respectively.

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

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

**Notes to Financial Statements
June 30, 2020 and 2019**

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 \$41,721 and \$42,135 for the years ended June 30, 2020 and 2019, respectively. Outstanding principal and accrued interest is \$1,404,849 and \$213,471, respectively, as of June 30, 2020 and \$1,404,849 and \$222,328, respectively, as of June 30, 2019.

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 \$33,163 for the years ended of June 30, 2020 and 2019, respectively.

Note 6 - Concentration of credit risk

The Project maintains its cash and cash equivalents with various financial institutions. At times, these balances may exceed the federal insurance limits; however, the Project has not experienced any losses with respect to its bank balances in excess of government provided insurance. The Project Owner believes that no significant concentration of credit risks exists with respect to these cash balances at June 30, 2020.

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 - Contingency

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to the Company's financial position, results of operations, and cash flows. The Company is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Company's operations continue for an extended period of time the Company may have to seek alternative measures to finance its operations.

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

**Notes to Financial Statements
June 30, 2020 and 2019**

Note 9 - 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 23, 2020, the date the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information
Supporting Data Required by RHCP

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

**Supplementary Information
Years Ended June 30, 2020 and 2019**

Schedules of Operating Revenue

<u>Account No.</u>	<u>2020</u>	<u>2019</u>
Rental revenue		
5120 Rent revenue - gross potential	\$ 191,513	\$ 184,598
5121 Tenant assistance payments	75,272	84,096
	<u>266,785</u>	<u>268,694</u>
5100T Total rental revenue	<u>266,785</u>	<u>268,694</u>
5152N Net rental revenue	266,785	268,694
Financial revenue		
5410 Financial revenue - project operations	12,563	14,112
5440 Revenue from investments - replacement reserve	923	829
5490 Revenue from investments - miscellaneous	340	336
	<u>13,826</u>	<u>15,277</u>
5400T Total financial revenue	<u>13,826</u>	<u>15,277</u>
Other revenue		
5910 Laundry and vending	5,988	6,073
5920 Tenant charges	1,070	25
5990 Miscellaneous revenue	104	699
	<u>7,162</u>	<u>6,797</u>
5900T Total other revenue	<u>7,162</u>	<u>6,797</u>
5000T Total revenue	<u><u>287,773</u></u>	<u><u>290,768</u></u>

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

**Supplementary Information
Years Ended June 30, 2020 and 2019**

Schedules of Operating Expenses

<u>Account No.</u>	<u>2020</u>	<u>2019</u>
Administrative expenses		
6250 Other renting expenses	3,610	776
6310 Office salaries	23,899	23,695
6311 Office expenses	2,233	2,281
6320 Management fee	32,760	33,163
6340 Legal expense - project	33,971	882
6350 Auditing expense	7,100	19,606
6351 Bookkeeping fees/accounting services	3,990	10,310
6370 Bad debts	(1,089)	4,226
6390 Miscellaneous administrative expenses	1,323	969
6263T Total administrative expenses	107,797	95,908
Utilities expense		
6450 Electricity	2,909	2,778
6451 Water	17,778	14,333
6452 Gas	18,051	12,177
6453 Sewer	13,174	10,978
6400T Total utilities expense	51,912	40,266
Operating and maintenance expenses		
6510 Payroll	19,077	8,695
6515 Supplies	1,305	8,935
6520 Contracts	76,214	51,118
6530 Security payroll/contract	4	-
6570 Vehicle and maintenance equipment operation and repairs	707	391
6500T Total operating and maintenance expenses	97,307	69,139

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

**Supplementary Information
Years Ended June 30, 2020 and 2019**

Account No.	<u>2020</u>	<u>2019</u>
Taxes and insurance		
6710 Real estate taxes	-	34
6720 Property and liability insurance	3,942	4,405
6722 Workmen's compensation	2,262	1,304
6723 Health insurance and other employee benefits	<u>18,051</u>	<u>13,290</u>
6700T Total taxes and insurance	24,255	19,033
Financial expenses		
6820 Interest on first mortgage payable	<u>41,721</u>	<u>42,135</u>
6800T Total financial expenses	<u>41,721</u>	<u>42,135</u>
6000T Total cost of operations before depreciation	<u>322,992</u>	<u>266,481</u>
5060T Income (loss) before depreciation	<u>(35,219)</u>	<u>24,287</u>
Depreciation		
6600 Depreciation expense	<u>416,228</u>	<u>415,876</u>
Total depreciation	<u>416,228</u>	<u>415,876</u>
5060N Operating income (loss)	<u>(451,447)</u>	<u>(391,589)</u>
Total expenses	<u>739,220</u>	<u>682,357</u>
3250 Change in net position	<u>\$ (451,447)</u>	<u>\$ (391,589)</u>

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

**Supplementary Information
Year Ended June 30, 2020**

Cash on Hand and in Banks

Unrestricted cash operating accounts	
Operating account	\$ 138,126
	<u>\$ 138,126</u>
Restricted cash accounts	
Tenant security deposits	\$ 15,849
Replacement reserve	213,775
Operating reserve	78,802
Investments	92,756
	<u>\$ 401,182</u>

Mortgage Impound Accounts

None.

Reserves for Replacements and Operating Expenses

	Reserve for replacements	Operating expense reserve
Balance, June 30, 2019	\$ 191,852	\$ 78,462
Deposits (\$600 x 35 months)	21,000	-
Interest earned	923	340
	<u>\$ 213,775</u>	<u>\$ 78,802</u>
Balance, June 30, 2020	<u>\$ 213,775</u>	<u>\$ 78,802</u>

Property, Equipment and Improvements

Following are the details of property, equipment and improvements:

	Property, equipment and improvements			
	Balance 6/30/19	Additions	Deletions	Balance 6/30/20
Land	\$ 484,372	\$ -	\$ -	\$ 484,372
Buildings	6,802,810	-	-	6,802,810
	<u>\$ 7,287,182</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,287,182</u>

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

**Supplementary Information
Year Ended June 30, 2020**

Accounts Payable and Accrued Expenses

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

Current	\$ 16,473
Total	<u>\$ 16,473</u>

Gross Potential Rents

Gross potential rents includes the following:

Tenant rental payments	\$ 191,513
Tenant assistance payments	<u>75,272</u>
Total gross potential rents	<u>\$ 266,785</u>

Management Fee

The management fee and sponsor overhead authorized by RHCP totals \$32,760 for the year ended June 30, 2020.

Operating Cash Flow/Surplus Cash Computation

Operating income	
Total income	\$ 287,773
Interest earned on restricted reserve accounts	<u>(1,263)</u>
Adjusted operating income	286,510
Operating expenses	<u>(281,271)</u>
Adjusted net income	5,239
Other activity	
Mandatory debt service	
RHCP	(5,900)
Deposits into replacement reserve account	<u>(21,000)</u>
Total other activity	<u>(26,900)</u>
Operating cash flow/surplus cash	<u>(21,661)</u>
Total cash available for distributions (net cash flow)	<u>\$ -</u>

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

**Supplementary Information
Year Ended June 30, 2020**

Reconciliation to RHCP Form 181

Total operating revenue	\$ 273,947
Interest income	13,826
Less interest on reserves	(1,263)
Other difference	(1)
	<hr/>
Effective gross rent per RHCP Form 181	<u><u>\$ 286,509</u></u>

Reconciliation to RHCP Form 180

Total operating expenses	\$ 697,499
Less depreciation	(416,228)
Other difference	1
	<hr/>
Total operating costs per RHCP Form 180	<u><u>\$ 281,272</u></u>

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

**Supplementary Information
Year Ended June 30, 2020**

Rental Housing Construction Program -- Original

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

Contract No: 80-RHC-002

Reporting Period: 7/1/19 to 6/30/20

Project Name: Adaptable Housing

Prepared by: _____

Date Prepared: _____

Rev 9/28/16

ACCOUNT NAME		UNIT EXPENSES					
	ACCOUNT CODES	Approved Assisted (A)	Actual Assisted	Approved Non-Assisted	Actual Non-Assisted	Proposed Commercial	Actual Commercial
MANAGEMENT FEE: 6200/6300							
1 Management Fee or Sponsor Overhead	6320	15,918	14,976	18,903	17,784	0	0
ADMINISTRATIVE EXPENSES: 6200/6300							
2 Advertising	6210	137	0	162	0	0	0
3 Apartment Resale Expense (Cooperatives)	6235	0	0	0	0	0	0
4 Other Renting Expenses	6250	54	414	64	492	0	0
5 Office Salaries	6310	2,971	10,925	3,529	12,974	0	0
6 Office Supplies	6311	1,600	1,021	1,900	1,212	0	0
7 Office or Model Apartment Rent	6312	0	1,276	0	1,515	0	0
8 Manager and Superintendent Salaries	6330	11,886	0	14,114	0	0	0
9 Manager's or Superintendent's Rent Free Unit	6331	0	0	0	0	0	0
10 Legal Expense - Project	6340	191	15,530	227	18,442	0	0
11 Audit Expense - Project	6350	3,200	3,246	3,800	3,854	0	0
12 Bookkeeping Fees/Accounting Services	6351	5,486	1,824	6,514	2,166	0	0
13 Telephone and Answering Service Expenses	6360	54	0	64	0	0	0
14 Bad Debt Expense	6370	0	0	0	(1,089)	0	0
15 Miscellaneous Administrative Expenses (specify)	6390	183	565	217	670	0	0
16 TOTAL ADMINISTRATIVE EXPENSES	6200/6300T	25,761	34,801	30,592	40,236	0	0
UTILITIES EXPENSES: 6400							
17 Fuel Oil/Coal	6420	0	0	0	0	0	0
18 Electricity	6450	1,591	1,330	1,889	1,579	0	0
19 Water	6451	6,295	8,127	7,475	9,651	0	0
20 Gas	6452	6,049	8,252	7,184	9,799	0	0
21 Sewer	6453	5,043	6,022	5,988	7,152	0	0
22 TOTAL UTILITIES EXPENSES	6400T	18,978	23,731	22,536	28,180	0	0
OPERATING AND MAINTENANCE EXPENSES: 6500							
23 Janitor and Cleaning Payroll	6510	0	8,721	0	10,356	0	0
24 Janitor and Cleaning Supplies	6515	220	597	262	709	0	0
25 Janitor and Cleaning Contracts	6517	2,976	0	3,534	0	0	0
26 Exterminating Payroll/Contract	6519	782	0	929	0	0	0
27 Exterminating Supplies	6520	0	34,841	0	41,373	0	0
28 Garbage and Trash Removal	6525	4,353	0	5,170	0	0	0
29 Security Payroll/Contract	6530	0	2	0	2	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	5,309	0	6,304	0	0	0
33 Repairs Payroll	6540	4,860	0	5,772	0	0	0
34 Repairs Material	6541	1,280	0	1,519	0	0	0
35 Repairs Contract	6542	10,650	0	12,647	0	0	0
36 Elevator Maintenance/Contract	6545	0	0	0	0	0	0
37 Heating/Cooling Repairs and Maintenance	6546	2,474	0	2,938	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	184	323	219	384	0	0
43 Misc. Operating and Maintenance Expenses (specify)	6590	0	0	0	0	0	0
44 TOTAL OPERATING & MAINTENANCE EXPENSES	6500T	33,089	44,483	39,293	52,824	0	0
TAXES AND INSURANCE: 6700							
45 Real Estate Taxes	6710	0	0	0	0	0	0
46 Payroll Taxes (Project's Share)	6711	0	0	0	0	0	0
47 Misc. Taxes, Licenses and Permits	6719	0	0	0	0	0	0
48 Property and Liability Insurance (Hazard)	6720	2,411	1,802	2,864	2,140	0	0
49 Fidelity Bond Insurance	6721	0	0	0	0	0	0
50 Worker's Compensation	6722	299	1,034	356	1,228	0	0
51 Health Insurance and Other Employee Benefits	6723	2,735	8,252	3,247	9,799	0	0
52 Other Insurance	6729	0	0	0	0	0	0
53 TOTAL TAXES AND INSURANCE	6700T	5,445	11,089	6,467	13,168	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		99,192	129,079	117,790	152,192	0	0

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

**Supplementary Information
Year Ended June 30, 2020**

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

Contract No: 80-RHC-002
Project Name: Adaptable Housing
Prepared by:
Date Prepared:

Reporting Period: 7/1/19 to 6/30/20

Units/Sq. Ft. - Assisted: 16
Units/Sq. Ft. - Total: 35

Rev 9/28/16

Unit Months: 420

ACCOUNT NAME		ASSISTED UNITS		NON-ASSISTED UNITS		COMMERCIAL		TOTAL PROJECT		PROJECT VARIANCE
	Account Codes	Approved Cashflow (A)	Actual Cashflow (B)	Approved Cashflow (C)	Actual Cashflow (D)	Proposed Cashflow (E)	Actual Cashflow (F)	Approved Cashflow (G)	Actual Cashflow (H)	Cashflow Variance (I)
REVENUE ACCOUNTS/RENT REVENUE: 5100										
1 Rent Revenue	5120	89,544	88,027	107,724	104,531	0	0	197,268	192,558	(4,710)
2 Tenant Assistance Payments	5121	29,347	34,410	34,849	40,862	0	0	64,196	75,272	11,076
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	118,891	122,437	142,573	145,393	0	0	261,464	267,830	6,366
VACANCIES: 5200										
Vacancy Percentage:										
11 Apartments -	5220	0	0	0	0	0	0	0	0	0
12 Stores and Commercial	5240	0	0	0	0	0	0	0	0	0
13 Rental Concessions	5250	0	0	0	0	0	0	0	0	0
14 Garage and Parking Spaces	5270	0	0	0	0	0	0	0	0	0
15 Miscellaneous	5290	0	0	0	0	0	0	0	0	0
Total Vacancies (HCD Use Only)	5200T	0	0	0	0	0	0	0	0	0
ASSISTED LIVING/BOARD & CARE REVENUES: 5300										
17 Food	5332	0	0	0	0	0	0	0	0	0
18 Recreation (Activities) and Rehabilitation	5380	0	0	0	0	0	0	0	0	0
19 Rehabilitation	5385	0	0	0	0	0	0	0	0	0
20 Other Service Revenue	5390	0	0	0	0	0	0	0	0	0
Total Living Revenue	6300T	0	0	0	0	0	0	0	0	0
FINANCIAL REVENUE: 5400										
21 Financial Revenue - Project Operations	5410	1,829	5,743	2,171	6,820	0	0	4,000	12,563	8,563
Total Financial Revenue	5400T	1,829	5,743	2,171	6,820	0	0	4,000	12,563	8,563
OTHER REVENUE: 5900										
22 Laundry and Vending Revenue	5910	2,743	2,737	3,257	3,250	0	0	6,000	5,988	(12)
23 NSF and Late Charges	5920	0	11	0	14	0	0	0	25	25
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	48	0	57	0	0	0	104	104
Total Other Revenue	5900T	2,743	2,796	3,257	3,321	0	0	6,000	6,117	117
27 EFFECTIVE GROSS RENT (EGR)	5152T	123,463	130,976	148,001	155,534	0	0	271,464	286,509	15,045
28 TOTAL OPERATING EXPENSES	6000T	102,168	129,079	121,324	152,192	0	0	223,491	281,272	(57,780)
29 NET OPERATING INCOME (NOI)	5000T	21,295	1,896	26,677	3,341	0	0	47,973	5,238	(42,735)
FINANCIAL EXPENSES: 6800										
30 Non-Contingent Debt Service (specify lender)	6895	0	0	0	0	0	0	0	0	0
1st Mortgage =		0	0	0	0	0	0	0	0	0
2nd Mortgage=		0	0	0	0	0	0	0	0	0
3rd Mortgage=		0	0	0	0	0	0	0	0	0
31 HCD Required Payments	6890	0	0	5,900	5,900	0	0	5,900	5,900	0
32 Lease Payment	6890	0	0	0	0	0	0	0	0	0
33 Miscellaneous Financial Expenses	6890	0	0	0	0	0	0	0	0	0
Total Financial Expenses	6800T	0	0	5,900	5,900	0	0	5,900	5,900	0
FUNDED RESERVES:										
34 Escrow Deposits	1300	0	0	0	0	0	0	0	0	0
35 Replacement Reserve-Deposit	1320	9,600	9,600	11,400	11,400	0	0	21,000	21,000	0
36 Operating Reserve-Deposit	1300	0	0	0	0	0	0	0	0	0
37 Other Reserves (specify)		0	0	0	0	0	0	0	0	0
#1	1330	0	0	0	0	0	0	0	0	0
#2	1330	0	0	0	0	0	0	0	0	0
#3	1330	0	0	0	0	0	0	0	0	0
Total Reserve Deposits		9,600	9,600	11,400	11,400	0	0	21,000	21,000	0
38 PROJECT CASH FLOW (CF)		11,695	(7,704)	9,377	(13,959)	0	0	21,073	(21,662)	(42,735)
ADDITIONAL REVENUE:										
39 RHCP-O Annuity Fund Request (For Assisted Units Only)		0	0	0	0	0	0	0	0	0
40 Withdrawal from Operating Reserves		0	0	0	0	0	0	0	0	0
41 Borrower Contribution		0	0	0	0	0	0	0	0	0
42 Other (specify)		0	0	0	0	0	0	0	0	0
Total Additional Revenue		0	0	0	0	0	0	0	0	0
USE OF CASH FLOW:										
43 HCD Interest Payments		0	0	0	0	0	0	0	0	0
44 Asset Mgmt Fee (CHRP-R/SUHRP & HOME-pre-UMR Only)		0	0	0	0	0	0	0	0	0
45 Asset Mgmt Fee/Pttrshp Costs (MHP/HOME under UMR)		0	0	0	0	0	0	0	0	0
46 Borrower Distributions		0	0	0	0	0	0	0	0	0
47 Residual Receipt Loan Payments		0	0	0	0	0	0	0	0	0
48 Other (specify)		0	0	0	0	0	0	0	0	0
Total Use of Cash Flow		0	0	0	0	0	0	0	0	0

