



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

MEETING DATE: November 12, 2021

HCR21-103

SUBJECT: Fiscal Year 2021 Annual Comprehensive Financial Report (Annual Report) 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 2021 (July 1, 2020 – June 30, 2021) Annual Comprehensive Financial Report (Annual Report) 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.

EXECUTIVE SUMMARY OF KEY FACTORS:

- The San Diego Housing Commission (Housing Commission) received an “unmodified” (“clean”) opinion for the audit period July 1, 2020 - June 30, 2021.
- The Housing Commission did not receive a Management Comment Letter on internal controls.
- Total Revenues were \$467.2 million, of which 82.9 percent is from Federal grants.
- Total Expenses were \$366.9 million, of which \$273.8 million related to Housing Assistance payments.
- Total Assets were \$1,004.0 million, including \$473.0 million in total notes and interest receivable, net of allowance.
- Total Liabilities were \$200.2 million.
- Total Net Position was \$803.8 million and was comprised of:
 - Net Investment in Capital Assets: \$167.4 million – the amount spent on capital assets and is used for operations.
 - Restricted Net Position: \$224.8 million – the amount is restricted by external creditors, grantors contributors, or laws or regulations of other governments.
 - Unrestricted Net Position: \$411.6 million, which is an accounting definition and not necessarily indicative of funds available for discretionary use.
- In Fiscal Year (FY) 2021, the recognition of the gain from the prior year sale of property to HDP related to Mariner’s Village of \$32.1 million and the gain from the current year sale of five single-family properties to HDP were considered transfers and contributed to the FY 2021 net position increase of \$133.5 million. Additionally, when taken as a whole (Housing Commission and HDP), there is zero gain.



REPORT

DATE ISSUED: November 4, 2021

REPORT NO: HCR21-103

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of November 12, 2021

SUBJECT: Fiscal Year 2021 Annual Comprehensive Financial Report (Annual Report)
and Single Audit Reports

COUNCIL DISTRICT: Citywide

REQUESTED ACTION

Accept the Fiscal Year 2021 (July 1, 2020 – June 30, 2021) Annual Comprehensive Financial Report (Annual Report) 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) 2021 (July 1, 2020 – June 30, 2021) Annual Comprehensive Financial Report (Annual Report) 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 Annual Report (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, 2021.

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).



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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, 2021.

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, 2021, 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 Fiscal Year 2021. For each project, the opinion of the auditors was that the statements of each project were presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. In addition, the Housing Commission complied, in all material respects, with HUD program and internal control requirements that could have a direct and material effect on each of the FHA Federal Programs.

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 November 3, 2021, Housing Commission staff and the Auditors presented the Fiscal Year 2021 Annual Comprehensive Financial Report and attached financial reports to the Audit



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Committee, the Deputy Chief Executive Officer, the Executive Vice President of Business Administration, 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

Attachments: 1) FY21 Comprehensive Annual Financial Report (Annual Report)
2) FY21 Single Audit Reports
3) FY21 Report to the Audit Committee of the Board of Commissioners
4) FY21 Financial Statements on the Otay Villas Housing Development
5) FY21 Financial Statements on the Adaptable Housing Development
6) FY21 Northern SDHC FHA LLC Financial Statements
7) FY21 Southern SDHC FHA LLC Financial Statements
8) FY21 Central SDHC FHA LLC Financial Statements
9) FY21 Popular Annual Financial Report (PAFR)
10) FY21 Hotel Sandford Financial Statements

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



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Attachment 1

San Diego Housing Commission Comprehensive Annual Financial Report

A Component Unit of the City of San Diego

For the fiscal year ended June 30, 2021

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, 2021**

**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 housing agency that serves the City of San Diego. SDHC's major program areas include providing rental assistance to more than 16,000 households with low income; addressing homelessness; and creating and preserving affordable rental housing.





November 3, 2021

Mayor Todd Gloria,
Council President Jennifer Campbell, 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 (Annual Report) of the San Diego Housing Commission (SDHC) for the fiscal year that ended on June 30, 2021.

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, 2021, 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, 2021, 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 Comprehensive Annual Financial Report includes the Financial Data Schedule (FDS) required by the U.S. Department of Housing and Urban Development (HUD). FDS was created to standardize financial information reported by Public Housing Authorities (PHAs). The HUD Real Estate Assessment Center (REAC) requires that PHA accounting information be reported in accordance with GAAP, using either governmental or enterprise fund accounting. REAC analyzes the FDS to assess the financial condition, viability and effectiveness of overall resource management of PHAs compared to industry peers. The FDS discloses federal-, state- and local-funded activities reported to HUD. These activities are the basis of SDHC's enterprise fund program schedules, which are combined in the basic financial statements.

Established in 1979, SDHC has earned a national reputation as a model public housing agency, with innovative programs that preserve and create additional affordable housing in the City of San Diego. SDHC's award-winning programs and services stimulate the local economy, revitalize neighborhoods, and positively impact the lives of San Diegans with low income and/or experiencing homelessness. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SDHC for its Annual Report for the fiscal year that ended on June 30, 2020. This was the 13th consecutive year that SDHC has achieved this prestigious award, recognizing "transparency and full disclosure" in the Annual Report. This report must satisfy both GAAP and applicable legal requirements.

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

The GFOA has also given an award for Outstanding Achievement in Popular Annual Financial Reporting to SDHC for its Popular Annual Financial Report for Fiscal Year 2020. This was the 11th 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 Vision

Everyone in the City of San Diego has a home they can afford.

SDHC Mission Statement

The San Diego Housing Commission (SDHC) fosters social and economic stability for vulnerable populations in the City of San Diego through quality affordable housing, opportunities for financial self-reliance and homelessness solutions.

Purpose

Help individuals, families and the San Diego community thrive.

SDHC Strategic Plan Fiscal Years 2022- 2024

SDHC's Strategic Plan for Fiscal Years (FY) 2022 - 2024 serves as a roadmap for SDHC, guiding the agency's decisions, initiatives and day-to-day efforts for the next three years. At the same time, SDHC has the flexibility to adapt this Strategic Plan as needed to address changing circumstances around the agency.

The SDHC Board of Commissioners approved this three-year Strategic Plan on July 9, 2021.

The Plan includes five strategic priorities, which include metrics to monitor progress:

- Increasing and preserving housing solutions
- Helping families increase opportunities for self-sufficiency and quality of life

- Investing in our team
- Advancing homelessness solutions – supporting the City of San Diego Community Action Plan on Homelessness
- Advocacy, Communication, Public Engagement

SDHC obtained input from City Councilmembers, SDHC Board members, a variety of other critical community partners and SDHC staff. The Strategic Plan provides the vision, mission, purpose, core values and strategic priorities for the agency for the years to come. The COVID-19 pandemic affected the timing for the creation and completion of the Strategic Plan, but it also reinforced the importance of the bold, broader new vision for SDHC: Everyone in the City of San Diego has a home they can afford.