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

To the Board of Commissioners
San Diego Housing Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of San Diego Housing Commission's ("SDHC's") Adaptable Housing Development Project No. 12-HLCP-0004 (the "Project"), which comprise the statement of net position as of June 30, 2020, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2020, which included an emphasis of matter paragraph as indicated on page 5.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Project's internal control over financial reporting ("internal control") as a basis for designing the 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 the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Sacramento, California
September 23, 2020



Independent Member of Nexia International

cohnreznick.com

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

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

June 30, 2020

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

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

June 30, 2020

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

Tracey McDermott Date
Sr. Vice President and Chief Financial Officer
Telephone Number: (619) 578-7737

Richard Gentry Date
Chief Executive Officer

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

June 30, 2020

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

Richard Gentry
Chief Executive Officer

Date

Tracey McDermott
Sr. Vice President &
Chief Financial Officer

Managing Agent Taxpayer
Identification Number: 95-3390896

Independent Auditor's Report

To the Sole Member
Northern SDHC FHA LLC

Report on the Financial Statements

We have audited the accompanying financial statements of Northern SDHC FHA LLC, which comprise the balance sheet as of June 30, 2020, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern SDHC FHA LLC as of June 30, 2020, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 20 to 33 is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information on pages 20 to 33 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. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information on pages 20 to 33 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020 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 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 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 23, 2020

Taxpayer Identification Number:
22-1478099

Lead Auditor: Ahamadou Alainchar Bocar, CPA

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

Balance Sheet
June 30, 2020

Assets

Current assets

Cash - operations	\$ 1,363,891
Tenant accounts receivable	23,299
Allowance for doubtful accounts	(3,920)
Accounts receivable - HUD	590
Accounts and notes receivable - operations	43,422
Prepaid expenses	22,094

Total current assets	1,449,376
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Deposits held in trust - funded

Tenant deposits	102,556
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Restricted deposits and funded reserves

Escrow deposits	58,266
Reserve for replacements	342,983

Total restricted deposits and funded reserves	401,249
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Rental property

Land	3,690,974
Buildings and improvements	11,060,209
Dwelling equipment	55,380
Miscellaneous fixed assets	10,921

	14,817,484
Less accumulated depreciation	(4,011,535)

Total rental property	10,805,949
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Total assets	\$ 12,759,130
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Northern SDHC FHA LLC
HUD Project No.: 129-11053

Balance Sheet
June 30, 2020

Liabilities and Member's Equity (Deficit)

Current liabilities	
Accounts payable - operations	\$ 132,513
Accounts payable - entity	97,631
Accrued wages payable	12,195
Accrued management fee payable	11,993
Accrued interest payable - first mortgage	45,926
Mortgage payable - first mortgage (short-term)	354,808
Prepaid revenue	<u>37,690</u>
Total current liabilities	<u>692,756</u>
Deposits liability	
Tenant deposits held in trust (contra)	<u>102,555</u>
Long-term liabilities	
Mortgage payable - first mortgage, net	<u>13,981,399</u>
Total long-term liabilities	<u>13,981,399</u>
Total liabilities	<u>14,776,710</u>
Contingency	-
Member's equity (deficit)	<u>(2,017,580)</u>
Total liabilities and member's equity (deficit)	<u><u>\$ 12,759,130</u></u>

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

Statement of Operations
Year Ended June 30, 2020

Rental revenue	
Rent revenue - gross potential	\$ 2,143,422
Tenant assistance payments	<u>964,983</u>
Total rental revenue	<u>3,108,405</u>
Vacancies	
Apartments	(71,346)
Rental concessions	<u>(15,784)</u>
Total vacancies	<u>(87,130)</u>
Net rental revenue	<u>3,021,275</u>
Financial revenue	
Financial revenue - project operations	146
Revenue from investments - replacement reserve	<u>205</u>
Total financial revenue	<u>351</u>
Other revenue	
Laundry and vending	37,638
Tenant charges	4,355
Miscellaneous revenue	<u>183,316</u>
Total other revenue	<u>225,309</u>
Total revenue	<u>3,246,935</u>

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

**Statement of Operations
Year Ended June 30, 2020**

Administrative expenses	
Other renting expenses	625
Office salaries	90,473
Office expenses	14,849
Management fee	150,206
Administrative rent free unit	59,271
Legal expense - project	8,656
Auditing expense	16,050
Bad debts	2,303
Miscellaneous administrative expenses	13,285
	<hr/>
Total administrative expenses	355,718
	<hr/>
Utilities expense	
Electricity	17,458
Water	104,549
Gas	28,176
Sewer	74,004
	<hr/>
Total utilities expense	224,187
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Operating and maintenance expenses	
Payroll	66,198
Supplies	31,344
Contracts	520,458
Garbage and trash removal	25,659
Security payroll/contract	1,758
Vehicle and maintenance equipment operation and repairs	4,763
	<hr/>
Total operating and maintenance expenses	650,180
	<hr/>

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

Statement of Operations
Year Ended June 30, 2020

Taxes and insurance	
Property and liability insurance	30,128
Workmen's compensation	9,094
Health insurance and other employee benefits	66,623
Miscellaneous taxes, licenses, permits and insurance	<u>6,800</u>
Total taxes and insurance	<u>112,645</u>
Financial expenses	
Interest on first mortgage payable	574,975
Mortgage insurance premium/service charge	<u>68,847</u>
Total financial expenses	<u>643,822</u>
Total cost of operations before depreciation	<u>1,986,552</u>
Income (loss) before depreciation	<u>1,260,383</u>
Depreciation	
Depreciation expense	<u>571,174</u>
Total depreciation	<u>571,174</u>
Total expenses	<u>2,557,726</u>
Net income (loss)	<u><u>\$ 689,209</u></u>

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

Statement of Member's Equity (Deficit)
Year Ended June 30, 2020

Member's equity (deficit), June 30, 2019	\$ (2,357,328)
Distributions	(601,252)
Contributions	251,791
Net income (loss)	<u>689,209</u>
Member's equity (deficit), June 30, 2020	<u><u>\$ (2,017,580)</u></u>

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

Statement of Cash Flows
Year Ended June 30, 2020

Cash flows from operating activities	
Rental receipts	\$ 2,966,721
Interest receipts	351
Other operating receipts	<u>225,309</u>
Total receipts	<u>3,192,381</u>
Administrative expenses paid	(81,372)
Management fees paid	(150,770)
Utilities paid	(224,187)
Salaries and wages paid	(156,149)
Operating and maintenance paid	(497,872)
Property insurance paid	(30,128)
Miscellaneous taxes and insurance paid	(6,800)
Tenant security deposits received	6,451
Other operating expenses paid	(75,717)
Interest paid on first mortgage	(558,115)
Mortgage insurance premium paid	<u>(66,281)</u>
Total disbursements	<u>(1,840,940)</u>
Net cash provided by operating activities	<u>1,351,441</u>
Cash flows from investing activities	
Net withdrawals from mortgage escrows	1,160
Net withdrawals from reserve for replacements	12,757
Net purchases of fixed assets	<u>(66,301)</u>
Net cash used in investing activities	<u>(52,384)</u>
Cash flows from financing activities	
Mortgage principal payments - first mortgage	(341,735)
Distributions to sole member	(601,252)
Contributions from sole member	<u>251,791</u>
Net cash used in financing activities	<u>(691,196)</u>
Net increase in cash and restricted cash	607,861
Cash and restricted cash, beginning	<u>858,586</u>
Cash and restricted cash, end	<u><u>\$ 1,466,447</u></u>

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

Statement of Cash Flows
Year Ended June 30, 2020

Reconciliation of net income (loss) to net cash provided by operating activities	
Net income (loss)	\$ 689,209
Adjustments to reconcile net income (loss) to net cash provided by operating activities	
Depreciation	571,174
Amortization of debt issuance costs	17,931
Bad debts	2,303
Changes in asset and liability accounts	
(Increase) decrease in assets	
Tenant accounts receivable	(16,128)
Accounts receivable - other	(28,497)
Prepaid expenses	2,566
Increase (decrease) in liabilities	
Accounts payable	54,689
Accrued liabilities	1,716
Accrued interest payable	(1,071)
Tenant security deposits held in trust	6,451
Prepaid revenue	21,435
Entity/construction liability accounts (include detail)	
Accounts payable - entity	29,663
Total adjustments	662,232
Net cash provided by operating activities	\$ 1,351,441

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

Notes to Financial Statements
June 30, 2020

Note 1 - Organization and nature of operations

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

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

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

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

Note 2 - Summary of significant accounting policies

Basis of presentation

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

Tenant accounts receivable

Tenant accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on the historical collection experience and a review of the current status of tenants' accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2020, the allowance for doubtful accounts is \$3,920.

Rental property

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

Buildings and improvements	12 - 37 years
Building 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, 2020.

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

Notes to Financial Statements
June 30, 2020

Debt issuance costs

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

Rental revenue

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

Income taxes

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

Advertising costs

Advertising and marketing costs are expensed as incurred.

Use of estimates

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

New accounting pronouncements

In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash* ("ASU 2016-18") to address diversity in practice with respect to the cash flows presentation of changes in amounts described as restricted cash and cash equivalents. ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as "restricted cash" herein) when reconciling beginning and ending balances in its statement of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash and restricted cash between the balance sheet and the statement of cash flows. ASU 2016-18 was adopted retrospectively during the year ended June 30, 2020. Consequently, ending cash and restricted cash as of June 30, 2019 was increased from \$762,480 to \$858,586.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). Effective July 2019, the Company adopted ASU 2014-09 on a retrospective basis. The modifications under ASU 2014-09 were applied to all of the Company's contracts with customers. No practical expedients were applied. The majority of the Company's revenue is derived from leases with tenants of the Projects generally for terms of one year or less, which are accounted for in accordance with *Leases (Topic 840)*. Therefore, adoption of ASU 2014-09 had no impact on the recognition of rental revenue of the Projects during the period presented or on the opening balance of member's equity (deficit) as of July 1, 2019.

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

Notes to Financial Statements
June 30, 2020

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, 2020, the balance in the escrow deposits is \$58,266.

Reserve for replacements

The Company is required to make monthly deposits to a reserve for replacements account to fund future maintenance and replacement costs. Monthly payments of \$4,492 are required to be deposited with the mortgage lender. As of June 30, 2020, the balance in the reserve for replacements is \$342,983.

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	\$ 1,363,891
Deposits held in trust - funded	<u>102,556</u>
Total cash and restricted cash shown in the statement of cash flows	<u>\$ 1,466,447</u>

Amounts included in restricted cash are comprised of security deposits held in trust for the future benefit of tenants upon moving out of the Property 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, 2020, the outstanding principal and accrued interest is \$14,657,307 and \$45,926, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$321,100 as of June 30, 2020, 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 \$17,931 for the year ended June 30, 2020 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, 2020, the Company received BABs interest rebate of \$183,316, which is included in miscellaneous revenue on the statement of operations.

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

Notes to Financial Statements
June 30, 2020

Aggregate annual maturities of the mortgage payable over each of the next five years and thereafter subsequent to June 30, 2020 are as follows:

2021	\$	354,808
2022		368,381
2023		382,473
2024		397,104
2025		412,296
Thereafter		<u>12,742,245</u>
Subtotal		14,657,307
Less unamortized debt		<u>(321,100)</u>
Total	\$	<u><u>14,336,207</u></u>

Note 6 - Management fee

The Company has entered into an agreement with SDHC in connection with the management of the rental operations of the Projects. The property management fee is based on 5% of the effective gross income of the Projects, as defined. For the year ended June 30, 2020, management fees of \$150,206 were incurred and charged to operations, of which \$11,993 remains payable as of June 30, 2020.

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, 2020, the Company recognized housing assistance payments amounting to \$964,983.

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, 2020, \$97,631 is due.

Note 9 - Concentration of credit risk

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

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

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

Notes to Financial Statements
June 30, 2020

The Company believes that no significant concentration of credit risks exists with respect to these cash balances at June 30, 2020.

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 - Contingency

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to the Company's financial position, results of operations, and cash flows. The Company is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Company's operations continue for an extended period of time the Company may have to seek alternative measures to finance its operations.

Note 12 - 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 23, 2020, 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, 2020

		<u>Assets</u>	
<u>Account No.</u>			
Current assets			
1120	Cash - operations		\$ 1,363,891
1130	Tenant accounts receivable	\$ 23,299	
1131	Allowance for doubtful accounts	(3,920)	
1130N	Net tenants accounts receivable		19,379
1135	Accounts receivable - HUD		590
1140	Accounts and notes receivable - operations		43,422
1200	Prepaid expenses		22,094
1100T	Total current assets		1,449,376
Deposits held in trust - funded			
1191	Tenant deposits		102,556
Restricted deposits and funded reserves			
1310	Escrow deposits	58,266	
1320	Reserve for replacements	342,983	
1300T	Total deposits		401,249
Rental property			
1410	Land	3,690,974	
1420	Buildings	11,060,209	
1440	Building equipment - portable	55,380	
1490	Miscellaneous fixed assets	10,921	
1400T	Total fixed assets	14,817,484	
1495	Less accumulated depreciation	(4,011,535)	
1400N	Net fixed assets		10,805,949
1000T	Total assets		\$ 12,759,130

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

Supplementary Information

Balance Sheet Data
June 30, 2020

<u>Account No.</u>		<u>Liabilities and Members' Equity (Deficit)</u>	
Current liabilities			
2110	Accounts payable - operations	\$	132,513
2113	Accounts payable - entity		97,631
2120	Accrued wages payable		12,195
2123	Accrued management fee payable		11,993
2131	Accrued interest payable - first mortgage		45,926
2170	Mortgage payable - first mortgage (short-term)		354,808
2210	Prepaid revenue		<u>37,690</u>
2122T	Total current liabilities		692,756
Deposits liability			
2191	Tenant deposits held in trust (contra)		102,555
Long-term liabilities			
2320	Mortgage payable - first mortgage	<u>\$ 13,981,399</u>	
2300T	Total long-term liabilities		<u>13,981,399</u>
2000T	Total liabilities		14,776,710
3130	Members' equity (deficit)		<u>(2,017,580)</u>
2033T	Total liabilities and members' equity (deficit)	\$	<u>12,759,130</u>

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2020

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 2,143,422	
5121	Tenant assistance payments	<u>964,983</u>	
5100T	Total rental revenue		\$ 3,108,405
Vacancies			
5220	Apartments	(71,346)	
5250	Rental concessions	<u>(15,784)</u>	
5200T	Total vacancies		<u>(87,130)</u>
5152N	Net rental revenue		3,021,275
Financial revenue			
5410	Financial revenue - project operations	146	
5440	Revenue from investments - replacement reserve	<u>205</u>	
5400T	Total financial revenue		351
Other revenue			
5910	Laundry and vending	37,638	
5920	Tenant charges	4,355	
5990	Miscellaneous revenue	<u>183,316</u>	
5900T	Total other revenue		<u>225,309</u>
5000T	Total revenue		<u>3,246,935</u>

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

Supplementary Information

**Statement of Operations Data
Year Ended June 30, 2020**

<u>Account No.</u>			
Administrative expenses			
6250	Other renting expenses	625	
6310	Office salaries	90,473	
6311	Office expenses	14,849	
6320	Management fee	150,206	
6331	Administrative rent free unit	59,271	
6340	Legal expense - project	8,656	
6350	Auditing expense	16,050	
6370	Bad debts	2,303	
6390	Miscellaneous administrative expenses	13,285	
6263T	Total administrative expenses		355,718
Utilities expense			
6450	Electricity	17,458	
6451	Water	104,549	
6452	Gas	28,176	
6453	Sewer	74,004	
6400T	Total utilities expense		224,187
Operating and maintenance expenses			
6510	Payroll	66,198	
6515	Supplies	31,344	
6520	Contracts	520,458	
6525	Garbage and trash removal	25,659	
6530	Security payroll/contract	1,758	
6570	Vehicle and maintenance equipment operation and repairs	4,763	
6500T	Total operating and maintenance expenses		650,180

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2020

<u>Account No.</u>			
Taxes and insurance			
6720	Property and liability insurance	30,128	
6722	Workmen's compensation	9,094	
6723	Health insurance and other employee benefits	66,623	
6790	Miscellaneous taxes, licenses, permits and insurance	<u>6,800</u>	
6700T	Total taxes and insurance		112,645
Financial expenses			
6820	Interest on first mortgage payable	574,975	
6850	Mortgage insurance premium/service charge	<u>68,847</u>	
6800T	Total financial expenses		<u>643,822</u>
6000T	Total cost of operations before depreciation		<u>1,986,552</u>
5060T	Income (loss) before depreciation		<u>1,260,383</u>
Depreciation			
6600	Depreciation expense	<u>571,174</u>	
	Total depreciation		<u>571,174</u>
5060N	Operating income (loss)		<u>689,209</u>
	Total expenses		<u>2,557,726</u>
3250	Net income (loss)		<u><u>\$ 689,209</u></u>

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2020

<u>Account No.</u>		
S1000-010	Total first mortgage (or bond) principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.	<u><u>\$ 341,735</u></u>
S1000-020	Total of 12 monthly deposits in the audit year made to the replacement reserve account, as required by the regulatory agreement, even if payments may be temporarily suspended or reduced.	<u><u>\$ 53,900</u></u>
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations.	<u><u>\$ 66,862</u></u>
S1000-040	Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statement of operations.	<u><u>\$ -</u></u>
S3100-120	Mortgage payable note detail (Section 236 only) Interest reduction payments from subsidy.	<u><u>\$ -</u></u>