The Strategic Plan also reflects SDHC's commitment to equity and inclusivity. The following statement is an important part of this guiding document for the agency:
At SDHC, we are about people. SDHC embraces diverse approaches and points of view to improve our programs, projects and policies.

- *We believe in delivering programs and services in innovative and inclusive ways.*
- *We are committed to advancing equity and inclusion both internally and externally.*

SDHC Fiscal Year 2021 Accomplishments

The principles of SDHC's previous Strategic Plan for 2016 – 2020 continued to guide SDHC during Fiscal Year 2021, as the agency developed the new Strategic Plan.

1. Maximize resources through operational efficiencies and technological innovations

SDHC developed a system performance data dashboard in support of the foundational strategy "Implement a Systems-Level Approach to Homelessness Planning" that is part of the City of San Diego Community Action Plan on Homelessness. SDHC staff worked on the development of this dashboard throughout Fiscal Year 2021. The dashboard became available to the public on SDHC's website, www.sdhc.org, in September 2021. Providing information about the performance of homelessness programs as a system, compared with industry-standard, best-practice metrics, is the goal of the dashboard. This also supports the Community Action Plan's guiding principle to make data-driven decisions and create transparency.

In addition, during Fiscal Year 2021, SDHC created an online tool to provide property-specific information for households looking for affordable housing, as well as overview data about affordable housing for the public and policymakers. This Affordable Housing Dashboard launched September 13, 2021, on SDHC's website, www.sdhc.org. Households looking for affordable housing in the City of San Diego can find information about locations, such as their proximity to transit and schools, which bus and trolley routes serve the area, and contact information for the property management company. The dashboard includes a map searchable by ZIP Code. For individuals or organizations that are looking for information about the City of San Diego's affordable housing, the tool includes a self-service option, which allows selected data to be exported into an Excel spreadsheet file.

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 –

In Fiscal Year 2021, 529 affordable units closed financing (Affordable Housing Fund- and Bond- funded), for a total of 3,118 affordable units over the five years since the inception of the 2016 Strategic Plan.

Property Renovation - In Fiscal Year 2021, SDHC completed approximately \$7.8 million in capital improvements at 38 of the 150 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 plumbing upgrades, elevator modernization, foundation repairs, roofs, windows, cabinets and countertops, appliances, flooring, exterior repairs and painting across the portfolio.

HOUSING FIRST - SAN DIEGO

As of June 30, 2021, SDHC's homelessness action plan, HOUSING FIRST - SAN DIEGO, which launched on November 12, 2014, had created more than 9,100 housing solutions in less than seven years for individuals and families at risk of or experiencing homelessness in the City of San Diego, with an additional 608 housing units approved and pending completion.

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
 - Prevention Extension Program
 - Diversion Extension Program
 - Shallow Subsidy
- FLEX - Flexible Housing Subsidy Pool
- SDHC Moving Home Rapid Rehousing
 - SDHC Moving Home Continuum of Care (CoC) Rapid Rehousing for Domestic Violence Survivors
- Landlord Engagement and Assistance Program (LEAP)
- New Permanent Supportive Housing
- SDHC Moving On Rental Assistance
- HUD Mainstream Vouchers

HOUSING FIRST – SAN DIEGO continues to enhance and expand its programs to serve the various needs of those in the community who are at risk of or experiencing homelessness. This year, HOUSING FIRST - SAN DIEGO launched additional programs like our Shallow Subsidy Program to serve older adults on a fixed income with rental assistance and light-touch case management services. SDHC also launched an expanded Shelter Diversion Program that provides financial assistance and services to households new to experiencing homelessness and who have higher needs. This program helps these households move into and stabilize in housing quickly.

COVID-19 Response: Operation Shelter to Home

In April 2020, a collaborative effort among the City of San Diego, SDHC, the Regional Task Force on Homelessness (RTFH), County of San Diego, City shelter providers and other agencies launched Operation Shelter to Home (OSTH) to mitigate the impact of COVID-19 on people experiencing homelessness in San Diego. It included a temporary emergency shelter at the San Diego Convention Center. A key goal of Operation Shelter to Home was to pilot new practices and design a more client-focused system consistent with the City of San Diego Community Action Plan on Homelessness. One major component of Operation Shelter to Home was the creation of the Housing Navigation Team (HNT) staffed by members of SDHC'S HOUSING FIRST – SAN DIEGO team. Over the course of less than 12 months, 1,422 individuals and 43 families secured permanent or longer-term housing through Operation Shelter to Home.

With the lessons learned from Operation Shelter to Home, SDHC launched the Homelessness Response Center (HRC). The Homelessness Response Center expands the services offered through the HNT by providing housing-focused system navigation, centralizing core supportive and housing-focused services in one location, and coordinating all activities to move someone from homelessness to housing. The Homelessness Response Center is administered and managed by staff members of SDHC's HOUSING FIRST – SAN DIEGO team. Additionally, HOUSING FIRST – SAN DIEGO staff work on-site to support the operations of the program and work in collaboration with partner providers throughout the region.

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. For example, the Consolidated Appropriations Bill of 2021, passed by Congress and signed into law in late December 2020, included important changes to the Veterans Affairs Supportive Housing (VASH) voucher program that SDHC advocated throughout the year. This legislation will help public housing authorities nationwide, including SDHC, to maximize use of VASH vouchers to help veterans experiencing homelessness.

In January 2021, SDHC President & CEO Richard C. Gentry provided written testimony to the Joint Informational Hearing on the State Role on Homelessness, which consisted of the California State Assembly Committee on Budget Subcommittee 4 on State Administration and the California State Assembly Committee on Housing and Community Development. Mr. Gentry provided information about the State role as an essential financial partner in collaborative efforts to address homelessness through its Project Homekey, Homeless Emergency Aid Program (HEAP), and Homeless Housing, Assistance and Prevention (HHAP) Program.

Solutions for homelessness among military veterans were the focus of a roundtable discussion by video conference in which Mr. Gentry participated on April 21, 2021, with members of the U.S. Senate Committee on Veterans' Affairs. Mr. Gentry discussed changes implemented in the City of San Diego to maximize the utilization of VASH vouchers. He also spoke about the help veterans experiencing homelessness during

the COVID-19 pandemic received through Operation Shelter to Home, as well as past accomplishments, such as the Housing Our Heroes initiative, which within 18 months in 2016 and 2017 helped secure homes for 1,000 veterans experiencing homelessness.

Amid the ongoing COVID-19 pandemic, Mr. Gentry also advocated changes in California State law that were enacted through Assembly Bill 832 to provide more help to qualifying households, and he supported the American Rescue Plan Act, which Congress enacted in March 2021.

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 16,000 families with low income in the City of San Diego.

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

New Voucher Awards

During Fiscal Year 2021, SDHC was awarded 100 additional HUD Mainstream Vouchers. These vouchers serve families that include at least one non-elderly person with a disability. SDHC also was awarded 480 Emergency Housing Vouchers through the federal American Rescue Plan. These vouchers serve four eligible populations: people experiencing homelessness; people at risk of homelessness; people fleeing or attempting to flee domestic violence, dating violence, sexual assault, stalking, or human trafficking; and people who are recently homeless or have a high risk of housing instability and for whom providing rental assistance will prevent homelessness. These Emergency Housing Vouchers had an effective date of July 1, 2021.

'Moving to Work' Agency

SDHC is one of only 39 original "Moving to Work" (MTW) agencies out of approximately 3,350 public housing authorities nationwide. In 2021, HUD announced the addition of 41 public housing authorities as new MTW agencies.

MTW status provides flexibility and allows SDHC to determine the most effective housing assistance programs for households with low income or experiencing homelessness in the City of San Diego.

Committing Federal Rental Housing Vouchers to Address Homelessness

SDHC's MTW status has allowed SDHC to leverage its available resources to address homelessness. To date, SDHC has committed more than 4,700 rental housing vouchers that help families experiencing homelessness secure housing.

In Fiscal Year 2021, SDHC committed 431 federal Project-Based Housing Vouchers and 80 Sponsor-Based Housing Vouchers.

At the close of Fiscal Year 2021, SDHC had committed a total of more than 4,700 rental assistance subsidies for families and individuals experiencing homelessness dating back to 2002. This includes 1,235 Veterans Affairs Supportive Housing (VASH) vouchers that have been allocated since 2008 to serve veterans experiencing homelessness.

Committing Federal Rental Housing Vouchers for Affordable Housing

SDHC also committed 214 federal Project-Based Housing Vouchers (PBVs) to affordable housing developments in Fiscal Year 2021. 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 so that when a tenant moves on, the voucher remains with the unit to help another household.

Additional MTW Programs

SDHC's MTW operating budget in Fiscal Year 2021 was \$191,865,040. Examples of MTW initiatives that SDHC has implemented are the expansion of the Choice Communities Initiative, updates to rental assistance payment standards, Path to Success, the SDHC Achievement Academy, and HOUSING FIRST – SAN DIEGO homelessness initiatives, such as Guardian Scholars, the Monarch School Project, SDHC Moving Home Rapid Rehousing and SDHC Moving On Rental Assistance.

Choice Communities

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

To increase housing opportunities through this initiative and to assist as many low-income families as possible, on April 1, 2021, SDHC updated the payment standards that are used to determine the amount of rental assistance each family receives.

In Fiscal Year 2021, 1,421 families moved to Enterprise or Choice communities. In addition, 775 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 2021, 252 families participated in this Security Deposit Loan Program, and SDHC loaned a total of more than \$411,820 through this program.

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 2021, more than 2,300 SDHC Achievement Academy participants attended 217 workshops addressing various topics, such as financial education, life skills, workforce readiness, computer literacy and job recruitments. In addition to attending workshops, 1,277 participants received core services, including benefits screening and meeting with a certified financial counselor; 191 participants were placed in jobs; and 200 increased their earnings. In Fiscal Year 2021, the average hourly wage earned by SDHC Achievement Academy participants was \$16.80, which reflects a 44 percent increase in the average hourly wage of SDHC Achievement Academy participants in the last five years. From recruitment fairs and employer presentations to small business classes and industry-specific trainings, the SDHC Achievement Academy offers an array of services to meet the varying needs of its participants.

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.

Path to Success

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

Average annual income among Work-Able families in Fiscal Year 2021 was 52 percent higher than in Fiscal Year 2013, the last year before Path to Success was implemented.

Oversight and Administration of Emergency Rental Assistance Programs

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.

COVID-19 Housing Stability Assistance Program

The San Diego Housing Commission (SDHC) administers the City of San Diego COVID-19 Housing Stability Assistance Program, which helps pay rent and utilities for households with low income that experience financial hardship due to or during the COVID-19 pandemic. The program initially was funded by \$42,333,563 that the U.S.

Department of the Treasury allocated directly to the City of San Diego through the federal Coronavirus Relief Fund; \$44,877,753.57 in federal funds that the State of California allocated to the City of San Diego through the State's Coronavirus Relief Fund, as approved in State Senate Bill (SB) 91, signed into law on January 29, 2021; and \$5,000,000 in federal Coronavirus Aid, Relief, and Economic Security (CARES) Act Community Development Block Grant (CDBG) funds the City Council previously authorized for emergency rental assistance. On July 27, 2021, the San Diego City Council authorized an additional \$54,539,063.20 in federal American Rescue Plan Act (ARPA) funds allocated directly to the City of San Diego and \$5,610,840.67 in federal funds allocated by the State of California to the City of San Diego through the State's Coronavirus Relief Fund to provide rental assistance and/or utility assistance to qualifying households.

On June 28, 2021, California Governor Gavin Newsom signed into law Assembly Bill (AB) 832, which included provisions SDHC had advocated since April to provide more financial help to families with low income experiencing financial hardship due to the COVID-19 pandemic. AB 832 allows the City of San Diego COVID-19 Housing Stability Assistance Program and similar programs statewide to pay 100 percent of past-due rent and 100 percent of prospective rent for qualifying households. This includes providing additional assistance to households that already have received payment for a portion of their rent under the previous program restrictions to bring their assistance up to 100 percent. AB 832 also extends the statewide eviction moratorium through September 30, 2021, providing essential protection for renters as SDHC continues to provide rental assistance to qualifying households in need.

SDHC began making payments for qualifying applicants in late April 2021. As of September 16, 2021, SDHC had disbursed \$99,617,664.70 in assistance payments to help 11,385 qualifying households.

Since before the launch of this program, SDHC has engaged in extensive, comprehensive outreach to help make households and landlords aware of the assistance available through the COVID-19 Housing Stability Assistance Program. Outreach efforts included but were not limited to: application assistance events; direct mail to City of San Diego residents, including utility customers, San Diego Unified School District families, and residents of 10 specific ZIP Codes with high COVID-19 case rates; Spanish- and English-language advertising on buses, trolleys, billboards, bus benches, radio, television and community newspapers; news conferences and news media coverage; and collaboration with community-based organizations to raise awareness and help households complete their applications.

COVID-19 Emergency Rental Assistance Program

During calendar year 2020, in the first half of Fiscal Year 2021, SDHC also administered the City of San Diego COVID-19 Emergency Rental Assistance Program, which helped families with low income in the City of San Diego who experienced financial hardship due to the COVID-19 pandemic. The program provided one-time payments of up to \$4,000 per qualifying household to help pay past-due and/or upcoming rent to assist with preventing housing displacement. Households residing in rental housing where

restrictions recorded on the property require rents to remain affordable for specified income levels (deed-restricted affordable housing) were eligible to receive up to \$2,000.