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

Supplementary Information

Statement of Member's Equity (Deficit) Data
Year Ended June 30, 2020

<u>Account No.</u>		<u>Total</u>
S1100-010	Member's equity (deficit), June 30, 2019	\$ (2,357,328)
S1200-420	Distributions	(601,252)
S1200-430	Contributions	251,791
3250	Net income (loss)	<u>689,209</u>
3130	Member's equity (deficit), June 30, 2020	<u><u>\$ (2,017,580)</u></u>

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

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2020

<u>Account No.</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 2,966,721
S1200-020	Interest receipts	351
S1200-030	Other operating receipts	<u>225,309</u>
S1200-040	Total receipts	<u>3,192,381</u>
S1200-050	Administrative expenses paid	(81,372)
S1200-070	Management fees paid	(150,770)
S1200-090	Utilities paid	(224,187)
S1200-100	Salaries and wages paid	(156,149)
S1200-110	Operating and maintenance paid	(497,872)
S1200-140	Property insurance paid	(30,128)
S1200-150	Miscellaneous taxes and insurance paid	(6,800)
S1200-160	Net tenant security deposits received (paid)	1
S1200-170	Other operating expenses paid	(75,717)
S1200-180	Interest paid on first mortgage	(558,115)
S1200-210	Mortgage insurance premium paid	<u>(66,281)</u>
S1200-230	Total disbursements	<u>(1,847,390)</u>
S1200-240	Net cash provided by operating activities	<u>1,344,991</u>
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	1,160
S1200-250	Net withdrawals from reserve for replacements	12,757
S1200-330	Net purchases of fixed assets	<u>(66,301)</u>
S1200-350	Net cash used in investing activities	<u>(52,384)</u>
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	(341,735)
S1200-420	Distributions to members	(601,252)
S1200-430	Contributions by members	<u>251,791</u>
S1200-460	Net cash used in financing activities	<u>(691,196)</u>
S1200-470	Net increase in cash	601,411
S1200-480	Cash, beginning	<u>762,480</u>
S1200T	Cash, end	<u><u>\$ 1,363,891</u></u>

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

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2020

<u>Account No.</u>			
	Reconciliation of net income (loss) to net cash provided by operating activities		
3250	Net income (loss)	\$	689,209
	Adjustments to reconcile net income (loss) to net cash provided by operating activities		
6600	Depreciation		571,174
S1200-486	Amortization of debt issuance costs		17,931
	Changes in asset and liability accounts		
	(Increase) decrease in assets		
S1200-490	Tenant accounts receivable		(16,128)
S1200-500	Accounts receivable - other		(28,497)
S1200-520	Prepaid expenses		2,566
S1200-530	Tenant security deposits funded		(6,450)
	Increase (decrease) in liabilities		
S1200-540	Accounts payable		54,689
S1200-560	Accrued liabilities		1,716
S1200-570	Accrued interest payable		(1,071)
S1200-580	Tenant security deposits held in trust		6,451
S1200-590	Prepaid revenue		21,435
S1200-605	Entity/construction liability accounts (include detail)		
S1200-606	Accounts payable - entity	\$ 29,663	
			29,663
S1200-600	Other adjustments (include detail)		
S1200-601	Bad debts	2,303	
			2,303
	Total adjustments		655,782
S1200-610	Net cash provided by operating activities	\$	1,344,991

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

Supplementary Information
Year Ended June 30, 2020

Reserve for Replacements

<u>Account No.</u>		
1320P	Balance at June 30, 2019	\$ 355,740
1320DT	Total monthly deposits	53,900
1320INT	Interest income	205
1320WT	Approved withdrawals	<u>(66,862)</u>
1320	Balance at June 30, 2020	<u><u>\$ 342,983</u></u>

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

Supplementary Information
Period Ended December 31, 2019

Mid-Year Computation of Surplus Cash

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1400-020	Cash (Accounts 1120, 1170 and 1191)	\$ 869,761
S1400-030	Accounts receivable - HUD	3,233
		<hr/>
S1400-050	Total cash	872,994
		<hr/>
S1400-060	Accrued mortgage interest payable	46,467
S1400-070	Delinquent mortgage principal payments	-
S1400-080	Delinquent deposits to reserve for replacements	-
S1400-090	Accounts payable (due within 30 days)	30,983
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)	18,232
S1400-130	Prepaid revenue (Account 2210)	19,092
S1400-140	Tenant security deposits liability (Account 2191)	96,225
S1400-150	Other current obligations (describe in detail)	
S1400-160	Accounts payable - entity	<u>\$ 591,709</u>
		<hr/>
		591,709
		<hr/>
S1400-180	Less total current obligations	802,708
		<hr/>
S1400-190	Surplus cash (deficiency)	<u><u>\$ 70,286</u></u>

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

Supplementary Information
Year Ended June 30, 2020

Computation of Surplus Cash

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1300-010	Cash (Accounts 1120, 1170 and 1191)	\$ 1,466,447
1135	Accounts receivable - HUD	<u>590</u>
S1300-040	Total cash	<u>1,467,037</u>
S1300-050	Accrued mortgage interest payable	45,926
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	132,513
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)	24,188
2210	Prepaid revenue (Account 2210)	37,690
2191	Tenant security deposits liability (Account 2191)	102,555
S1300-110	Other current obligations (describe in detail)	
S1300-120	Accounts payable - entity	<u>\$ 97,631</u>
		<u>97,631</u>
S1300-140	Less total current obligations	<u>440,503</u>
S1300-150	Surplus cash (deficiency)	<u><u>\$ 1,026,534</u></u>

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

Supplementary Information
Year Ended June 30, 2020

Changes in Fixed Asset Accounts

	Assets			
	6/30/19	Additions	Deletions	6/30/20
Land	\$ 3,690,974	\$ -	\$ -	\$ 3,690,974
Buildings	11,060,209	-	-	11,060,209
Building equipment - portable	-	55,380	-	55,380
Miscellaneous fixed assets	-	10,921	-	10,921
	<u>\$ 14,751,183</u>	<u>\$ 66,301</u>	<u>\$ -</u>	<u>\$ 14,817,484</u>
Accumulated depreciation	<u>\$ 3,440,361</u>	<u>\$ 571,174</u>	<u>\$ -</u>	<u>\$ 4,011,535</u>
Total net book value				<u>\$ 10,805,949</u>

Fixed Asset Detail

Additions to Building Equipment - Portable Account

Item and quantity	Amount
Commercial water heaters	<u>\$ 55,380</u>

Additions to Miscellaneous Fixed Assets Account

Item and quantity	Amount
Construction in process	<u>\$ 10,921</u>

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

Supplementary Information
Year Ended June 30, 2020

Detail of Accounts - Balance Sheet

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

Other	
BAB receivable	<u>\$ 43,422</u>

Detail of Accounts - Statement of Operations

Miscellaneous Other Revenue (Account No. 5990)

Interest rebate - Build America Bonds	<u>\$ 183,316</u>
---------------------------------------	-------------------

Other Information

Related party transactions detail:

<u>Account No.</u>	<u>Entity name</u>	<u>Amount paid</u>
S3100-210	Management fee paid to SDHC	<u>\$ 150,770</u>

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

To the Sole Member
Northern SDHC FHA LLC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northern SDHC FHA LLC, which comprise the balance sheet as of June 30, 2020, 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 23, 2020.

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 ("internal control") to determine the 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. Accordingly, we do not express an opinion on the effectiveness of Northern SDHC FHA LLC's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northern SDHC FHA LLC's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

CohnReznick LLP

Sacramento, California
September 23, 2020

Independent Auditor's Report on Compliance for the Major HUD
Program and 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

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 the Northern SDHC FHA LLC's major U.S. Department of Housing and Urban Development ("HUD") program for the year ended June 30, 2020. Northern SDHC FHA LLC's major HUD program is Section 223(f) mortgage insurance program.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Northern SDHC FHA LLC's major HUD program based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about Northern SDHC FHA LLC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major program. However, our audit does not provide a legal determination of Northern SDHC FHA LLC's compliance.

Opinion on the Major HUD Program

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 the major HUD program for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of Northern SDHC FHA LLC is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Northern SDHC FHA LLC's internal control over compliance with the requirements that could have a direct and material effect on its major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major HUD program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northern SDHC FHA LLC's 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 the attention by those charged with governance.

Our consideration of internal control over compliance 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 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. However, material weaknesses may exist that have not been identified.

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



Sacramento, California
September 23, 2020

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

**Schedule of Findings, Questioned Costs and Recommendations
June 30, 2020**

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, 2020**

1. Audit Report, dated September 24, 2019, for the year ended June 30, 2019, issued by CohnReznick LLP.
 - There are no open findings from the prior audit period.
2. There were no reports issued by HUD OIG or other federal agencies or contract administrators during the period covered by this audit.
3. There were no letters or reports issued by HUD management during the period covered by this audit.



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

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

June 30, 2020

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

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

June 30, 2020

Mortgagor's Certification

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

Sole Member
San Diego Housing Commission

Tracey McDermott Date
Sr. Vice President and Chief Financial Officer
Telephone Number: (619) 578-7737

Richard Gentry Date
Chief Executive Officer

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

June 30, 2020

Managing Agent's Certification

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

Managing Agent

San Diego Housing Commission

Richard Gentry
Chief Executive Officer

Date

Tracey McDermott
Sr. Vice President &
Chief Financial Officer

Managing Agent Taxpayer
Identification Number: 95-3390896

Independent Auditor's Report

To the Sole Member
Southern SDHC FHA LLC

Report on the Financial Statements

We have audited the accompanying financial statements of Southern SDHC FHA LLC, which comprise the balance sheet as of June 30, 2020, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern SDHC FHA LLC as of June 30, 2020, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 21 to 34 is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information on pages 21 to 34 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. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information on pages 21 to 34 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020, on our consideration of Southern SDHC FHA LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Southern SDHC FHA LLC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southern SDHC FHA LLC's internal control over financial reporting and compliance.



Sacramento, California
September 23, 2020

Taxpayer Identification Number:
22-1478099

Lead Auditor: Ahamadou Alainchar Bocar, CPA

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

Balance Sheet
June 30, 2020

Assets

Current assets	
Cash - operations	\$ 1,411,657
Tenant accounts receivable	32,725
Allowance for doubtful accounts	(4,552)
Accounts and notes receivable - operations	44,869
Prepaid expenses	<u>31,583</u>
Total current assets	<u>1,516,282</u>
Deposits held in trust - funded	
Tenant deposits	<u>193,750</u>
Restricted deposits and funded reserves	
Escrow deposits	83,293
Reserve for replacements	<u>711,543</u>
Total restricted deposits and funded reserves	<u>794,836</u>
Rental property	
Land	3,682,655
Building and improvements	10,528,694
Dwelling equipment	<u>131,760</u>
	14,343,109
Less accumulated depreciation	<u>(3,991,125)</u>
Total rental property	<u>10,351,984</u>
Total assets	<u><u>\$ 12,856,852</u></u>

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

Balance Sheet
June 30, 2020

Liabilities and Member's Equity (Deficit)

Current liabilities	
Accounts payable - operations	\$ 159,831
Accounts payable - entity	149,700
Accrued wages payable	23,282
Accrued management fee payable	21,043
Accrued interest payable - first mortgage	65,653
Mortgage payable - first mortgage (short-term)	507,210
Prepaid revenue	<u>51,672</u>
Total current liabilities	<u>978,391</u>
Deposits liability	
Tenant deposits held in trust (contra)	<u>193,749</u>
Long-term liabilities	
Mortgage payable - first mortgage, net	<u>20,005,868</u>
Total long-term liabilities	<u>20,005,868</u>
Total liabilities	<u>21,178,008</u>
Contingency	-
Member's equity (deficit)	<u>(8,321,156)</u>
Total liabilities and member's equity (deficit)	<u><u>\$ 12,856,852</u></u>

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

Statement of Operations
Year Ended June 30, 2020

Rental revenue	
Rent revenue - gross potential	\$ 3,482,688
Tenant assistance payments	<u>1,642,436</u>
Total rental revenue	<u>5,125,124</u>
Vacancies	
Apartments	(96,574)
Rental concessions	<u>(6,978)</u>
Total vacancies	<u>(103,552)</u>
Net rental revenue	<u>5,021,572</u>
Financial revenue	
Financial revenue - project operations	294
Revenue from investments - replacement reserve	<u>415</u>
Total financial revenue	<u>709</u>
Other revenue	
Laundry and vending	49,237
Tenant charges	17,272
Miscellaneous revenue	<u>261,122</u>
Total other revenue	<u>327,631</u>
Total revenue	<u>5,349,912</u>

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

Statement of Operations
Year Ended June 30, 2020

Administrative expenses	
Management consultants	177
Other renting expenses	2,202
Office salaries	160,726
Office expenses	27,312
Management fee	252,477
Administrative rent free unit	30,773
Legal expense - project	10,436
Auditing expense	16,050
Bad debts	6,701
Miscellaneous administrative expenses	4,962
	<hr/>
Total administrative expenses	511,816
	<hr/>
Utilities expense	
Electricity	34,080
Water	219,693
Gas	48,611
Sewer	119,828
	<hr/>
Total utilities expense	422,212
	<hr/>
Operating and maintenance expenses	
Payroll	153,319
Supplies	78,760
Contracts	782,743
Garbage and trash removal	59,087
Security payroll/contract	66,651
Vehicle and maintenance equipment operation and repairs	3,161
	<hr/>
Total operating and maintenance expenses	1,143,721
	<hr/>

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

Statement of Operations
Year Ended June 30, 2020

Taxes and insurance	
Property and liability insurance	48,009
Workmen's compensation	16,453
Health insurance and other employee benefits	121,277
Miscellaneous taxes, licenses, permits and insurance	<u>18,380</u>
Total taxes and insurance	<u>204,119</u>
Financial expenses	
Interest on first mortgage payable	820,894
Mortgage insurance premium/service charge	<u>99,017</u>
Total financial expenses	<u>919,911</u>
Total cost of operations before depreciation	<u>3,201,779</u>
Income (loss) before depreciation	<u>2,148,133</u>
Depreciation	
Depreciation expense	<u>591,442</u>
Total depreciation	<u>591,442</u>
Total expenses	<u>3,793,221</u>
Net income (loss)	<u><u>\$ 1,556,691</u></u>

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

Statement of Member's Equity (Deficit)
Year Ended June 30, 2020

Member's equity (deficit), June 30, 2019	\$ (8,357,135)
Distributions	(1,908,105)
Contributions	387,393
Net income (loss)	<u>1,556,691</u>
Member's equity (deficit), June 30, 2020	<u><u>\$ (8,321,156)</u></u>

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

Statement of Cash Flows
Year Ended June 30, 2020

Cash flows from operating activities	
Rental receipts	\$ 4,966,422
Interest receipts	709
Other operating receipts	<u>327,631</u>
Total receipts	<u>5,294,762</u>
Administrative expenses paid	(60,522)
Management fees paid	(252,491)
Utilities paid	(422,212)
Salaries and wages paid	(375,135)
Operating and maintenance paid	(870,938)
Property insurance paid	(48,009)
Miscellaneous taxes and insurance paid	(18,380)
Tenant security deposits received	12,145
Other operating expenses paid	(137,730)
Interest paid on first mortgage	(797,843)
Mortgage insurance premium paid	<u>(94,750)</u>
Total disbursements	<u>(3,065,865)</u>
Net cash provided by operating activities	<u>2,228,897</u>
Cash flows from investing activities	
Net withdrawals from mortgage escrows	1,658
Net withdrawals from reserve for replacements	14,436
Net purchases of fixed assets	<u>(131,760)</u>
Net cash used in investing activities	<u>(115,666)</u>
Cash flows from financing activities	
Mortgage principal payments - first mortgage	(488,519)
Distributions to sole member	(1,908,105)
Contributions by sole member	<u>387,393</u>
Net cash used in financing activities	<u>(2,009,231)</u>
Net increase in cash and restricted cash	104,000
Cash and restricted cash, beginning	<u>1,501,407</u>
Cash and restricted cash, end	<u><u>\$ 1,605,407</u></u>

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

Statement of Cash Flows
Year Ended June 30, 2020

Reconciliation of net income (loss) to net cash provided by operating activities	
Net income (loss)	<u>\$ 1,556,691</u>
Adjustments to reconcile net income (loss) to net cash provided by operating activities	
Depreciation	591,442
Amortization of debt issuance costs	24,582
Bad debts	6,701
Changes in asset and liability accounts	
(Increase) decrease in assets	
Tenant accounts receivable	(31,411)
Accounts receivable - other	853
Prepaid expenses	4,267
Increase (decrease) in liabilities	
Accounts payable	59,773
Accrued liabilities	5,547
Accrued interest payable	(1,531)
Tenant security deposits held in trust	12,145
Prepaid revenue	6,798
Entity/construction liability accounts (include detail)	
Accounts payable - entity	<u>(6,960)</u>
Total adjustments	<u>672,206</u>
Net cash provided by operating activities	<u><u>\$ 2,228,897</u></u>

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

Notes to Financial Statements
June 30, 2020

Note 1 - Organization and nature of operations

Southern SDHC FHA LLC (the "Company") was formed as a limited liability company under the laws of the State of California on July 13, 2010 for the purpose of owning and operating rental housing projects under Section 207, pursuant to Section 223(f) of the National Housing Act as regulated by the U.S. Department of Housing and Urban Development ("HUD") and is subject to restrictions as to the operating policies, rental charges, operating expenditures and distributions to the sole member. The Company has executed a limited liability company operating agreement (the "operating agreement") dated August 20, 2010. The Company properties consist of eight apartment complexes totaling 301 units located in San Diego, California (the "Projects"). The Projects are currently operating under the name of SDHC South Portfolio.