SDHC created a web-based, online application portal to accept applications for this program. SDHC accepted applications through the online portal from July 20, 2020, through 11:59 p.m. on August 7, 2020. More than 13,000 applications were submitted to SDHC during the application period. Of these, more than 8,300 applicants provided information indicating they resided in the City of San Diego. A preliminary review of these applications identified approximately 3,000 that did not meet one or more of the eligibility criteria, and approximately 5,300 that initially appeared to meet all of the program's eligibility criteria. SDHC then verified the information and the required documentation to determine whether applicants qualified for assistance.

At the conclusion of the program, SDHC had disbursed more than \$13.7 million in federal funds to provide one-time payments to qualifying households, helping more than 3,700 low-income households in the City of San Diego pay their rent. Every qualifying household that applied for the COVID-19 Emergency Rental Assistance Program received assistance.

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.

The City's homelessness programs also include:

- Day Center Facility for Homeless Adults;
- Homeless Transitional Storage Center;
- Four interim housing programs (Connections Housing Downtown, a one-stop housing and services center for single adults experiencing homelessness; Interim Housing Program for Families, which provides short-term housing and services to help families experiencing homelessness stabilize their lives; the Interim Housing Program for Adults operated out of the Paul Mirable Center on the Father Joe's Villages main campus; and the new Bishop Interim Shelter Program, which also provides shelter beds for single adults);
- A rapid rehousing program; and
- The City's Serial Inebriate Program (SIP) transitional housing program.

SDHC administers these programs through Memoranda of Understanding (MOU) with the City.

In Fiscal Year 2021, SDHC also supported more than 138 transitional housing beds, operated by three providers at different locations in the City, with City of San Diego Inclusionary Housing Funds and Housing Trust Funds.

With Federal Emergency Solutions Grant (ESG) and Continuum of Care funds, SDHC partnered with several local nonprofit agencies to provide Rapid Rehousing services.

The ESG grant also funds the City's Security Deposit Plus program, which provides financial move-in assistance for persons experiencing homelessness.

On October 16, 2020, the SDHC Board of Commissioners approved a recommendation to the City Council and Housing Authority for SDHC to directly operate a Homelessness Response Center. On October 27, 2020, the Housing Authority of the City of San Diego and City Council authorized the execution of a Memorandum of Understanding (MOU) between the City of San Diego and SDHC for SDHC to operate the proposed Homelessness Response Center for an initial term continuing through June 30, 2021, with two one-year options to renew. The City of San Diego's Homelessness Response Center (HRC) provides a broad range of services to help individuals and families experiencing homelessness on their path to permanent or longer-term housing, including housing-focused system navigators. All HRC services are focused on meeting the unique needs of each customer being served. SDHC operates and administers the HRC, in collaboration with the City of San Diego, People Assisting the Homeless (PATH), RTFH, and homelessness service providers.

In Fiscal Year 2021, SDHC also received approval from the City Council to maintain three Rapid Rehousing (RRH) Programs, with funding from Homeless Housing, Assistance and Prevention (HHAP) Program and American Rescue Plan Act (ARPA) Funds. The RRH programs launched in July 2019 and contained funds to serve 120 high-need households experiencing homelessness throughout the program term (both families and individuals). Additional funding allocated for Fiscal Year 2022 allows households to continue receiving critical housing support as well as expands the program to serve up to an additional 100 households.

SDHC administers the contracts for the City of San Diego's (City) Interim Shelter for Transition-Age Youth (TAY) based on a Memorandum of Understanding between the SDHC and the City for the administration and oversight of HHAP-funded homelessness programs, which first took effect on June 16, 2020. The Interim Shelter for Transition-Age Youth provides a 24-hour-per-day, seven-day-per week, service-enhanced interim housing program in alignment with Housing First principles. The SafeTAY Network Outreach Program is an outreach program that focuses on providing outreach services and emergency hotel/motel vouchers to transition-age youth while prioritizing TAY single adults/households who are part of the Lesbian, Gay, Bisexual, Transgender, Questioning community who are experiencing unsheltered homelessness within the City of San Diego. The Unaccompanied Youth Program provides temporary emergency shelter for Runaway Homeless Youth ages 12-17. The program offers four beds in addition to food, transportation and assistance in reuniting with family or connecting youth with safe, long-term housing.

In October 2020, the City Council authorized SDHC to administer and operate the Coordinated Outreach Program, an innovative program that aligns with national best practices. The program functions to strategically engage individuals prioritized for housing through the regional Coordinated Entry System. Outreach resources are focused in a neighborhood-based approach, by identifying concentrations of unsheltered individuals, with an emphasis on diverting individuals from the homeless response system and fostering connections to permanent housing placements, while meeting basic needs and providing connections to bridge housing, emergency shelter

and other supportive services. City-funded outreach activities are coordinated through a Special Programs Manager and dedicated senior outreach coordinator, staffed by SDHC. This provides the infrastructure necessary to direct rapid response teams and support ongoing neighborhood-based outreach and case management.

In November 2020, SDHC purchased two hotel properties using State of California HomeKey funds and created 332 units of permanent housing with supportive services for individuals who previously experienced homelessness. The two properties, Kearny Vista Apartments and Valley Vista Apartments, offer affordable housing units, paired with case management and robust supportive services, to persons experiencing homelessness. The services component of the programs are operated by two experienced providers and are funded by a combination of City ESG-CV funds and Homeless Emergency Aid Program (HEAP) funds received from RTFH.

Creating Affordable Housing

As of June 30, 2021, SDHC owns 150 properties with 2,401 housing rental units, 189 of those properties are federal public housing units that SDHC operates in the City of San Diego.

In Fiscal Year 2021, SDHC completed the following affordable housing property acquisitions:

- Hillcrest Inn Apartments, 47 housing units for low-income and middle-income families.
- Kearny Vista Apartments, 144 housing units for individuals who experienced homelessness.
- Valley Vista Apartments, 192 housing units for individuals who experienced homelessness.

In addition, Housing Development Partners, SDHC's nonprofit affiliate, has developed 1,714 affordable rental housing units in the City at properties it has acquired and created through partnership developments, which include 769 units on SDHC-owned land that is ground leased to HDP: 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 lender and authorized the issuance of Multifamily Housing Revenue Bonds to support new affordable housing. The agency's hallmark has been its ability to foster affordable housing developments by forging partnerships with nonprofit and for-profit developers, and the City of San Diego.