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

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

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

Note 2 - Summary of significant accounting policies

Basis of presentation

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

Tenant accounts receivable

Tenant accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on the historical collection experience and a review of the current status of tenants' accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2020, the allowance for doubtful accounts is \$4,552.

Rental property

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

Buildings and improvements	12 - 37 years
Building 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

Southern SDHC FHA LLC
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Notes to Financial Statements
June 30, 2020

impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended June 30, 2020.

Debt issuance costs

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

Rental revenue

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

Income taxes

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

Advertising costs

Advertising and marketing costs are expensed as incurred.

Use of estimates

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

New accounting pronouncements

In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash* ("ASU 2016-18") to address diversity in practice with respect to the cash flows presentation of changes in amounts described as restricted cash and cash equivalents. ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as "restricted cash" herein) when reconciling beginning and ending balances in its statement of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash and restricted cash between the balance sheet and the statement of cash flows. ASU 2016-18 was adopted retrospectively during the year ended June 30, 2020. Consequently, ending cash and restricted cash as of June 30, 2019 was increased from \$1,319,799 to \$1,501,407.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). Effective July 2019, the Company adopted ASU 2014-09 on a retrospective basis. The modifications under ASU 2014-09 were applied to all of the Company's contracts with customers. No practical expedients were applied. The majority of the Company's revenue is derived from leases with tenants of the

Southern SDHC FHA LLC
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Notes to Financial Statements
June 30, 2020

Projects generally for terms of one year or less, which are accounted for in accordance with *Leases (Topic 840)*. Therefore, adoption of ASU 2014-09 had no impact on the recognition of rental revenue of the Projects during the period presented or on the opening balance of member's equity (deficit) as of July 1, 2019.

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, 2020, the balance in the escrow deposits is \$83,293.

Reserve for replacements

The Company is required to make monthly deposits to a reserve for replacements account to fund future maintenance and replacement costs. Monthly payments of \$7,500 are required to be deposited with the mortgage lender. As of June 30, 2020, the balance in the reserve for replacements is \$711,543.

Note 4 - Mortgage payable

In August 2010, the Company entered into a mortgage agreement with PNC Bank, N.A., a national banking association, in the original amount of \$25,017,100. The mortgage is secured by a deed of trust and insured by HUD. The mortgage bears an annual interest rate of 3.76%. Principal and interest are paid in monthly installments of \$107,197 through maturity on September 1, 2045. As of June 30, 2020, the outstanding principal and accrued interest is \$20,953,094 and \$65,653, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$440,016 as of June 30, 2020, and are related to the first mortgage. Debt issuance costs on the above mortgage are being amortized using an imputed interest rate of 3.96%. Amortization of debt issuance costs is \$24,582 for the year ended June 30, 2020, 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, 2020, the Company received BABs interest rebate of \$261,122, which is included in miscellaneous revenue on the statement of operations.

Southern SDHC FHA LLC
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Notes to Financial Statements
June 30, 2020

Aggregate annual maturities of the mortgage payable over each of the next five years and thereafter subsequent to June 30, 2020 are as follows:

2021	\$	507,210
2022		526,613
2023		546,758
2024		567,674
2025		589,391
Thereafter		<u>18,215,448</u>
Subtotal		20,953,094
Less unamortized debt issuance cost		<u>(440,016)</u>
Total	\$	<u><u>20,513,078</u></u>

Note 5 - Management fee

The Company has entered into an agreement with SDHC in connection with the management of the rental operations of the Projects. The property management fee is based on 5% of the effective gross income of the Projects, as defined. For the year ended June 30, 2020, management fees of \$252,477 were incurred and charged to operations, of which \$21,043 remains payable at June 30, 2020.

Note 6 - Statement of cash flows

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

Cash	\$	1,411,657
Deposits held in trust - funded		<u>193,750</u>
Total cash and restricted cash shown in the statement of cash flows	\$	<u><u>1,605,407</u></u>

The amount included in restricted cash consists of security deposits held in trust for the future benefit of tenants upon moving out of the property as required by regulatory authority.

Note 7 - Housing assistance payments

Certain tenants of the Projects are recipients of Housing Choice Vouchers awarded by SDHC under Section 8 of the National Housing Act. During the year ended June 30, 2020, the Company recognized housing assistance payments amounting to \$1,642,436.

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, 2020, \$149,700 is due.

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

Notes to Financial Statements
June 30, 2020

Note 9 - Concentration of credit risk

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

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

The Company believes that no significant concentration of credit risks exists with respect to these cash balances at June 30, 2020.

Note 10 - Current vulnerability due to certain concentrations

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

Note 11 - Contingency

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to the Company's financial position, results of operations, and cash flows. The Company is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Company's operations continue for an extended period of time the Company may have to seek alternative measures to finance its operations.

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

Notes to Financial Statements
June 30, 2020

Note 12 - 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 23, 2020, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information
Supporting Data Required by HUD

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

Supplementary Information

Balance Sheet Data
June 30, 2020

		<u>Assets</u>	
<u>Account No.</u>			
Current assets			
1120	Cash - operations		\$ 1,411,657
1130	Tenant accounts receivable	\$ 32,725	
1131	Allowance for doubtful accounts	(4,552)	
1130N	Net tenants accounts receivable		28,173
1140	Accounts and notes receivable - operations		44,869
1200	Prepaid expenses		31,583
1100T	Total current assets		1,516,282
Deposits held in trust - funded			
1191	Tenant deposits		193,750
Restricted deposits and funded reserves			
1310	Escrow deposits	83,293	
1320	Reserve for replacements	711,543	
1300T	Total deposits		794,836
Rental property			
1410	Land	3,682,655	
1420	Buildings	10,528,694	
1470	Maintenance equipment	131,760	
1400T	Total fixed assets	14,343,109	
1495	Less accumulated depreciation	(3,991,125)	
1400N	Net fixed assets		10,351,984
1000T	Total assets		\$ 12,856,852

Southern SDHC FHA LLC
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Supplementary Information

Balance Sheet Data
June 30, 2020

		<u>Liabilities and Members' Equity (Deficit)</u>	
<u>Account No.</u>			
Current liabilities			
2110	Accounts payable - operations	\$	159,831
2113	Accounts payable - entity		149,700
2120	Accrued wages payable		23,282
2123	Accrued management fee payable		21,043
2131	Accrued interest payable - first mortgage		65,653
2170	Mortgage payable - first mortgage (short-term)		507,210
2210	Prepaid revenue		<u>51,672</u>
2122T	Total current liabilities		978,391
Deposits liability			
2191	Tenant deposits held in trust (contra)		193,749
Long-term liabilities			
2320	Mortgage payable - first mortgage	<u>\$ 20,005,868</u>	
2300T	Total long-term liabilities		<u>20,005,868</u>
2000T	Total liabilities		21,178,008
3130	Members' equity (deficit)		<u>(8,321,156)</u>
2033T	Total liabilities and members' equity (deficit)		<u><u>\$ 12,856,852</u></u>

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

Supplementary Information

**Statement of Operations Data
Year Ended June 30, 2020**

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 3,482,688	
5121	Tenant assistance payments	<u>1,642,436</u>	
5100T	Total rental revenue		\$ 5,125,124
Vacancies			
5220	Apartments	(96,574)	
5250	Rental concessions	<u>(6,978)</u>	
5200T	Total vacancies		<u>(103,552)</u>
5152N	Net rental revenue		5,021,572
Financial revenue			
5410	Financial revenue - project operations	294	
5440	Revenue from investments - replacement reserve	<u>415</u>	
5400T	Total financial revenue		709
Other revenue			
5910	Laundry and vending	49,237	
5920	Tenant charges	17,272	
5990	Miscellaneous revenue	<u>261,122</u>	
5900T	Total other revenue		<u>327,631</u>
5000T	Total revenue		<u>5,349,912</u>

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2020

<u>Account No.</u>			
Administrative expenses			
6204	Management consultants	177	
6250	Other renting expenses	2,202	
6310	Office salaries	160,726	
6311	Office expenses	27,312	
6320	Management fee	252,477	
6331	Administrative rent free unit	30,773	
6340	Legal expense - project	10,436	
6350	Auditing expense	16,050	
6370	Bad debts	6,701	
6390	Miscellaneous administrative expenses	4,962	
6263T	Total administrative expenses		511,816
Utilities expense			
6450	Electricity	34,080	
6451	Water	219,693	
6452	Gas	48,611	
6453	Sewer	119,828	
6400T	Total utilities expense		422,212
Operating and maintenance expenses			
6510	Payroll	153,319	
6515	Supplies	78,760	
6520	Contracts	782,743	
6525	Garbage and trash removal	59,087	
6530	Security payroll/contract	66,651	
6570	Vehicle and maintenance equipment operation and repairs	3,161	
6500T	Total operating and maintenance expenses		1,143,721

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2020

<u>Account No.</u>			
Taxes and insurance			
6720	Property and liability insurance	48,009	
6722	Workmen's compensation	16,453	
6723	Health insurance and other employee benefits	121,277	
6790	Miscellaneous taxes, licenses, permits and insurance	<u>18,380</u>	
6700T	Total taxes and insurance		204,119
Financial expenses			
6820	Interest on first mortgage payable	820,894	
6850	Mortgage insurance premium/service charge	<u>99,017</u>	
6800T	Total financial expenses		<u>919,911</u>
6000T	Total cost of operations before depreciation		<u>3,201,779</u>
5060T	Income (loss) before depreciation		<u>2,148,133</u>
Depreciation			
6600	Depreciation expense	<u>591,442</u>	
	Total depreciation		<u>591,442</u>
5060N	Operating income (loss)		<u>1,556,691</u>
	Total expenses		<u>3,793,221</u>
3250	Net income (loss)		<u><u>\$ 1,556,691</u></u>

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

Supplementary Information

**Statement of Operations Data
Year Ended June 30, 2020**

<u>Account No.</u>		
S1000-010	Total first mortgage (or bond) principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.	<u>\$ 488,519</u>
S1000-020	Total of 12 monthly deposits in the audit year made to the replacement reserve account, as required by the regulatory agreement, even if payments may be temporarily suspended or reduced.	<u>\$ 90,000</u>
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations.	<u>\$ 104,851</u>
S1000-040	Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statement of operations.	<u>\$ -</u>
S3100-120	Mortgage payable note detail (Section 236 only) Interest reduction payments from subsidy.	<u>\$ -</u>

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

Supplementary Information

Statement of Member's Equity (Deficit) Data
Year Ended June 30, 2020

<u>Account No.</u>		<u>Total</u>
S1100-010	Member's equity (deficit) June 30, 2019	\$ (8,357,135)
S1200-420	Distributions	(1,908,105)
S1200-430	Contributions	387,393
3250	Net income (loss)	<u>1,556,691</u>
3130	Member's equity (deficit) June 30, 2020	<u><u>\$ (8,321,156)</u></u>

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

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2020

<u>Account No.</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 4,966,422
S1200-020	Interest receipts	709
S1200-030	Other operating receipts	<u>327,631</u>
S1200-040	Total receipts	<u>5,294,762</u>
S1200-050	Administrative expenses paid	(60,522)
S1200-070	Management fees paid	(252,491)
S1200-090	Utilities paid	(422,212)
S1200-100	Salaries and wages paid	(375,135)
S1200-110	Operating and maintenance paid	(870,938)
S1200-140	Property insurance paid	(48,009)
S1200-150	Miscellaneous taxes and insurance paid	(18,380)
S1200-160	Net tenant security deposits received (paid)	3
S1200-170	Other operating expenses paid	(137,730)
S1200-180	Interest paid on first mortgage	(797,843)
S1200-210	Mortgage insurance premium paid	<u>(94,750)</u>
S1200-230	Total disbursements	<u>(3,078,007)</u>
S1200-240	Net cash provided by operating activities	<u>2,216,755</u>
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	1,658
S1200-250	Net withdrawals from reserve for replacements	14,436
S1200-330	Net purchases of fixed assets	<u>(131,760)</u>
S1200-350	Net cash used in investing activities	<u>(115,666)</u>
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	(488,519)
S1200-420	Distributions to members	(1,908,105)
S1200-430	Contributions by members	<u>387,393</u>
S1200-460	Net cash used in financing activities	<u>(2,009,231)</u>
S1200-470	Net increase in cash	91,858
S1200-480	Cash, beginning	<u>1,319,799</u>
S1200T	Cash, end	<u><u>\$ 1,411,657</u></u>

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

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2020

<u>Account No.</u>		
	Reconciliation of net income (loss) to net cash provided by operating activities	
3250	Net income (loss)	<u>\$ 1,556,691</u>
	Adjustments to reconcile net income (loss) to net cash provided by operating activities	
6600	Depreciation	591,442
S1200-486	Amortization of debt issuance costs	24,582
	Changes in asset and liability accounts	
	(Increase) decrease in assets	
S1200-490	Tenant accounts receivable	(31,411)
S1200-500	Accounts receivable - other	853
S1200-520	Prepaid expenses	4,267
S1200-530	Tenant security deposits funded	(12,142)
	Increase (decrease) in liabilities	
S1200-540	Accounts payable	59,773
S1200-560	Accrued liabilities	5,547
S1200-570	Accrued interest payable	(1,531)
S1200-580	Tenant security deposits held in trust	12,145
S1200-590	Prepaid revenue	6,798
S1200-605	Entity/construction liability accounts (include detail)	
S1200-606	Accounts payable - entity	<u>\$ (6,960)</u>
		(6,960)
S1200-600	Other adjustments (include detail)	
S1200-601	Bad debts	<u>6,701</u>
		<u>6,701</u>
	Total adjustments	<u>660,064</u>
S1200-610	Net cash provided by operating activities	<u><u>\$ 2,216,755</u></u>

Southern SDHC FHA LLC
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Supplementary Information
Year Ended June 30, 2020

Reserve for Replacements

<u>Account No.</u>		
1320P	Balance at June 30, 2019	\$ 725,979
1320DT	Total monthly deposits	90,000
1320INT	Interest income	415
1320WT	Approved withdrawals	<u>(104,851)</u>
1320	Balance at June 30, 2020	<u><u>\$ 711,543</u></u>

Southern SDHC FHA LLC
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Supplementary Information
Period Ended December 31, 2019

Mid-year Computation of Surplus Cash

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1400-020	Cash (Accounts 1120, 1170 and 1191)	\$ 2,497,957
S1400-030	Accounts receivable - HUD	-
		<hr/>
S1400-050	Total cash	<u>2,497,957</u>
S1400-060	Accrued mortgage interest payable	66,426
S1400-070	Delinquent mortgage principal payments	-
S1400-080	Delinquent deposits to reserve for replacements	-
S1400-090	Accounts payable (due within 30 days)	50,049
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)	33,476
S1400-130	Prepaid revenue (Account 2210)	72,529
S1400-140	Tenant security deposits liability (Account 2191)	180,312
S1400-150	Other current obligations (describe in detail)	
S1400-160	Accounts payable - entity	<u>\$ 1,099,545</u>
		<hr/>
		1,099,545
S1400-180	Less total current obligations	<u>1,502,337</u>
S1400-190	Surplus cash (deficiency)	<u><u>\$ 995,620</u></u>

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

Supplementary Information
Year Ended June 30, 2020

Computation of Surplus Cash

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1300-010	Cash (Accounts 1120, 1170 and 1191)	\$ 1,605,407
1135	Accounts receivable - HUD	-
		<hr/>
S1300-040	Total cash	1,605,407
		<hr/>
S1300-050	Accrued mortgage interest payable	65,653
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	159,831
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)	44,325
2210	Prepaid revenue (Account 2210)	51,672
2191	Tenant security deposits liability (Account 2191)	193,749
S1300-110	Other current obligations (describe in detail)	
S1300-120	Accounts payable - entity	<u>\$ 149,700</u>
		<hr/>
		149,700
		<hr/>
S1300-140	Less total current obligations	664,930
		<hr/>
S1300-150	Surplus cash (deficiency)	<u>\$ 940,477</u>
		<hr/>
S1300-200	Amount available for distribution during next fiscal period	<u>\$ 940,477</u>

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

Supplementary Information
Year Ended June 30, 2020

Changes in Fixed Asset Accounts

	<u>Assets</u>			
	<u>Balance 6/30/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/20</u>
Land	\$ 3,682,655	\$ -	\$ -	\$ 3,682,655
Buildings	10,528,694	-	-	10,528,694
Maintenance equipment	<u>-</u>	<u>131,760</u>	<u>-</u>	<u>131,760</u>
	<u>\$ 14,211,349</u>	<u>\$ 131,760</u>	<u>\$ -</u>	<u>\$ 14,343,109</u>
Accumulated depreciation	<u>\$ 3,399,683</u>	<u>\$ 591,442</u>	<u>\$ -</u>	<u>\$ 3,991,125</u>
Total net book value				<u>\$ 10,351,984</u>

Fixed Asset Detail

Additions to Maintenance Equipment Account

<u>Item and quantity</u>	<u>Amount</u>
Commercial water heaters	<u>\$ 131,760</u>

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

**Supplementary Information
Year Ended June 30, 2020**

Detail of Accounts - Balance Sheet

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

Other	
BAB receivable	<u>\$ 44,869</u>

Detail of Accounts - Statement of Operations

Miscellaneous Other Revenue (Account No. 5990)

Interest rebate - Build America Bonds	<u>\$ 261,122</u>
---------------------------------------	-------------------

Other Information

Related party transactions detail:

<u>Account No.</u>	<u>Entity name</u>	<u>Amount paid</u>
S3100-210	Management fee paid to SDHC	<u>\$ 252,491</u>

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

To the Sole Member
Southern SDHC FHA LLC

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southern SDHC FHA LLC, which comprise the balance sheet as of June 30, 2020 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 23, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern SDHC FHA LLC's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

CohnReznick LLP

Sacramento, California
September 23, 2020

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

To the Sole Member
Southern SDHC FHA LLC

Report on Compliance for the Major HUD Program

We have audited Southern SDHC FHA LLC's compliance with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the "Guide") that could have a direct and material effect on Southern SDHC FHA LLC's major U.S. Department of Housing and Urban Development ("HUD") program for the year ended June 30, 2020. Southern SDHC FHA LLC's major HUD program is Section 223(f) mortgage insurance program.

Management's Responsibility for Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its HUD-assisted programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Southern SDHC FHA LLC's major HUD program based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about Southern SDHC FHA LLC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major program. However, our audit does not provide a legal determination of Southern SDHC FHA LLC's compliance.

Opinion on the Major HUD Program

In our opinion, Southern SDHC FHA LLC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major HUD program for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of Southern SDHC FHA LLC is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Southern SDHC FHA LLC's internal control over compliance with the requirements that could have a direct and material effect on the major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major HUD program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southern SDHC FHA LLC's 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 the attention by those charged with governance.

Our consideration of internal control over compliance 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 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 may exist that have not been identified.

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 our testing based on the requirements of *the Guide*. Accordingly, this report is not suitable for any other purpose.



Sacramento, California
September 23, 2020

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

**Schedule of Findings, Questioned Costs and Recommendations
June 30, 2020**

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

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

**Schedule of the Status of Prior Audit Findings,
Questioned Costs and Recommendations
June 30, 2020**

1. Audit Report, dated September 24, 2019, for the year ended June 30, 2019, issued by CohnReznick LLP.

There are no open findings from the prior audit report.

2. There were no reports issued by HUD OIG or other federal agencies or contract administrators during the period covered by this audit.
3. There were no other letters or report issued by HUD management during the period covered by this audit.



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

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

June 30, 2020

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

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

June 30, 2020

Mortgagor's Certification

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

Sole Member

San Diego Housing Commission

Tracey McDermott Date
Sr. Vice President and Chief Financial Officer
Telephone Number: (619) 578-7737

Richard Gentry Date
Chief Executive Officer

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

June 30, 2020

Managing Agent's Certification

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

Managing Agent

San Diego Housing Commission

Richard Gentry
Chief Executive Officer

Date

Tracey McDermott
Sr. Vice President &
Chief Financial Officer

Managing Agent Taxpayer
Identification Number: 95-3390896

Independent Auditor's Report

To the Sole Member
Central SDHC FHA LLC

Report on the Financial Statements

We have audited the accompanying financial statements of Central SDHC FHA LLC, which comprise the balance sheet as of June 30, 2020, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central SDHC FHA LLC as of June 30, 2020, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 21 to 34 is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information on pages 21 to 34 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. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information on pages 21 to 34 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020 on our consideration of Central SDHC FHA LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Central SDHC FHA LLC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central SDHC FHA LLC's internal control over financial reporting and compliance.



Sacramento, California
September 23, 2020

Taxpayer Identification Number:
22-1478099

Lead Auditor: Ahamadou Alainchar Bocar, CPA

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

Balance Sheet
June 30, 2020

Assets

Current assets	
Cash - operations	\$ 1,491,666
Tenant accounts receivable	58,952
Allowance for doubtful accounts	(7,364)
Accounts and notes receivable - operations	17,363
Prepaid expenses	24,734
	<hr/>
Total current assets	1,585,351
	<hr/>
Deposits held in trust - funded	
Tenant deposits	150,944
	<hr/>
Restricted deposits and funded reserves	
Escrow deposits	47,158
Reserve for replacements	590,365
	<hr/>
Total restricted deposits and funded reserves	637,523
	<hr/>
Rental property	
Land	3,852,360
Buildings	9,078,713
Dwelling equipment	103,065
Miscellaneous fixed assets	157,442
	<hr/>
	13,191,580
Less accumulated depreciation	(3,069,307)
	<hr/>
Total rental property	10,122,273
	<hr/>
Total assets	\$ 12,496,091
	<hr/> <hr/>

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

Balance Sheet
June 30, 2020

Liabilities and Member's Equity (Deficit)

Current liabilities	
Accounts payable - operations	\$ 329,624
Accounts payable - entity	107,246
Accrued wages payable	19,564
Accrued management fee payable	16,185
Accrued interest payable - first mortgage	40,006
Mortgage payable - first mortgage (short-term)	321,702
Prepaid revenue	<u>31,544</u>
Total current liabilities	<u>865,871</u>
Deposits liability	
Tenant deposits held in trust (contra)	<u>150,943</u>
Long-term liabilities	
Mortgage payable - first mortgage, net	<u>12,537,400</u>
Total long-term liabilities	<u>12,537,400</u>
Total liabilities	<u>13,554,214</u>
Contingency	-
Member's equity (deficit)	<u>(1,058,123)</u>
Total liabilities and member's equity (deficit)	<u><u>\$ 12,496,091</u></u>

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

Statement of Operations
Year Ended June 30, 2020

Rental revenue	
Rent revenue - gross potential	\$ 2,666,473
Tenant assistance payments	<u>1,356,335</u>
Total rental revenue	<u>4,022,808</u>
Vacancies	
Apartments	<u>(111,827)</u>
Total vacancies	<u>(111,827)</u>
Net rental revenue	<u>3,910,981</u>
Financial revenue	
Financial revenue - project operations	194
Revenue from investments - replacement reserve	<u>374</u>
Total financial revenue	<u>568</u>
Other revenue	
Laundry and vending	25,611
Tenant charges	<u>18,271</u>
Total other revenue	<u>43,882</u>
Total revenue	<u>3,955,431</u>

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

Statement of Operations
Year Ended June 30, 2020

Administrative expenses	
Other renting expenses	15,091
Office salaries	147,283
Office expenses	19,068
Management fee	195,895
Administrative rent free unit	36,956
Legal expense - project	31,346
Auditing expense	16,050
Bad debts	34,273
Miscellaneous administrative expenses	4,125
	<hr/>
Total administrative expenses	500,087
	<hr/>
Utilities expense	
Electricity	21,256
Water	197,392
Gas	32,054
Sewer	127,823
	<hr/>
Total utilities expense	378,525
	<hr/>
Operating and maintenance expenses	
Payroll	122,405
Supplies	62,586
Contracts	1,133,580
Garbage and trash removal	42,610
Security payroll/contract	79,399
Vehicle and maintenance equipment operation and repairs	3,045
Miscellaneous operating and maintenance expenses	224
	<hr/>
Total operating and maintenance expenses	1,443,849
	<hr/>

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

Statement of Operations
Year Ended June 30, 2020

Taxes and insurance	
Real estate taxes	17
Property and liability insurance	43,315
Workmen's compensation	15,388
Health insurance and other employee benefits	98,667
Miscellaneous taxes, licenses, permits and insurance	<u>6,800</u>
Total taxes and insurance	<u>164,187</u>
Financial expenses	
Interest on first mortgage payable	501,674
Mortgage insurance premium/service charge	<u>64,778</u>
Total financial expenses	<u>566,452</u>
Total cost of operations before depreciation	<u>3,053,100</u>
Income (loss) before depreciation	<u>902,331</u>
Depreciation	
Depreciation expense	<u>484,538</u>
Total depreciation	<u>484,538</u>
Total expenses	<u>3,537,638</u>
Net income (loss)	<u><u>\$ 417,793</u></u>

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

Statement of Member's Equity (Deficit)
Year Ended June 30, 2020

Member's equity (deficit) June 30, 2019	\$ (1,829,748)
Distributions	(542,925)
Contributions	896,757
Net income (loss)	<u>417,793</u>
Member's equity (deficit) June 30, 2020	<u><u>\$ (1,058,123)</u></u>

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

Statement of Cash Flows
Year Ended June 30, 2020

Cash flows from operating activities	
Rental receipts	\$ 3,811,287
Interest receipts	568
Other operating receipts	<u>43,882</u>
Total receipts	<u>3,855,737</u>
Administrative expenses paid	(109,531)
Management fees paid	(196,246)
Utilities paid	(330,353)
Salaries and wages paid	(342,337)
Operating and maintenance paid	(1,312,380)
Real estate taxes paid	(17)
Property insurance paid	(43,315)
Miscellaneous taxes and insurance paid	(6,800)
Tenant security deposits paid	(228)
Other operating expenses paid	(114,055)
Interest paid on first mortgage	(486,234)
Mortgage insurance premium paid	<u>(59,362)</u>
Total disbursements	<u>(3,000,858)</u>
Net cash provided by operating activities	<u>854,879</u>
Cash flows from investing activities	
Net withdrawals from mortgage escrows	947
Net withdrawals from reserve for replacements	80,512
Net purchases of fixed assets	<u>(237,665)</u>
Net cash used in investing activities	<u>(156,206)</u>
Cash flows from financing activities	
Mortgage principal payments - first mortgage	(310,189)
Distribution to member	(542,925)
Contribution by member	<u>896,757</u>
Net cash provided by financing activities	<u>43,643</u>
Net increase in cash and restricted cash	742,316
Cash and restricted cash, beginning	<u>900,294</u>
Cash and restricted cash, end	<u><u>\$ 1,642,610</u></u>

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

Statement of Cash Flows
Year Ended June 30, 2020

Reconciliation of net income (loss) to net cash provided by operating activities	
Net income (loss)	\$ 417,793
Adjustments to reconcile net income (loss) to net cash provided by operating activities	
Depreciation	484,538
Amortization of debt issuance costs	16,383
Bad debts	34,273
Changes in asset and liability accounts	
(Increase) decrease in assets	
Tenant accounts receivable	(79,805)
Accounts receivable - other	(17,363)
Prepaid expenses	5,416
Increase (decrease) in liabilities	
Accounts payable	8,614
Accrued liabilities	6,399
Accrued interest payable	(943)
Tenant security deposits held in trust	(228)
Prepaid revenue	17,067
Entity/construction liability accounts (include detail)	
Accounts payable - entity	(37,265)
Total adjustments	437,086
Net cash provided by operating activities	\$ 854,879

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

Notes to Financial Statements
June 30, 2020

Note 1 - Organization and nature of operations

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

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

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

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

Note 2 - Summary of significant accounting policies

Basis of presentation

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

Tenant accounts receivable

Tenant accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on the historical collection experience and a review of the current status of tenants' accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2020, the allowance for doubtful accounts is \$7,364.

Rental property

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

Buildings and improvements	12 to 37 years
Building equipment	5 years

Impairment of long-lived assets

The Company reviews its investment in rental property for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the Projects are less than its carrying amount, management compares the carrying amount of the Projects to its fair value in order to determine whether an impairment loss has occurred. The amount of the

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

Notes to Financial Statements
June 30, 2020

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, 2020.

Debt issuance costs

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

Rental revenue

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

Income taxes

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

Advertising costs

Advertising and marketing costs are expensed as incurred.

Use of estimates

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

New accounting pronouncements

In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-18 *Statement of Cash Flows (Topic 230) - Restricted Cash* ("ASU 2016-18") to address diversity in practice with respect to the cash flows presentation of changes in amounts described as restricted cash and cash equivalents. ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as "restricted cash" herein) when reconciling beginning and ending balances in its statement of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash and restricted cash between the balance sheet and the statement of cash flows. ASU 2016-18 was adopted retrospectively during the year ended June 30, 2020. Consequently, ending cash and restricted cash as of June 30, 2019 was increased from \$749,120 to \$900,294 respectively.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). Effective July 2019, the Company adopted ASU 2014-09 on a retrospective basis. The modifications under ASU 2014-09 were applied to all of the Company's contracts with customers. No practical expedients were applied. The majority of the Company's revenue is derived from leases with tenants of the

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

Notes to Financial Statements
June 30, 2020

Projects generally for terms of one year or less, which are accounted for in accordance with *Leases (Topic 840)*. Therefore, adoption of ASU 2014-09 had no impact on the recognition of rental revenue of the Projects during the period presented or on the opening balance of members' equity (deficit) as of June 30, 2019.

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, 2020, the balance in the escrow deposits is \$47,158.

Reserve for replacements

The Company is required to make monthly deposits to a reserve for replacements account to fund future maintenance and replacement costs. Monthly payments of \$5,850 are required to be deposited with the mortgage lender. As of June 30, 2020, the balance in the reserve for replacements is \$590,365.

Note 4 - Mortgage payable

In September 2010, the Company entered into a mortgage agreement with PNC Bank, N.A., a national banking association, in the original amount of \$15,726,100. The mortgage is secured by a deed of trust and insured by HUD. The mortgage bears an annual interest rate of 3.65%. Principal and interest are paid in monthly installments of \$66,369 through maturity on October 1, 2045. As of June 30, 2020, the outstanding principal and accrued interest is \$13,152,530 and \$40,006, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$293,428 as of June 30, 2020, and are related to the first mortgage. Debt issuance costs on the above mortgage are being amortized using an imputed rate of 3.97%. Amortization of debt issuance costs is \$16,383 for the year ended June 30, 2020 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.

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

Notes to Financial Statements
June 30, 2020

Aggregate annual maturities of the mortgage payable over each of the next five years and thereafter subsequent to June 30, 2020 are as follows:

2021	\$	321,702
2022		333,643
2023		346,026
2024		358,870
2025		372,190
Thereafter		<u>11,420,099</u>
Subtotal		13,152,530
Less unamortized debt issuance cost		<u>(293,428)</u>
Total	\$	<u><u>12,859,102</u></u>

Note 5 - Management fee

The Company has entered into an agreement with SDHC in connection with the management of the rental operations of the Projects. The property management fee is based on 5% of the effective gross income of the Projects, as defined. For the year ended June 30, 2020, management fees of \$195,895 were incurred and charged to operations. As of June 30, 2020, management fees of \$16,185 remains payable.

Note 6 - Statement of cash flows

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

Cash	\$	1,491,666
Deposits held in trust - funded		<u>150,944</u>
Total cash and restricted cash shown in the statement of cash flows	\$	<u><u>1,642,610</u></u>

The amount included in restricted cash consists of security deposits held in trust for the future benefit of tenants upon moving out of the Property as required by the regulatory authority.

Note 7 - Housing assistance payments

Certain tenants of the Projects are recipients of Housing Choice Vouchers awarded by SDHC under Section 8 of the National Housing Act. During the year ended June 30, 2020, the Company recognized housing assistance payments amounting to \$1,356,335.

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, 2020, \$107,246 is due.

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

Notes to Financial Statements
June 30, 2020

Note 9 - Concentration of credit risk

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

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

The Company believes that no significant concentration of credit risks exists with respect to these cash balances at June 30, 2020.

Note 10 - Current vulnerability due to certain concentrations

The Company's principal assets consist of 234 units within various apartment projects. The Company's operations are concentrated in the multifamily real estate market. In addition, the Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 11 - Contingency

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to the Company's financial position, results of operations, and cash flows. The Company is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Company's operations continue for an extended period of time the Company may have to seek alternative measures to finance its operations.