In Fiscal Year 2021, SDHC completed the following affordable housing partnership developments throughout the City of San Diego:

- Stylus, 201 affordable rental units for San Diegans with low income
- Wesley Terrace, 159 affordable rental units for low-income seniors
- Mission Terrace Apartments, 76 affordable rental units for San Diegans with low income
- Hillside Views Apartments, 297 affordable rental units for San Diegans with low income
- Benson Place, 82 affordable rental units for San Diegans experiencing homelessness

COVID-19

As Covid-19 continues to impact San Diego's local economy and worldwide financial markets due to emerging variants, SDHC continues to keep the safety and well-being of SDHC's employees and constituents its top priority. While SDHC currently remains closed to the public, SDHC continues to serve the City of San Diego by providing essential housing assistance and access to supportive services to thousands of San Diegans experiencing homelessness or at risk of being homeless.

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 SDHC's Financial Services Department. Credit also must be given to management and the governing boards for their support in maintaining the highest standards of professionalism in the management of SDHC's finances.



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

**San Diego Housing Commission
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

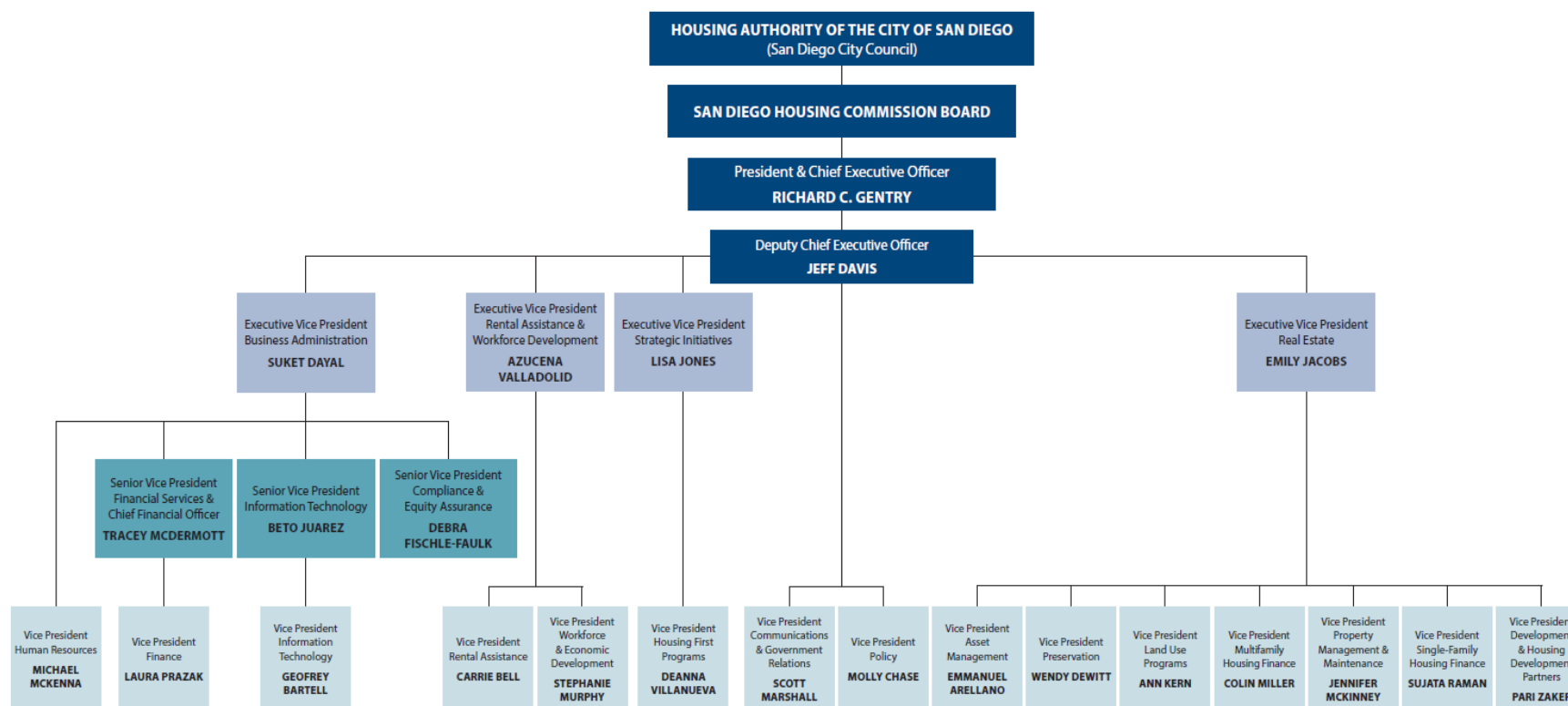
June 30, 2020

Christopher P. Morill

Executive Director/CEO



SDHC Organizational Chart



As of June 30, 2021



SAN DIEGO HOUSING COMMISSION
ROSTER OF OFFICIALS
AS OF JUNE 30, 2021

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 2	Jennifer Campbell
Council President Pro Tem - District 3	Stephen Whitburn
Councilmember - District 1	Joe LaCava
Councilmember - District 4	Monica Montgomery Steppe
Councilmember - District 5	Marni von Wilpert
Councilmember - District 6	Chris Cate
Councilmember - District 7	Raul Campillo
Councilmember - District 8	Vivian Moreno
Councilmember - District 9	Sean Elo-Rivera

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	Margaret Davis
Commissioner	Johanna Hester
Commissioner	Kellee Hubbard
Commissioner	Eugene "Mitch" Mitchell



SAN DIEGO
HOUSING
COMMISSION

Financial Section



We're About People

For the 13th consecutive year, the SDHC Financial Services Department was recognized by the Government Finance Officers Association (GFOA) of the United States and Canada with the “Certificate of Achievement for Excellence in Financial Reporting” for the fiscal year 2020 (July 1, 2019 – June 30, 2020) Comprehensive Annual Financial Report. SDHC also received the Award for Outstanding Achievement in Popular Annual Financial Reporting from GFOA for the 11th 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 fund of the San Diego Housing Commission (SDHC), a component unit of the City of San Diego, California, as of and for the year ended June 30, 2021, 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 fund financial statements included in the basic financial statements of SDHC. Those financial statements were audited by another auditor whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included for the fiduciary fund is based solely on the report 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the fiduciary fund were not audited in accordance with *Government Auditing Standards*.