Note 12 - 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 23, 2020 the date the

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

Notes to Financial Statements
June 30, 2020

financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information
Supporting Data Required by HUD

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

Supplementary Information

Balance Sheet Data
June 30, 2020

		<u>Assets</u>	
<u>Account No.</u>			
Current assets			
1120	Cash - operations		\$ 1,491,666
1130	Tenant accounts receivable	\$ 58,952	
1131	Allowance for doubtful accounts	(7,364)	
1130N	Net tenants accounts receivable		51,588
1140	Accounts and notes receivable - operations		17,363
1200	Prepaid expenses		24,734
1100T	Total current assets		1,585,351
Deposits held in trust - funded			
1191	Tenant deposits		150,944
Restricted deposits and funded reserves			
1310	Escrow deposits	47,158	
1320	Reserve for replacements	590,365	
1300T	Total deposits		637,523
Rental property			
1410	Land	3,852,360	
1420	Buildings	9,078,713	
1470	Maintenance equipment	103,065	
1490	Miscellaneous fixed assets	157,442	
1400T	Total fixed assets	13,191,580	
1495	Less accumulated depreciation	(3,069,307)	
1400N	Net fixed assets		10,122,273
1000T	Total assets		\$ 12,496,091

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

Supplementary Information

Balance Sheet Data
June 30, 2020

<u>Account No.</u>		<u>Liabilities and Members' Equity (Deficit)</u>	
Current liabilities			
2110	Accounts payable - operations	\$	329,624
2113	Accounts payable - entity		107,246
2120	Accrued wages payable		19,564
2123	Accrued management fee payable		16,185
2131	Accrued interest payable - first mortgage		40,006
2170	Mortgage payable - first mortgage (short-term)		321,702
2210	Prepaid revenue		<u>31,544</u>
2122T	Total current liabilities		865,871
Deposits liability			
2191	Tenant deposits held in trust (contra)		150,943
Long-term liabilities			
2320	Mortgage payable - first mortgage	<u>\$ 12,537,400</u>	
2300T	Total long-term liabilities		<u>12,537,400</u>
2000T	Total liabilities		13,554,214
3130	Members' equity (deficit)		<u>(1,058,123)</u>
2033T	Total liabilities and members' equity (deficit)	\$	<u>12,496,091</u>

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2020

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 2,666,473	
5121	Tenant assistance payments	<u>1,356,335</u>	
5100T	Total rental revenue		\$ 4,022,808
Vacancies			
5220	Apartments	<u>(111,827)</u>	
5200T	Total vacancies		<u>(111,827)</u>
5152N	Net rental revenue		3,910,981
Financial revenue			
5410	Financial revenue - project operations	194	
5440	Revenue from investments - replacement reserve	<u>374</u>	
5400T	Total financial revenue		568
Other revenue			
5910	Laundry and vending	25,611	
5920	Tenant charges	<u>18,271</u>	
5900T	Total other revenue		<u>43,882</u>
5000T	Total revenue		<u>3,955,431</u>

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2020

<u>Account No.</u>			
Administrative expenses			
6250	Other renting expenses	15,091	
6310	Office salaries	147,283	
6311	Office expenses	19,068	
6320	Management fee	195,895	
6331	Administrative rent free unit	36,956	
6340	Legal expense - project	31,346	
6350	Auditing expense	16,050	
6370	Bad debts	34,273	
6390	Miscellaneous administrative expenses	4,125	
6263T	Total administrative expenses		500,087
Utilities expense			
6450	Electricity	21,256	
6451	Water	197,392	
6452	Gas	32,054	
6453	Sewer	127,823	
6400T	Total utilities expense		378,525
Operating and maintenance expenses			
6510	Payroll	122,405	
6515	Supplies	62,586	
6520	Contracts	1,133,580	
6525	Garbage and trash removal	42,610	
6530	Security payroll/contract	79,399	
6570	Vehicle and maintenance equipment operation and repairs	3,045	
6590	Miscellaneous operating and maintenance expenses	224	
6500T	Total operating and maintenance expenses		1,443,849

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2020

<u>Account No.</u>			
Taxes and insurance			
6710	Real estate taxes	17	
6720	Property and liability insurance	43,315	
6722	Workmen's compensation	15,388	
6723	Health insurance and other employee benefits	98,667	
6790	Miscellaneous taxes, licenses, permits and insurance	<u>6,800</u>	
6700T	Total taxes and insurance		164,187
Financial expenses			
6820	Interest on first mortgage payable	501,674	
6850	Mortgage insurance premium/service charge	<u>64,778</u>	
6800T	Total financial expenses		<u>566,452</u>
6000T	Total cost of operations before depreciation		<u>3,053,100</u>
5060T	Income (loss) before depreciation		<u>902,331</u>
Depreciation			
6600	Depreciation expense	<u>484,538</u>	
	Total depreciation		<u>484,538</u>
5060N	Operating income (loss)		<u>417,793</u>
	Total expenses		<u>3,537,638</u>
3250	Net income (loss)		<u><u>\$ 417,793</u></u>

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

Supplementary Information

**Statement of Operations Data
Year Ended June 30, 2020**

<u>Account No.</u>		
S1000-010	Total first mortgage (or bond) principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.	<u>\$ 310,189</u>
S1000-020	Total of 12 monthly deposits in the audit year made to the replacement reserve account, as required by the regulatory agreement, even if payments may be temporarily suspended or reduced.	<u>\$ 64,350</u>
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations.	<u>\$ 145,236</u>
S1000-040	Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statement of operations.	<u>\$ -</u>
S3100-120	Mortgage payable note detail (Section 236 only) Interest reduction payments from subsidy.	<u>\$ -</u>

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

Supplementary Information

**Statement of Member's Equity (Deficit) Data
Year Ended June 30, 2020**

<u>Account No.</u>		<u>Total</u>
S1100-010	Member's equity (deficit) June 30, 2019	\$ (1,829,748)
S1200-420	Distributions	(542,925)
S1200-430	Contributions	896,757
3250	Net income (loss)	<u>417,793</u>
3130	Member's equity (deficit) June 30, 2020	<u><u>\$ (1,058,123)</u></u>

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

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2020

<u>Account No.</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 3,811,287
S1200-020	Interest receipts	568
S1200-030	Other operating receipts	<u>43,882</u>
S1200-040	Total receipts	<u>3,855,737</u>
S1200-050	Administrative expenses paid	(109,531)
S1200-070	Management fees paid	(196,246)
S1200-090	Utilities paid	(330,353)
S1200-100	Salaries and wages paid	(342,337)
S1200-110	Operating and maintenance paid	(1,312,380)
S1200-120	Real estate taxes paid	(17)
S1200-140	Property insurance paid	(43,315)
S1200-150	Miscellaneous taxes and insurance paid	(6,800)
S1200-160	Net tenant security deposits received (paid)	2
S1200-170	Other operating expenses paid	(114,055)
S1200-180	Interest paid on first mortgage	(486,234)
S1200-210	Mortgage insurance premium paid	<u>(59,362)</u>
S1200-230	Total disbursements	<u>(3,000,628)</u>
S1200-240	Net cash provided by operating activities	<u>855,109</u>
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	947
S1200-250	Net withdrawals from reserve for replacements	80,512
S1200-330	Net purchases of fixed assets	<u>(237,665)</u>
S1200-350	Net cash used in investing activities	<u>(156,206)</u>
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	(310,189)
S1200-420	Distributions to members	(542,925)
S1200-430	Contributions by members	<u>896,757</u>
S1200-460	Net cash provided by financing activities	<u>43,643</u>
S1200-470	Net increase in cash	742,546
S1200-480	Cash, beginning	<u>749,120</u>
S1200T	Cash, end	<u><u>\$ 1,491,666</u></u>

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

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2020

<u>Account No.</u>		
	Reconciliation of net income (loss) to net cash provided by operating activities	
3250	Net income (loss)	<u>\$ 417,793</u>
	Adjustments to reconcile net income (loss) to net cash provided by operating activities	
6600	Depreciation	484,538
S1200-486	Amortization of debt issuance costs	16,383
	Changes in asset and liability accounts	
	(Increase) decrease in assets	
S1200-490	Tenant accounts receivable	(79,805)
S1200-500	Accounts receivable - other	(17,363)
S1200-520	Prepaid expenses	5,416
S1200-530	Tenant security deposits funded	230
	Increase (decrease) in liabilities	
S1200-540	Accounts payable	8,614
S1200-560	Accrued liabilities	6,399
S1200-570	Accrued interest payable	(943)
S1200-580	Tenant security deposits held in trust	(228)
S1200-590	Prepaid revenue	17,067
S1200-605	Entity/construction liability accounts (include detail)	
S1200-606	Accounts payable - entity	<u>\$ (37,265)</u>
		(37,265)
S1200-600	Other adjustments (include detail)	
S1200-601	Bad debts	<u>34,273</u>
		<u>34,273</u>
	Total adjustments	<u>437,316</u>
S1200-610	Net cash provided by operating activities	<u><u>\$ 855,109</u></u>

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

Supplementary Information
Year Ended June 30, 2020

Reserve for Replacements

<u>Account No.</u>		
1320P	Balance at June 30, 2019	\$ 670,877
1320DT	Total monthly deposits	64,350
1320INT	Interest income	374
1320OWT	Other withdrawals	
1320OW-010	Approved withdrawals	<u>(145,236)</u>
1320	Balance at June 30, 2020	<u><u>\$ 590,365</u></u>

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

Supplementary Information
Period Ended December 31, 2019

Mid-Year Computation of Surplus Cash

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1400-020	Cash (Accounts 1120, 1170 and 1191)	\$ 1,710,672
S1400-030	Accounts receivable - HUD	<u>1,885</u>
S1400-050	Total cash	<u>1,712,557</u>
S1400-060	Accrued mortgage interest payable	40,482
S1400-070	Delinquent mortgage principal payments	-
S1400-080	Delinquent deposits to reserve for replacements	-
S1400-090	Accounts payable (due within 30 days)	98,506
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)	25,612
S1400-130	Prepaid revenue (Account 2210)	33,828
S1400-140	Tenant security deposits liability (Account 2191)	153,237
S1400-150	Other current obligations (describe in detail)	
S1400-160	Accounts payable - entity	<u>\$ 1,016,793</u>
		<u>1,016,793</u>
S1400-180	Less total current obligations	<u>1,368,458</u>
S1400-190	Surplus cash (deficiency)	<u><u>\$ 344,099</u></u>

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

Supplementary Information
Year Ended June 30, 2020

Computation of Surplus Cash

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1300-010	Cash (Accounts 1120, 1170 and 1191)	\$ 1,642,610
1135	Accounts receivable - HUD	-
		<hr/>
S1300-040	Total cash	1,642,610
		<hr/>
S1300-050	Accrued mortgage interest payable	40,006
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	329,624
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)	35,749
2210	Prepaid revenue (Account 2210)	31,544
2191	Tenant security deposits liability (Account 2191)	150,943
S1300-110	Other current obligations (describe in detail)	
S1300-120	Accounts payable - entity	<u>\$ 107,246</u>
		<hr/>
		107,246
		<hr/>
S1300-140	Less total current obligations	695,112
		<hr/>
S1300-150	Surplus cash (deficiency)	<u><u>\$ 947,498</u></u>

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

Supplementary Information
Year Ended June 30, 2020

Changes in Fixed Asset Accounts

	Assets			
	6/30/19	Additions	Deletions	6/30/20
Land	\$ 3,852,360	\$ -	\$ -	\$ 3,852,360
Buildings	9,078,713	-	-	9,078,713
Maintenance equipment	22,842	80,223	-	103,065
Miscellaneous fixed assets	-	157,442	-	157,442
	<u>\$ 12,953,915</u>	<u>\$ 237,665</u>	<u>\$ -</u>	<u>\$ 13,191,580</u>
Accumulated depreciation	<u>\$ 2,584,769</u>	<u>\$ 484,538</u>	<u>\$ -</u>	<u>\$ 3,069,307</u>
Total net book value				<u>\$ 10,122,273</u>

Fixed Asset Detail

Additions to Maintenance Equipment Account

<u>Item and quantity</u>	<u>Amount</u>
Commercial water heaters	<u>\$ 80,223</u>

Additions to Miscellaneous Fixed Assets Account

<u>Item and quantity</u>	<u>Amount</u>
Construction in process	<u>\$ 157,442</u>

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

Supplementary Information
Year Ended June 30, 2020

Detail of Accounts - Balance Sheet

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

Insurance settlement receivable	\$ 17,363
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Other Information

Related party transactions detail:

Account No.	Entity name	Amount paid
S3100-210	Management fee paid to SDHC	\$ 196,246

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

To the Sole Member
Central SDHC FHA LLC

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Central SDHC FHA LLC, which comprise the balance sheet as of June 30, 2020, 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 23, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central SDHC FHA LLC's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

CohnReznick LLP

Sacramento, California
September 23, 2020

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

To the Sole Member
Central SDHC FHA LLC

Report on Compliance for the Major HUD Program

We have audited Central SDHC FHA LLC's compliance with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the "Guide") that could have a direct and material effect on Central SDHC FHA LLC's major U.S. Department of Housing and Urban Development ("HUD") program for the year ended June 30, 2020. Central SDHC FHA LLC's major HUD program is the Section 223(f) mortgage insurance program.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Central SDHC FHA LLC's major HUD program based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about Central SDHC FHA LLC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major program. However, our audit does not provide a legal determination of Central SDHC FHA LLC's compliance.

Opinion on the Major HUD Program

In our opinion, Central SDHC FHA LLC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major HUD program for the year ended June 30, 2020.

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Report on Internal Control over Compliance

Management of Central SDHC FHA LLC is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Central SDHC FHA LLC's internal control over compliance with the requirements that could have a direct and material effect on the major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major HUD program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Central SDHC FHA LLC's 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 a 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 the attention by those charged with governance.

Our consideration of internal control over compliance 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 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. However, material weaknesses may exist that have not been identified.

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



Sacramento, California
September 23, 2020

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

**Schedule of Findings, Questioned Costs and Recommendations
June 30, 2020**

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

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

**Schedule of the Status of Prior Audit Findings,
Questioned Costs and Recommendations
June 30, 2020**

1. Audit Report, dated September 24, 2019, for the year ended June 30, 2019, issued by CohnReznick LLP.
 - There are no open findings from the prior audit report.
2. There were no reports issued by HUD OIG or other federal agencies or contract administrators during the period covered by this audit.
3. There were no letters or reports issued by HUD management during the period covered by this audit.



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SAN DIEGO
HOUSING
COMMISSION

San Diego Housing Commission

A Component Unit of the City of San Diego

Popular Annual Financial Report

Fiscal Year Ended June 30, 2020

San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101
www.sdhc.org





Housing Authority of the City of San Diego*

Council President Georgette Gómez, District 9
 Council President Pro Tem Barbara Bry, District 1
 Jennifer Campbell, District 2
 Chris Ward, District 3
 Monica Montgomery, District 4
 Mark Kersey, District 5
 Chris Cate, District 6
 Scott Sherman, District 7
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SDHC Board of Commissioners*

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 Vice Chair Ryan Clumpner
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 Margaret Davis
 Johanna Hester
 Kellee Hubbard
 Eugene “Mitch” Mitchell

SDHC President & CEO

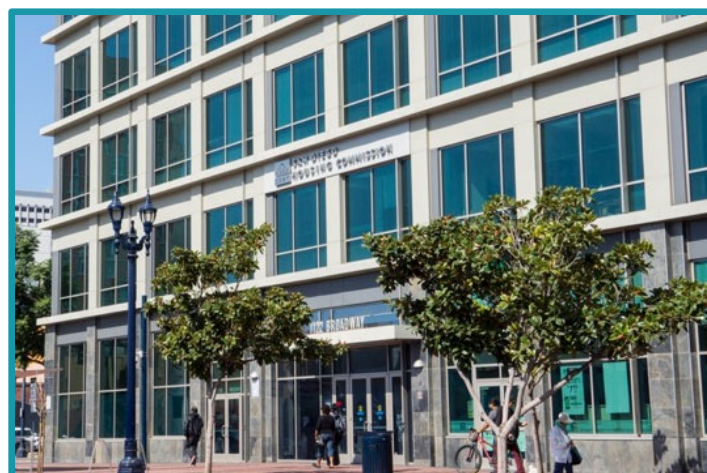
Richard C. Gentry

Visit SDHC’s website: www.SDHC.org

* As of June 30, 2020

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SDHC Headquarters

The San Diego Housing Commission’s (SDHC) Popular Annual Financial Report (PAFR) for the Fiscal Year that ended on June 30, 2020, was prepared by the SDHC Financial Services Department to provide readers an easy-to-understand summary of SDHC’s financial activities.

This report provides a condensed presentation of SDHC’s significant financial highlights for Fiscal Year 2020 (July 1, 2019 – June 30, 2020). The Comprehensive Annual Financial Report (CAFR) is the source of the data for this summary report. The CAFR is a more detailed financial report audited by CohnReznick, LLP and fully conforms to Generally Accepted Accounting Principles (GAAP). The CAFR is available on SDHC’s website at:

www.sdhc.org/about-us/budget-finance

SDHC welcomes any questions or comments on any of the information provided in this report. Requests for additional information should be addressed to Tracey McDermott, Senior Vice President of Financial Services and Chief Financial Officer, San Diego Housing Commission, 1122 Broadway, Suite 300, San Diego, California 92101.

Who We Are



SDHC is a public agency formed by local ordinance pursuant to the provisions of applicable Housing Authority law of the State of California. The organizational meeting of the SDHC Board of Commissioners occurred on January 5, 1979, at which Commissioners were sworn in and established a regular meeting schedule and guidelines for conducting business.

SDHC is one of only 39 public housing authorities nationwide, out of 3,400, to receive the Moving to Work (MTW) designation from the U.S. Department of Housing and Urban Development (HUD). In addition, SDHC has earned a national reputation as a model public housing agency, with innovative programs that preserve and create additional affordable housing in the City of San Diego. SDHC's award-winning programs and services stimulate the local economy, revitalize neighborhoods, and positively impact the lives of San Diegans with low income and/or experiencing homelessness.



SDHC Board of Commissioners

SDHC administers a variety of federally funded affordable housing programs and services, including the federal Section 8 Housing Choice Voucher program, which provides rental assistance to more than 15,800 low-income families in the City of San Diego.

SDHC's Rental Assistance Division manages the program and is dedicated to assisting families with supportive services and individualized case management to encourage economic independence.

SDHC also creates and preserves affordable housing through its roles as a lender, Multifamily Housing Revenue Bond issuer, administrator of City of San Diego (City) affordable housing programs, and owner or manager of affordable rental housing units. In addition, SDHC is a leading partner in collaborative efforts to address homelessness in the City, including SDHC's homelessness action plan, HOUSING FIRST – SAN DIEGO, and by administering the City's Homeless Shelters and Services programs.

SDHC is governed by the San Diego City Council, sitting as the Housing Authority of the City of San Diego (Housing Authority).

SDHC President & CEO Richard C. Gentry is the Executive Director of the Housing Authority.

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

A seven-member Board of Commissioners oversees SDHC's operations and makes recommendations to the Housing Authority. The Mayor appoints Commissioners, who are confirmed by the San Diego City Council.

The SDHC Board reviews proposed changes to housing policy, property acquisitions and other financial commitments. The Board offers policy guidance to SDHC staff through its communications with the agency's President & CEO.



SDHC Mission Statement

To provide affordable, safe and quality homes for low- and moderate-income families and individuals in the City of San Diego and provide opportunities to improve the quality of life for the families that SDHC serves.

SDHC Strategic Plan 2016-2020

SDHC developed the agency-wide 2016-2020 Strategic Plan, which the Board approved on September 9, 2016.

SDHC's Strategic Plan provides a framework to identify how SDHC can have the greatest possible impact on affordable rental housing opportunities. The Plan includes three major goals, which include metrics to monitor progress.

SDHC Strategic Plan – Goals & Accomplishments

1. Maximize resources through operational efficiencies and technological innovations

SDHC Resident Services Portal – In April 2020, SDHC launched its new Resident Services Portal through Rent Cafe, an online rent payment and residential services management system. The portal enables SDHC tenants to pay rent online 24 hours a day, seven days a week from anywhere there is an internet connection, all at no cost to the resident. Within the first two months of launching the portal, 346 SDHC residents have used the portal.