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 report 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 discretely presented component units, and the fiduciary fund of the San Diego Housing Commission as of June 30, 2021, 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 as listed in the table of contents 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 and the other auditor 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 by us and the other auditor. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditor, 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, 2021, 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, 2021



San Diego Housing Commission

Management's Discussion and Analysis (Unaudited) For the Fiscal Year Ended June 30, 2021

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, 2021. 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 \$803.8 million (net position). Of this amount, \$411.6 million (unrestricted net position) is available to meet ongoing and recurring obligations, \$224.8 million is restricted for specific purposes (restricted net position) and \$167.4 million is the net investment in capital assets.
- Total net position of SDHC increased \$133.5 million. The changes in net position is comprised of \$408.9 million of non-operating revenue and expenses (net), principally of revenue earned through the Moving to Work (MTW) program and other Federal programs (Community Development Block Grant, Emergency Solutions Grant, CARES Act and Consolidated Appropriations Act of December 2020), and operating revenues of \$51.5 million principally related to dwelling (tenant rental) income, offset by operating expenses of \$350.6 million primarily related to housing assistance payments, administrative expenses and grant expense and depreciation expense of \$9.5 million. Additionally, the changes in net position includes \$33.2 million related to the primary government's gain on transfer of properties to its discrete component unit, HDP.
- Current liabilities decreased \$15.7 million. This is primarily due to a decrease in unearned revenue of \$18.2 million, offset by an increase of \$1.3 million primarily related to accrued personnel costs and an increase of \$1.2 million in notes payable- current portion. The decrease in unearned revenue was a result of the recognition of \$32.1 million related to SDHC's prior year sale of its Mariner's Village property to its discrete component unit, which SDHC recognized as an increase to net position in FY21, offset by an increase of unearned revenue of \$13.9 million primarily related to federal funds received for the administration of the City of San Diego's Covid-19 relief programs.
- Noncurrent assets increased \$37.3 million. This increase includes \$19.7 million increase in notes and mortgages receivable (principal), net of allowance, \$5.0 million increase in accrued interest on notes receivable and a \$12.6 million increase 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. Basic Financial Statements include both Government-Wide and Fiduciary Fund Statements.

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

The **Statement of Net Position** includes all of SDHC's assets and liabilities for the year ended June 30, 2021, and provides information about the nature and amounts of investments in resources (assets) and obligations to SDHC's creditors (liabilities). It also provides the basis for computing rates of return, evaluating the capital structure of SDHC, and assessing the liquidity and financial flexibility of SDHC.

The **Statement of Revenues, Expenses and Changes in Net Position** accounts for all of SDHC's revenues and expenses for the year ended June 30, 2021. 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, 2021. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, capital and noncapital related financing activities, and investment activities. The statement provides answers to questions of where cash came from, what cash was used for and what caused changes in cash for the reporting periods covered.

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

The **Statement of Fiduciary Net Position** reports the fiduciary net position as of the fiscal year-end, where net position equals assets, plus deferred outflows of resources (if applicable) minus liabilities and minus deferred inflows of resources (if applicable).



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

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

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

Supplementary information is also presented for the fiduciary fund, and consist of the combining schedule of fiduciary net position and the combining schedule of changes in fiduciary net position.

Financial Analysis of SDHC (Primary Government) (Condensed)

The following analysis summarizes SDHC's net position (Table 1) as of June 30, 2021 and June 30, 2020 and changes in net position (Table 2) during the fiscal years then ended.

TABLE 1
Net Position
(Dollars in Thousands)

	June 30, 2021	June 30, 2020	Change \$	Change %
<u>Assets</u>				
Current assets	\$ 132,519	\$ 116,827	\$ 15,692	13%
Noncurrent assets	563,930	526,586	37,344	7%
Capital assets net of depreciation	307,534	197,048	110,486	56%
Total assets	\$1,003,983	\$ 840,461	\$ 163,522	19%
<u>Liabilities</u>				
Current liabilities	\$ 58,736	\$ 74,433	\$ (15,697)	-21%
Notes payable and non-current liabilities	141,438	95,682	45,756	48%
Total liabilities	200,174	170,115	30,059	18%
<u>Net Position</u>				
Net investment in capital assets	167,437	98,905	68,532	69%
Restricted	224,768	218,949	5,819	3%
Unrestricted	411,604	352,492	59,112	17%
Total net position	803,809	670,346	133,463	20%
Total liabilities and net position	\$1,003,983	\$ 840,461	\$ 163,522	19%



SDHC's net position increased from \$670.3 million to \$803.8 million due to a \$133.5 million surplus generated during fiscal year 2021. The fiscal year 2021 surplus is \$114.6 million more than the fiscal year 2020 surplus of \$18.9 million.

Total assets increased \$163.5 million from \$840.5 million in fiscal year 2020 to \$1,004.0 million in fiscal year 2021. The increase in total assets is primarily due to an increase of \$110.5 million in capital assets, net of depreciation, primarily related to the acquisition of three hotels (Valley Vista, Kearny Vista and Hillcrest), an increase of \$37.3 million of noncurrent assets, primarily related to an increase in long-term investments, loans made, and accrued interest on loans, and, an increase of \$15.7 million in current assets, primarily related to an increase of cash for the City of San Diego's Covid-19 Housing Stability program.

Total liabilities increased \$30.0 million from \$170.1 million in fiscal year 2020 to \$200.1 million in fiscal year 2021. The increase in total liabilities is due to an increase of \$45.7 million in notes payable, noncurrent, principally related to the loans obtained to acquire the Valley Vista and Kearny Vista hotels mentioned above, offset by a decrease in current liabilities of \$15.7 million, principally due to a decrease of \$18.2 million in unearned revenue, offset by an increase in accrued personnel costs of \$1.3 million and notes payable, current of \$1.2 million.

Net investment in capital assets increased by \$68.5 million from \$98.9 million in fiscal year 2020 to \$167.4 million in fiscal year 2021. This was principally due to the purchase of the previously mentioned hotels.

Restricted net position increased \$5.8 million from \$218.9 million in fiscal year 2020 to \$224.7 million in fiscal year 2021. The increase in restricted net position is primarily due to an increase in overall notes receivable programmatic reserves. Additional information can be found in Note 14 to the Basic Financial Statements.

Unrestricted net position increased \$59.1 million from \$352.5 million in fiscal year 2020 to \$411.6 million in fiscal year 2021. 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, 2021	June 30, 2020	Change \$	Change %
Operating revenues				
Dwelling rental income	\$ 32,472	\$ 30,693	\$ 1,779	6%
Land lease and other rental income	3,884	3,351	533	16%
Fee revenue	6,755	4,479	2,276	51%
Other revenue	8,398	6,960	1,438	21%
Total operating revenues	51,509	45,483	6,026	13%
Operating expenses	350,597	279,796	70,801	25%
Deficit before depreciation and other nonoperating income and expenses	(299,088)	(234,313)	(64,775)	28%
Depreciation	9,470	8,132	1,338	16%
Deficit before other non- operating income and expenses	(308,558)	(242,445)	(66,113)	27%
Other nonoperating income and expense, net	408,857	261,314	147,543	56%
Income before capital transactions	100,299	18,869	81,430	432%
Transfer of properties to component unit	33,164	-	33,164	100%
Change in net position	133,463	18,869	114,594	607%
Net position beginning of year	670,346	651,477	18,869	3%
Net position end of year	<u>\$ 803,809</u>	<u>\$ 670,346</u>	<u>\$ 133,463</u>	<u>20%</u>

Total operating revenues increased by \$6.0 million from \$45.5 million in 2020 to \$51.5 million in fiscal year 2021. The increase was primarily related to an increase of \$2.3 million of fee revenue primarily bond administration fees, as well as an increase in dwelling rental income of \$1.8 million as a result of the newly acquired hotel properties, \$1.4 million of other revenue which includes insurance proceeds and \$0.5 million related principally to ground lease income.