Notice of Funding Availability (NOFA) Online Application Portal –Created in Fiscal Year 2020, this portal enables developers and qualified vendors to submit an application for current NOFA opportunities. The same portal can be used to apply for funds available for new constructions or rehabilitation, as well as rental housing vouchers. The NOFA application portal launched on August 31, 2020, with SDHC's issuance of its Fiscal Year 2021 NOFAs.

Property Renovation – In Fiscal Year 2020, SDHC completed \$1.7 million in capital improvements at 24 of the 153 affordable rental housing properties that it owns. These renovations were in continuation of SDHC's plan to address the capital replacement needs of its diverse Real Estate portfolio.

The improvements included new large-capacity water heaters, roofs, windows, cabinets and countertops, appliances, flooring, exterior repairs and painting across the portfolio.

2. Increase the number of housing opportunities that serve low-income and homeless individuals and families in the City of San Diego

Creating and Preserving Affordable Housing – As part of its 2016-2020 Strategic Plan, SDHC set an objective to create 2,000 units of mixed- income and affordable housing - approximately 500 units per year.

In the preceding Fiscal Years 2017 – 2019, 627, 618 and 297 affordable units, respectively, closed financing and are currently under construction, rehabilitation or preserved affordability. In Fiscal Year 2020, 1,047 affordable units closed financing, for a total of 2,589 affordable units over the four-year strategic plan period. In addition, SDHC collaborated with San Diego City Councilmember Scott Sherman and then-Councilmember David Alvarez to develop the report, "Addressing the Housing Affordability Crisis: San Diego Housing Production Objectives 2018-2028." Presented to the Smart Growth and Land Use Committee on September 21, 2017, this report provides important data that will help the City of San Diego establish realistic and achievable housing goals. The City of San Diego can



create enough additional housing to meet its need for 150,000 - 220,000 housing units over the next 10 years if the majority of the proposals in the report are implemented.

HOUSING FIRST - SAN DIEGO

SDHC's homelessness action plan, HOUSING FIRST - SAN DIEGO, which launched on November 12, 2014, has created more than 9,200 housing opportunities in less than six years for individuals and families at risk of or experiencing homelessness in the City of San Diego.

HOUSING FIRST – SAN DIEGO consists of programs that provide a variety of housing interventions to address the diverse housing and supportive services needs of San Diegans who are at risk of or experiencing homelessness. Current programs are:

- Homelessness Prevention & Diversion
- SDHC Moving Home Rapid Rehousing
- Landlord Engagement and Assistance Program (LEAP)
- New Permanent Supportive Housing
- SDHC Moving On Rental Assistance
- HUD Mainstream Vouchers

In the first three years of HOUSING FIRST - SAN DIEGO (2014 - 2017), the programs of SDHC's homelessness action plan created 2,773 housing opportunities for individuals and families at risk of or experiencing homelessness—nearly doubling the initial goal of 1,500. In the last three years of HOUSING FIRST – SAN DIEGO (2017 – 2020), the programs created 6,459 housing opportunities – more than doubling the initial goal of 3,000.

3. Advocate for more effective affordable housing policies and resources

SDHC continues to maintain a careful watch on emerging issues or trends that could impact the families and individuals the agency assists and express positions based on SDHC's expertise.

On October 14, 2019, the San Diego City Council unanimously approved the City of San Diego Community Action Plan on Homelessness, a comprehensive, 10-year plan that builds on recent progress, lays out short-term achievable goals and will serve as a guide for long-term success in addressing homelessness.

SDHC also published a new report, "Preserving Affordable Housing in the City of San Diego." This report analyzes rental housing in the City of San Diego and recommends 10 strategies to help keep thousands of rental housing units affordable for low-income families. On June 2, 2020, the San Diego City Council unanimously accepted the report and referred it to the City Council's Land Use and Housing Committee for further action.

HUD Secretary Ben Carson visited San Diego on February 12, 2020, as part of his "Driving Affordable Housing Across America" bus tour. Secretary Carson joined SDHC President & CEO Richard C. Gentry, San Diego Mayor Kevin L. Faulconer and local housing industry leaders for a roundtable discussion regarding ways to reduce regulatory barriers to affordable housing and to address homelessness



Established in 1979, SDHC is an award-winning public agency dedicated to creating and preserving affordable housing within the City of San Diego.

Popular Annual Financial Reporting Awards

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to SDHC for its Popular Annual Financial Report (PAFR) for the fiscal year that ended on June 30, 2019. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

To receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. SDHC has received a Popular Award for the last 10 consecutive years (fiscal years ended 2010-2019). SDHC believes this current report continues to conform to the Popular Annual Financial Reporting requirements, and SDHC is submitting it to GFOA.

The PAFR is available on SDHC's website:

www.sdhc.org/about-us/budget-finance



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to
**San Diego Housing Commission
California**

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morrell
Executive Director/CEO

Comprehensive Annual Financial Report Awards

SDHC's Comprehensive Annual Financial Report (CAFR) for the fiscal years ended 2008-2019, from which information on pages 9-10 has been drawn, were awarded the Certificate of Achievement for Excellence in Financial Reporting by the GFOA. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

To be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. SDHC believes its CAFR continues to conform to the Certificate of Achievement program requirements, and SDHC will be submitting its CAFR for the Fiscal Year 2020 to the GFOA.

Chief Financial Officer's Message



The majority of SDHC's programs depend on federal financial assistance from HUD to continue operations. In fiscal year 2020, SDHC received 72 percent of its revenue from HUD, most of which was awarded to SDHC for Moving to Work (MTW) initiatives. SDHC's budget and financial condition are greatly affected by the financial condition of the federal government and Congress' annual appropriation to HUD.

HUD grants for housing programs and program administration funding may decrease due to the national economic and political climate. As good stewards of the taxpayer's money, it is SDHC's responsibility to strive to do more with less. Through a combination of expense reduction and the prudent utilization of available programmatic reserves, SDHC was able to maintain a balanced budget in fiscal year 2020 and will have a balanced budget in fiscal year 2021.

Annually, SDHC submits an MTW Plan to HUD that describes initiatives to be implemented over the next fiscal year. Following each year, SDHC issues an MTW Report that gives an accounting of activities put into action during the fiscal year. HUD approved SDHC's 2020 MTW Plan on June 28, 2019. In addition, HUD approved a Technical Amendment to the fiscal year 2020 plan on April 9, 2020. HUD's fiscal year runs from October to September. SDHC's fiscal year 2021 MTW Plan was approved by HUD on September 28, 2020. The plans can be viewed at <http://www.sdhc.org/about-us/plans-policies/mtw-annual-plans/>



Point-in-Time Count
January 23, 2020

In 2020, the financial impact of the novel coronavirus, which causes the disease known as COVID-19, has been felt both worldwide and in the United States. Throughout the United States, businesses in all financial sectors have felt the negative impacts of the COVID-19 pandemic as jobs have been lost due to sheltering in place to mitigate the spread of the virus.

While SDHC cannot readily estimate the financial impact that the pandemic will have on its business operations, SDHC does not believe that the Agency's mission will be adversely impacted as it has received federal stimulus funding to continue providing essential housing assistance to the thousands of families, seniors, veterans and San Diegans with low income and/or experiencing homelessness in the City of San Diego. In May 2020, SDHC directly received approximately \$3.1 million of federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funds, principally from the Housing Choice Vouchers program. As of June 30, 2020, SDHC has expended \$0.2 million. The deadline to expend the CARES Act funds has been extended to December 31, 2021. SDHC anticipates expending all funds it directly receives by this deadline.

Some of the local impacts of COVID-19 are reflected in the local loss of jobs. According to a report issued by the State of California Employment Development Department on August 21, 2020 the unemployment rate in San Diego County was 12.3 percent in July 2020, down from a revised 13.8 percent in June 2020, and above the year-ago estimate of 3.6 percent. This compares with an unadjusted unemployment rate of 13.7 percent for California and 10.5 percent for the nation during the same period. [https://www.labormarketinfo.edd.ca.gov/file/lfmonth/sand\\$pds.pdf](https://www.labormarketinfo.edd.ca.gov/file/lfmonth/sand$pds.pdf)

The high cost of living and affordability of homes continues to be a challenge in San Diego and contributes to the homelessness crisis. The San Diego Point-in-Time Count, known as We All Count was conducted on January 23, 2020. This year's count identified 7,658 individuals experiencing homelessness (3,687 sheltered and 3,971 unsheltered) in San Diego. This number is down slightly from last year's observed total of 8,102. HUD requires that

Chief Financial Officer's Message



cities receiving federal funding to combat homelessness complete the Point-In-Time Count each year and this is coordinated by the Regional Task Force on Homelessness. Their 2020 report can be found here: <https://www.rtfhsd.org/wp-content/uploads/2020-WeAllCount-Report-5.pdf>

SDHC continues to focus on its mission to *“Provide affordable, safe and quality homes for low- and moderate-income families and individuals in the City of San Diego and provide opportunities to improve the quality of life for the families that SDHC serves.”*

Through the execution of SDHC’s 2021 budget of \$525 million, SDHC will continue to demonstrate the prudent and responsible management of its financial resources toward helping SDHC’s customers by providing a high level of service.

Tracey McDermott
Senior Vice President and Chief Financial Officer



Giorgio
Affordable rental housing resident



Statement of Net Position

The abbreviated Statement of Net Position presented in this report (in thousands) is a useful indicator of SDHC's financial position. In Fiscal Year 2020, SDHC's assets exceeded liabilities by \$670.3 million, an increase of 3 percent from Fiscal Year 2019.

Total assets increased by \$57.0 million. The increase in current and other assets is primarily attributed to an increase in loans made (notes and mortgages receivable) and associated accrued interest. In addition, capital assets net of depreciation decreased \$18.6 million primarily due to the sale of Mariner's Village to SDHC's nonprofit affiliate, Housing Development Partners (HDP).

Total liabilities increased by \$38.2 million, or 29 percent. This is primarily due to an increase in unearned revenue of \$35.4 million. This was primarily related to the deferred gain from the sale of Mariner's Village of \$32.1 million in addition to \$2.9 million of unexpended CARES Act funds received from HUD.

SDHC's total net position increased 3 percent, or \$18.9 million, in Fiscal Year 2020.

Net investment in capital assets decreased \$15.6 million primarily as a result of the sale of Mariner's Village referenced above.

Unrestricted net position increased \$16.1 million to \$352.5 million. Although these funds are defined as unrestricted under the applicable accounting standards, these funds are not necessarily indicative of funds available for discretionary use.

	June 30, 2020	June 30, 2019	Change %
ASSETS			
Current and other assets	\$ 643,413	\$ 567,786	13%
Capital assets net of depreciation	197,048	215,634	-9%
Total assets	\$ 840,461	\$ 783,420	7%
LIABILITIES			
Current liabilities	\$ 74,433	\$ 33,099	125%
Notes payable and non-current liabilities	95,682	98,844	-3%
Total liabilities	\$ 170,115	\$ 131,943	29%
NET POSITION			
Net investment in capital assets	\$ 98,905	\$ 114,532	-14%
Restricted	218,949	200,545	9%
Unrestricted	352,492	336,400	5%
Total net position	670,346	651,477	3%
Total liabilities and net position	\$ 840,461	\$ 783,420	7%

Key Terms

Here are some definitions of accounting terms that will assist you throughout the financial section of the PAFR and CAFR reports:

Assets: What is owned by SDHC.

Liabilities: What SDHC owes.

Net position: The difference between SDHC's assets and liabilities. It is the net worth of SDHC.

Current and other assets: Cash, restricted cash and equivalents, investments, prepaid items, and accounts receivable.

Capital assets, net of depreciation: Land, building, building improvements, equipment, construction in progress, and depreciation.

Current liabilities: Accounts payable, accrued payroll, compensated absences, notes payable, and unearned income.

Notes payable and non-current liabilities: Long-term notes payable obligations due in the future years.

Net investment in capital assets: Capital assets less accumulated depreciation and any outstanding debt related to acquiring these assets.

Restricted: Funds subject to various external restrictions.

Unrestricted: Balance of net position not included in net investment in capital assets or restricted.

Financial Summary



Statement of Revenue, Expenses and Change in Net Position

The abbreviated **Statement of Revenue, Expenses and Change in Net Position** (in thousands) accounts for all of SDHC's revenue and expenses and reports the difference between the two as the change in net position. The statement reflects the results of SDHC's operations over the year and can be used to determine SDHC's creditworthiness and its ability to successfully recover its costs through grants, tenant charges, and other income.

This year's overall increase in net position of \$18.9 million represents a decrease of \$1.6 million (or 8 percent), from the change in net position in Fiscal Year 2019 and is mainly due to the increase in operating expenses exceeding the increase in revenues (non-operating income and expense [net] and operating revenue.)

Operating revenues increased slightly by \$1.3 million in Fiscal Year 2020 primarily related to increase bond administrative fees. Operating expenses increased by \$38.9 million in Fiscal Year 2020. This increase is primarily due to an increase in housing assistance payments of \$20.8 million, grant expenses for homelessness activities of \$15.4 million and \$2.7 million in personnel costs.

Non-operating income and expense (net) increased by \$36.0 million in Fiscal Year 2020 due to an increase in grant revenue of \$35.4 million and an increase of \$0.6 million in interest income.

	June 30, 2020	June 30, 2019	Change %
Operating revenues			
Dwelling rental income	\$ 30,693	\$ 31,520	-3%
Land lease and other rental income	3,351	2,969	13%
Fee revenue	4,479	3,164	42%
Other revenue	6,960	6,571	6%
Total Operating revenues	45,483	44,224	3%
Operating expenses	279,796	240,883	16%
Deficit before depreciation and other non-operating income and expenses	(234,313)	(196,659)	19%
Depreciation	8,132	8,118	0%
Deficit before other non- operating income and expense	(242,445)	(204,777)	18%
Other non-operating income and expenses, net	261,314	225,272	16%
Change in net position before capital transactions	18,869	20,495	-8%
Change in net position	\$ 18,869	\$ 20,495	-8%
Net position:			
Beginning of year	651,477	630,982	
End of year	\$ 670,346	\$ 651,477	

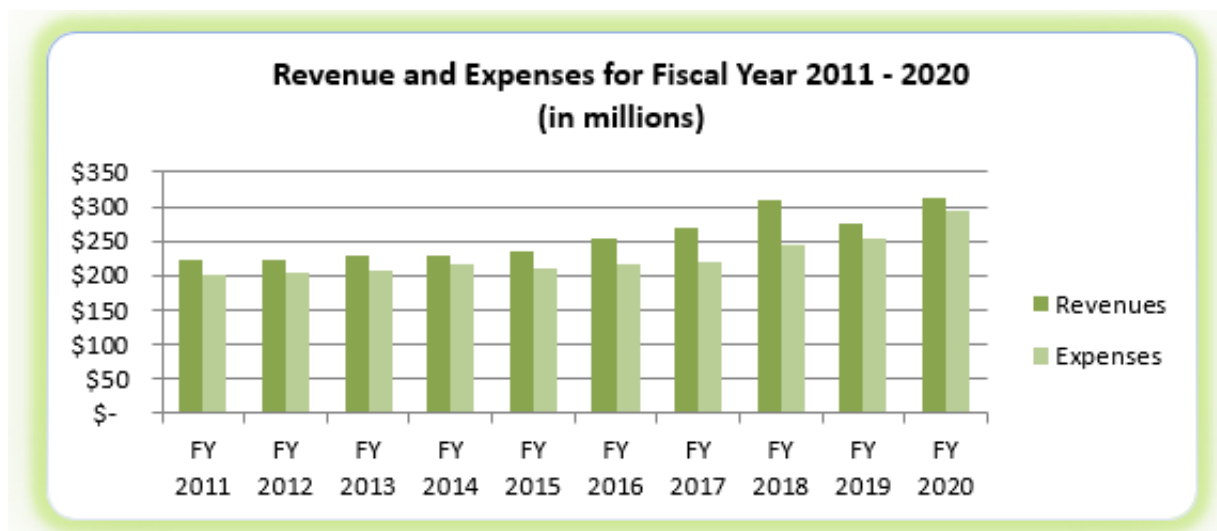
Additional Key Terms

Operating Revenues: Dwelling rent, commercial rent, land leases, management fees and other fees.

Non-Operating Revenues: Grant revenues from state, local and federal agencies and interest income.

Operating Expenses: Expenses related to operations, grant expense and supportive services to assist SDHC in performing its functions.

Change in Net Position: The total revenue earned less total expenses.



Investments



SDHC utilizes the services of an experienced financial advisor to aid in making investment decisions. The advisor provides guidance on creating a diversified portfolio and a secure investment mix. The advisor's ongoing role is to provide staff with sound investment opportunities that will maximize liquidity and yield without sacrificing principal value and safety of the investment securities. The fair value of cash and investments on June 30, 2020, was \$170.8 million, an increase of 5.2 percent from the previous year.

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

Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In accordance with California Government Code, amounts over \$250,000 are collateralized with government securities pledged by the financial institution holding the securities in SDHC's name.