Operating expenses increased \$70.8 million from \$279.8 million in fiscal year 2020 to \$350.6 million in fiscal year 2021. This increase is primarily due to an increase of \$61.8 million in housing assistance payments (\$34.9 million related to the City of San Diego's Emergency Assistance and Housing Stability programs (Covid-19 programs)) and \$26.9 million related to the HCV and Mainstream voucher programs, in addition, to an increase in administrative expenses of \$10.6 million due to staffing and other administrative costs for the COVID-19 programs, as well as \$3.0 million primarily related to utilities and other housing costs related to the Housing Stability program, \$0.6 million related to tenant relocation and \$0.4 million related to general expenses such as protective equipment and sanitizing supplies due to Covid-19. These increases were offset by a net decrease in grant expense of \$5.6 million, which is comprised of a decrease of \$6.2 million in service-released loans (RDA and SEDC), \$3.4 million of HUD-held recapture, offset by an increase of \$4.0 million primarily related to homelessness programs.



Other nonoperating income and expenses (net) increased \$147.5 million from \$261.4 million in fiscal year 2020 to \$408.9 million in fiscal year 2021 primarily due to an increase in grant revenue of \$151.2 million related to MTW and other federal programs such as CDBG, ESG, CARES Act and the Coronavirus Appropriations Act of December 2020, offset by a decrease of \$3.7 million in interest income (net).

SDHC considers the sale of property to a component unit as a transfer of assets in substance. The gain on transfer of properties to component unit of \$33.2 million is comprised of the \$32.1 million recognition of the gain on sale of Mariner's Village to HDP from the prior year which had been deferred due to the transaction occurring after HDP's fiscal year end and the \$1.1 million gain on sale related to the five single family properties sold to HDP. With the recognition of the Mariner's Village transaction by both the primary government and the discrete component unit in FY21, there is essentially no impact to the overall financial position of the entities when taken as a whole.

The following summarizes SDHC's capital assets, net of accumulated depreciation, and changes therein (Table 3) as of June 30, 2021 and June 30, 2020:

TABLE 3
Net Capital Assets
(Dollars in Thousands)

	June 30, 2021	June 30, 2020	Change \$	Change %
Land and buildings	\$ 304,971	\$ 193,158	\$ 111,813	58%
Construction-in-progress	758	3,093	(2,335)	-76%
Equipment	1,805	797	1,008	127%
Total	<u>\$ 307,534</u>	<u>\$ 197,048</u>	<u>\$ 110,486</u>	<u>56%</u>

Capital Assets

Capital assets, net of transfers and retirements, increased \$110.5 million. The increase is primarily due to an increase in land and buildings of \$111.8 million resulting principally from the acquisition of three hotel properties, offset by the sale of five single-family homes that were in substance transferred to SDHC's discrete component unit, HDP. Construction-in-progress decreased \$2.3 million due to completed property renovations primarily at Hotel Sandford and dwelling equipment increased by \$1.0 million related to renovations at our single family home properties. Additionally, depreciation expense for fiscal year 2021 was \$9.5 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 \$143.6 million, net of \$1.3 million of unamortized debt issuance cost at June 30, 2021. Of this balance, \$78.6 million are FHA and Fannie Mae loans, which are non-recourse obligations of the LLCs only and not of SDHC.

In fiscal year 2021, SDHC entered into two new loan agreements with JP Morgan Chase for the acquisition of Valley Vista and Kearny Vista hotels. The first loan has a balance of \$32.5 million on June 30, 2021 and is collateralized by Valley Vista property. This loan bears an interest rate of 3.29% with a maturity date of November 24, 2030. The second loan has a balance of \$17.3 million on June 30, 2021 and is collateralized by Kearny Vista property. This loan bears an interest rate of 3.39% with a maturity date of November 24, 2030. Both loans require monthly payments.

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, 2021 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.

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

The financial reporting entity of consolidated Housing Development Partners consists of 23 separate legal entities, which have substantively the same governing body as SDHC; however, the entities are not financially dependent on SDHC and these entities have their own operational policies, and, therefore, are presented as discrete component units. The financial reporting entity of consolidated Housing Development Partners has been independently audited by CohnReznick LLP. Note 19 to the Basic Financial Statements includes a reconciliation of the December 31, 2020 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 2021, SDHC received 83% of its revenue from HUD and the U.S. Treasury, most of which was awarded to SDHC for Moving to Work (MTW) initiatives and for COVID-19 related assistance programs, respectively. 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 2021 and will have a balanced budget in fiscal year 2022.

Annually, SDHC submits a MTW Plan to HUD that describes initiatives to be implemented over the next fiscal year. Following each year, SDHC issues a MTW Report that gives an accounting of activities put into action during the fiscal year. HUD approved SDHC's 2021 MTW Plan on September 28, 2020. HUD's fiscal year runs from October to September. SDHC's fiscal year 2022 MTW Plan was submitted to HUD on April 7, 2021 and was approved on August 2, 2021. The plans can be viewed at <http://www.sdhc.org/about-us/plans-policies/mtw-annual-plans/>

In 2021, the financial impact of the novel COVID-19 coronavirus has continued to be felt both worldwide and in the United States. While vaccines have become available to help reduce the adverse health effects of Covid-19, throughout the United States, businesses in all financial sectors continue to feel its negative impact as Covid-19 variants emerge and threaten the resumption of business.

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.