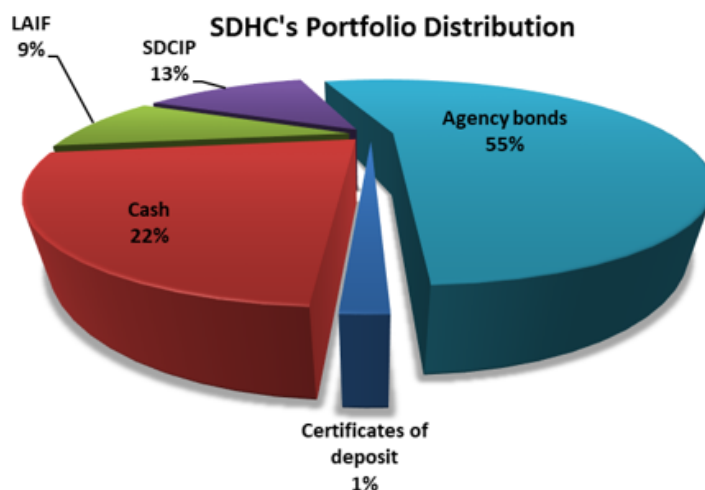
Investments in California's Local Agency Investment Fund (LAIF) and the San Diego County Investment Pool (SDCIP) represent SDHC's equity in pooled investments. Other investments such as Certificates of Deposits (CDs), bonds, government agency securities and demand deposit accounts are kept with commercial banking institutions.

Investment Risk Factors

The foremost objective of SDHC's Investment Policy is the safety of principal, which is achieved by mitigating credit risk and interest rate risk. These risks, along with custodial risk, concentration of credit risk and market risk, all affect the value of investments to a varying degree. Equity and debt securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risk and changes in interest rates.

Fair Value in Millions			
	6/30/2020	6/30/2019	Variance
Cash	\$37.28	\$22.03	\$15.25
LAIF	15.78	15.42	0.36
SDCIP	21.91	21.44	0.47
Agency Bonds	93.35	100.06	(6.71)
Certificates of Deposit	2.48	3.43	(0.95)
Total	\$170.80	\$162.38	\$8.42

SDHC's Quarterly Investment Report details are provided on a quarterly basis as an informational report to the SDHC Board. The reports are posted on SDHC's website, <https://www.sdhc.org/governance-legislative-affairs/sdhc-board-of-commissioners/meetings/>



The Board-appointed Investment Committee meets twice each year to review the investment results for the portfolio.

Capital Assets



At the end of Fiscal Year 2020, SDHC had approximately \$197.0 million (net of depreciation) invested in capital assets. The majority of SDHC's investment in capital assets is composed of ownership of land, affordable housing stock and the Smart Corner office building.

In Fiscal Year 2020, "construction in progress" increased by \$2.6 million primarily related to the multiyear renovation of Hotel Sandford and exterior stair replacement projects at multiple SDHC-owned properties.

In addition, SDHC sold its Mariner's Village property to its discrete component unit, HDP. This resulted in a decrease in buildings of \$17.8 million, decrease in building improvements of \$1.7 million and associated accumulated depreciation of \$4.8 million. SDHC maintained possession of the land.

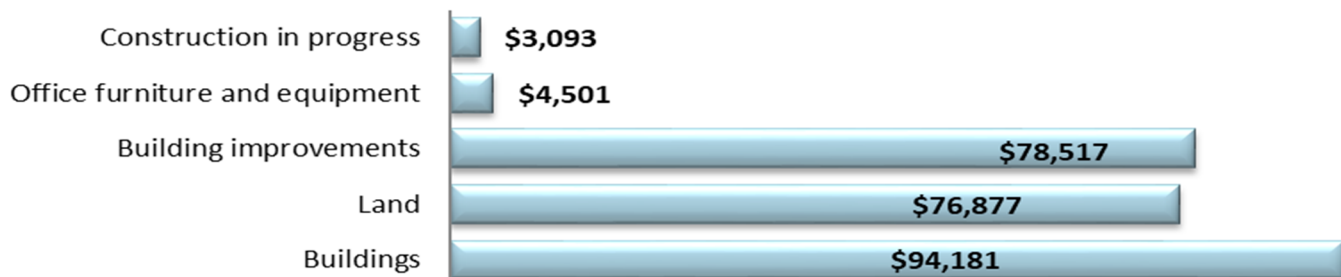
Depreciation expense for the Fiscal Year that ended on June 30, 2020 was \$8.1 million.



Via Las Cumbres
SDHC-owned Affordable Rental Housing

Total Capital Assets

In thousands of dollars (does not include depreciation)





As of June 30, 2020, SDHC owns 154 properties with 2,023 affordable housing rental apartments, of which 189 are federal public housing apartments SDHC operates in the City of San Diego.

SDHC also is a developer of new affordable housing. The agency's hallmark has been its ability to foster affordable housing projects by forging partnerships with nonprofit and for-profit developers, and the City of San Diego.

In Fiscal Year 2020, SDHC completed the following affordable housing partnership developments throughout the City of San Diego:

- **Stella and Bluewater**, combined 158 affordable rental homes for San Diegans with low income, including 87 permanent supportive housing units for individuals and veterans
- **Encanto Village**, 65 affordable housing units for low-income families, including 8 units for Veterans experiencing homelessness
- **Paseo La Paz**, 137 affordable rental units for low income families and individuals
- **West Park**, 46 affordable rental units with supportive services for individuals who experienced homelessness
- **The Beacon**, 43 affordable rental studios with supportive services for San Diegans who experienced homelessness
- **San Ysidro Senior Village**, 50 affordable housing units for seniors who experienced homelessness
- **J Street Inn**, extended affordability for 221 affordable housing units for low-income families
- **Pacifica at Playa del Sol**, 42 affordable housing units for families with low income, including 12 units set aside for households with family members who have developmental disabilities.
- **Harbor View Villa Apartments**, 59 affordable housing units for families with low income.



The Beacon

43 Affordable rental studios with supportive services for San Diegans who have experienced homelessness



Paseo La Paz

137 Affordable Apartments

As of June 30, 2020, SHDC has committed \$37.0 million towards loans and grants for additional affordable housing projects that had not yet been fully funded or completed.



Beginning with Fiscal Year 2012, SDHC included the consolidated financial statements of its nonprofit affiliate, Housing Development Partners (HDP), as a discretely presented component unit. They are reported in a separate column in the financial statements to emphasize that HDP is legally separate from SDHC.

HDP develops and preserves affordable housing for low-income San Diegans through the rehabilitation of existing buildings and new construction.

Rental housing for seniors, families, veterans, workers, and tenants with special needs are among the developments in HDP's real estate portfolio.

Since its inception, HDP has developed 1,709 affordable rental housing units in the City at properties it has acquired and created through partnership developments, which includes 769 units on SDHC-owned land that is ground leased to HDP: Parker-Kier Apartments (33 affordable units and one manager's unit), Hotel Churchill (72 affordable units and one manager's unit), Village North Senior Garden Apartments (119 affordable units and one manager's unit), Quality Inn (91 affordable units and one manager's unit), West Park Inn (46 affordable units and one manager's unit), San Diego Square (154 affordable units and one manager's unit), and in January 2020 HDP purchased Mariner's Village (170 affordable units and two manager units).

The abbreviated financial statements are for the period ending December 31, 2019, and are presented in thousands of dollars.

HDP – Discretely Presented Component Units

December 31, 2019

ASSETS	
Current and other assets	\$ 32,022
Capital assets net of depreciation	99,811
Total assets	<u>131,833</u>
LIABILITIES	
Current liabilities	3,102
Notes Payable and non-current liabilities	119,503
Total liabilities	<u>122,605</u>
NET POSITION	
Restricted	31,149
Unrestricted	(21,921)
Total liabilities and net position	<u>\$131,833</u>
OPERATING REVENUES	
Dwelling rental income	\$ 11,356
Other revenue	2,028
Total Operating revenues	13,384
OPERATING EXPENSES	
Income before depreciation and other non-operating income and expenses	9,362
Depreciation	4,022
Deficit before other non-operating income and expense	4,118
Other non-operating income and expenses, net	(96)
Change in net position before capital transactions	<u>(3,717)</u>
Capital contributions, net	(3,813)
Change in net position	18,658
	<u>\$ 14,845</u>
Net position:	
Beginning of year	(5,617)
End of year	<u>\$ 9,228</u>



Mariners Village

170 Affordable Apartments with two manager units.

Addressing Homelessness



The City Homeless Shelters and Services Programs provide temporary shelter and supportive services to some of the City's most vulnerable residents. SDHC administers these programs through a Memorandum of Understanding (MOU) with the City that first took effect on July 1, 2010.

On June 25, 2019, the City of San Diego extended the Homeless Services and Shelter MOU for an initial one-year term from July 1, 2019, through June 30, 2020, with four one-year options to renew. The City's homelessness programs also include:

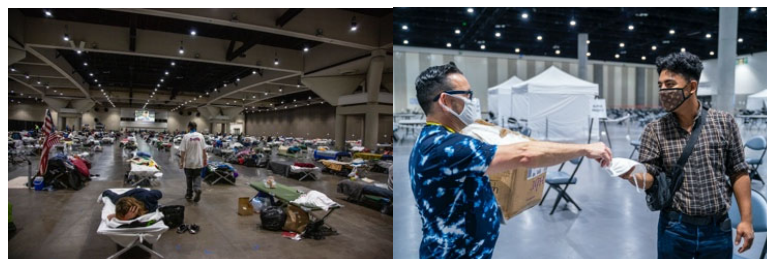
- Day Center Facility for Homeless Adults;
- Homeless Transitional Storage Center;
- Three interim housing programs (Connections Housing Downtown, the City-sponsored one-stop housing and services center for San Diegans experiencing homelessness; Cortez Hill Family Center, which provides short-term housing and services to help families experiencing homelessness stabilize their lives; and the City's Year-Round Permanent Interim Housing Program); and
- A rapid rehousing program



City of San Diego Bridge Shelter

In Fiscal Year 2020, SDHC also supported more than 282 transitional housing beds with City of San Diego Inclusionary Housing Funds and Housing Trust Funds. With Federal Emergency Solutions Grant and Continuum of Care funds, SDHC partnered with several local nonprofit agencies to provide Rapid Rehousing services.

In response to the COVID-19 pandemic, the City of San Diego, County of San Diego, SDHC, Regional Task Force on the Homeless (RTFH), the San Diego Convention Center and service providers collaborated to launch Operation Shelter to Home on April 1, 2020. This initiative's objectives are to protect the health of San Diegans experiencing homelessness during the pandemic and help them obtain housing as quickly as possible. Operation Shelter to Home temporarily repurposed parts of the San Diego Convention Center as a shelter for single adults experiencing homelessness in the City to allow for proper physical distancing to prevent the spread of COVID-19. SDHC established a Housing Navigation Team (HNT) within 10 days of the shelter site opening, with HNT staff focused on identifying the most appropriate exit strategy for shelter clients and working to end their cycle of homelessness. Operation Shelter to Home provided temporary shelter to approximately 1,100 people per day. As of September 9, 2020, it had helped more than 600 people secure permanent or longer-term housing. Operation Shelter to Home is part of a new, system-wide, coordinated plan to assist sheltered and unsheltered individuals experiencing homelessness to remain healthy during the global pandemic, and supports a regional approach to address homelessness during the pandemic.



San Diego Convention Center



SDHC is one of only 39 public housing authorities nationwide, out of 3,400, to receive a “Moving to Work” (MTW) designation from HUD. MTW status provides flexibility and allows SDHC to determine the most effective housing assistance programs for residents in the City with low income and/or experiencing homelessness. SDHC’s MTW status has allowed SDHC to leverage its available resources to address homelessness. To date, SDHC has committed more than 4,300 rental housing vouchers that help families experiencing homelessness secure housing.

In Fiscal Year 2020, SDHC committed 75 federal Project-Based Housing Vouchers, 30 HUD Veterans Affairs Supportive Housing (VASH) Project-Based Vouchers and 120 Sponsor-Based Housing Vouchers.

Additional MTW Programs

SDHC’s MTW operating budget in Fiscal Year 2020 was \$181,709,820. Examples of MTW initiatives that SDHC has implemented are the expansion of the Choice Communities Initiative and updates to rental assistance payment standards; Path to Success; the SDHC Achievement Academy; and the Guardian Scholars and Monarch School Project initiatives of SDHC’s HOUSING FIRST – SAN DIEGO homelessness action plan, which also includes the SDHC Moving Home Rapid Rehousing and SDHC Moving On Rental Assistance programs.

Choice Communities. SDHC’s Choice Communities initiative provides families that receive rental assistance with more flexibility to choose to live in neighborhoods that offer more opportunities for transportation, schools, and employment.

To increase housing opportunities through this initiative and to assist as many low-income families as possible, SDHC updated the payment standards that are used to determine the amount of rental assistance each family receives.

SDHC divided City of San Diego ZIP Codes into three groups, each with its own payment standards:

- Choice Communities
- Enterprise Communities
- Signature Communities

The payment standard is the maximum subsidy payment that the federal Section 8 Housing Choice Voucher would pay for an apartment or rental house, minus the applicable tenant rent portion. Families pay a predetermined amount of the rent, and SDHC pays the remainder of the rent, up to the applicable payment standard, directly to the landlord.

In Fiscal Year 2020, 1,115 families moved to Enterprise or Choice communities.

SDHC Achievement Academy. The SDHC Achievement Academy is a learning and resource center and computer lab located at SDHC’s downtown San Diego headquarters. Its programs emphasize career development, job skills and personal financial education. These services are available at no charge to families receiving federal Section 8 Housing Choice Voucher rental assistance and public housing residents.

In Fiscal Year 2020, more than 2,000 SDHC Achievement Academy participants attended 275 workshops addressing various topics, such as financial education, life skills, workforce readiness, computer literacy and job recruitments.

EnVision Center. The SDHC Achievement Academy is one of the key partners in the collaboration among SDHC, the City of San Diego, and the San Diego Workforce Partnership that HUD selected to be an EnVision Center, which promotes financial self-reliance among federal rental assistance participants and public housing residents.

The San Diego EnVision Center had been operational since November 2018. In fiscal year 2020 284 clients received services at the EnVision Center prior to the COVID-19 shutdown in March, including financial counseling, résumé assistance, employment referrals and training, and educational counseling.

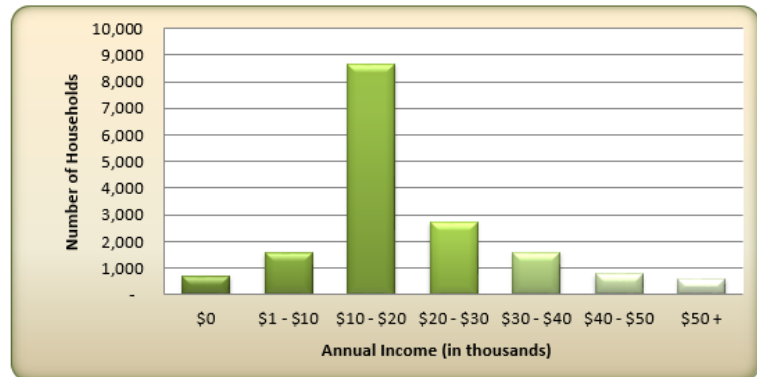
Demographics of the HCV Program



Funded by HUD and managed by SDHC's Rental Assistance Division, the federal Section 8 Housing Choice Voucher Program provided rental assistance to more than 15,800 low-income families in the City of San Diego. The number of rental assistance households fluctuates throughout the year, as participating families are able to move on and leave the program at different times, enabling SDHC to bring new families into the program from the waiting list.

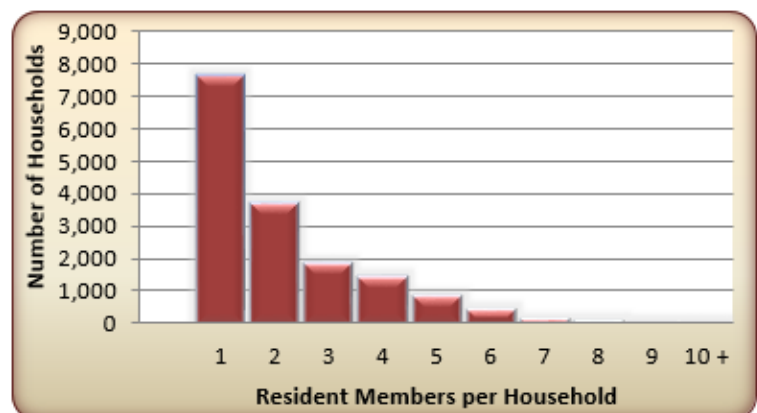
Income per HCV Household

- 52.0 percent of HCV recipients' income is between \$10,000 and \$19,999.



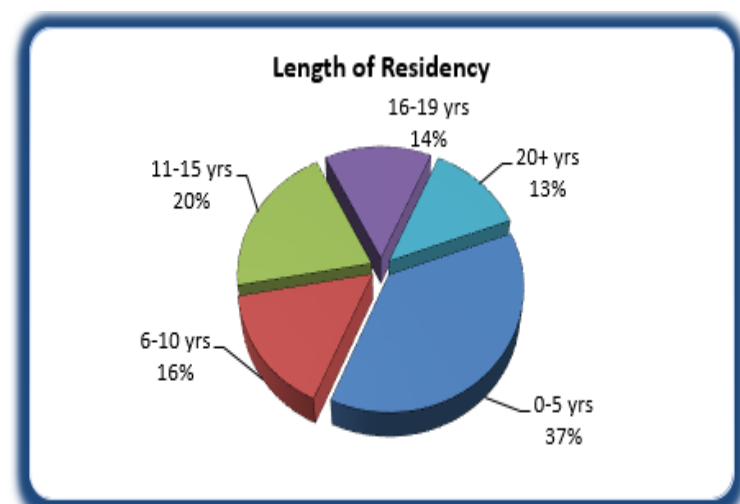
Resident Members per Household

- 45.9 percent are single-member households.
- 22.6 percent are households with two members.
- 11.5 percent are households with three members



Years in HCV Program

- 0-5 years: 6,185 households
- 6-10 years: 2,620 households
- 11-15 years: 3,398 households
- 16-19 years: 2,359 households
- 20+ years: 2,130 households





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