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, 2021 the unemployment rate in San Diego County was 6.9 percent in July 2021, down from a revised 7 percent in June 2021, and below the year-ago estimate of 12.3 percent. This compares with an unadjusted unemployment rate of 7.9 percent for California and 5.7 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 in January 2021 this year for the sheltered San Diegans only. Due to health and safety concerns related to the pandemic, the count of unsheltered individuals was not completed. This year's count of sheltered homeless persons identified 4,143 individuals



sheltered in San Diego. This number is up slightly from last year's count of 3,667. HUD requires that cities receiving federal funding to combat homelessness complete the Point-In-Time Count each year and coordinated by the Regional Task Force on Homelessness. Their 2021 report is located here:

https://www.rtfhsd.org/wp-content/uploads/2021-PIT-Report_final.pdf

SDHC continues to focus on its mission to *“foster social and economic stability for vulnerable populations in the City of San Diego through quality affordable housing, opportunities for financial self-reliance and homelessness solutions.”*

Through the execution of SDHC's 2022 budget of \$604.0 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 15,500 households
 - Continue to administer the City of San Diego COVID-19 Housing Stability Assistance Program
 - Continue specialized programs: Assist populations, such as individuals experiencing chronic homelessness, individuals with serious mental illness experiencing homelessness, and transition age youth
 - Lease 450 Permanent Supportive Housing Project-Based Vouchers to house individuals and families experiencing homelessness
 - Continue Landlord Partnership
- **Create and Preserve Affordable Housing:**
 - Set aside \$16.6 million to preserve affordable housing in San Diego
 - Invest \$8 million to rehabilitate SDHC-owned units
 - Award up to \$16 million to developers to create permanent affordable housing units
 - Invest \$20 million to acquire affordable housing properties
 - Dedicate \$7.8 million to help households become first-time homebuyers
- **Address Homelessness:**
 - Dedicate \$120.6 million to address homelessness in the City of San Diego Flexible Funding Program
 - Further the goals of the City of San Diego's Community Action Plan on Homelessness Landlord Engagement and Assistance Program (LEAP)



- Continue HOUSING FIRST – SAN DIEGO, which 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
- Continue to administer the City of San Diego's Homeless Shelters and Services, and SDHC Continuum of Care-funded programs
- Administer the Homelessness Response Center, a new program coordinating outreach teams and shelter providers in the City of San Diego
- Continue to administer the City of San Diego's Neighborhood-Based Coordinated Outreach 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 November 12, 2014, has created 9,800 housing solutions in less than seven years for families and individuals experiencing homelessness or at risk of homelessness in the City of San Diego, with more than 500 additional housing units approved and pending completion.

This action plan is an effective, diverse funding and housing strategy that is rooted in the national "Housing First" model of addressing homelessness, which focuses on providing appropriate housing options as quickly as possible, with as few requirements or conditions as possible, and access to supportive services, as needed.





San Diego Housing Commission
STATEMENT OF NET POSITION
June 30, 2021
(Dollars in Thousands)

	<u>Primary Government</u>	<u>Component Units</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 53,984	\$ 14,223
Restricted cash and cash equivalents	3,953	738
Short-term investments	51,888	-
Accounts receivable - tenants, net	1,083	53
Accounts receivable - funding sources	14,095	37
Accounts receivable - other, net	3,450	329
Notes and mortgages receivable, current portion	64	-
Accrued interest receivable - investments	173	-
Prepaid items and other assets	3,829	446
Total current assets	<u>132,519</u>	<u>15,826</u>
Noncurrent assets		
Restricted cash and cash equivalents	-	14,538
Long-term investments	90,973	-
Accrued interest receivable - notes and mortgages receivable	61,868	-
Notes and mortgages receivable, net of allowance for loan losses	411,047	-
Investment in partnerships	-	63
Other assets	42	3,243
Capital assets not being depreciated	109,375	19,529
Capital assets, net of accumulated depreciation	<u>198,159</u>	<u>107,402</u>
Total noncurrent assets	<u>871,464</u>	<u>144,775</u>
Total assets	<u><u>\$ 1,003,983</u></u>	<u><u>\$ 160,601</u></u>



San Diego Housing Commission
STATEMENT OF NET POSITION
June 30, 2021
(Dollars in Thousands)

	Primary Government	Component Units
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 13,672	\$ 5,321
Accounts payable - funding sources	548	-
Accrued payroll and benefits	2,219	52
Accrued compensated absences	3,689	-
Accrued interest payable	518	236
Notes payable, current portion	4,223	3,460
Deposits payable	2,321	615
Unearned revenue	31,506	72
Other current liabilities	40	-
Total current liabilities	<u>58,736</u>	<u>9,756</u>
Noncurrent liabilities		
Accrued interest payable - noncurrent	1,488	6,875
Notes payable noncurrent, net	139,369	159,864
Other liabilities	581	11,804
Total noncurrent liabilities	<u>141,438</u>	<u>178,543</u>
Total liabilities	<u>\$ 200,174</u>	<u>\$ 188,299</u>
<u>Net Position</u>		
Net investment in capital assets	\$ 167,437	\$ -
Restricted		
HOME notes receivable reserve	188,106	-
NSP notes receivable reserve	6,095	-
CDBG notes receivable reserve	23,481	-
Replacement reserves	3,111	-
VASH and Mainstream housing assistance reserves	3,975	-
Non-controlling interest - tax credit partnerships	-	25,063
Total restricted	<u>224,768</u>	<u>25,063</u>
Unrestricted	<u>411,604</u>	<u>(52,761)</u>
Total net position	<u>\$ 803,809</u>	<u>\$ (27,698)</u>
Total liabilities and net position	<u>\$ 1,003,983</u>	<u>\$ 160,601</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, 2021
(Dollars in Thousands)

	Primary Government	Component Units
Operating revenues		
Dwelling rental income	\$ 32,472	\$ 14,539
Land lease and other rental income	3,884	160
Fee revenue	6,755	1,932
Other revenue	8,398	253
Total operating revenues	51,509	16,884
Operating expenses		
Administrative expenses	54,572	4,482
Tenant services	2,468	383
Asset management	18,550	4,683
General expenses	2,404	1,315
Grant expense	34,793	-
Housing assistance	237,810	-
Depreciation	9,470	4,768
Total operating expenses	360,067	15,631
Operating (loss) income	(308,558)	1,253
Nonoperating revenues (expenses)		
Grant revenue	401,429	376
Interest income on investments and notes receivable	14,270	94
Interest expense and other expenses	(6,831)	(6,350)
Loss on sale of capital asset	(11)	-
Total nonoperating revenues (expenses)	408,857	(5,880)
Income (loss) before capital transactions	100,299	(4,627)
Contributions, net of distributions	-	865
Gain (loss) on transfer of properties to component unit	33,164	(33,164)
Change in net position	133,463	(36,926)
Net position		
Beginning of year	670,346	9,228
End of year	\$ 803,809	\$ (27,698)

See notes to financial statements



San Diego Housing Commission
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021
(Dollars in Thousands)

	Primary Government
Cash flows from operating activities	
Cash received from tenants	\$ 31,345
Cash received from other revenue	34,964
Cash payments to suppliers for goods and services	(312,156)
Cash payments to employees for services	(40,720)
	<u>(286,567)</u>
Net cash used in operating activities	
Cash flows from capital and related financing activities	
Cash received from notes payable	50,266
Principal payments on notes payable	(3,703)
Acquisition and construction of capital assets	(121,784)
Proceeds from sales of properties to component unit	1,818
Interest payments	(6,532)
	<u>(79,935)</u>
Net cash used in capital and related financing activities	
Cash flows from noncapital financing activities	
Cash received from grants	403,465
	<u>403,465</u>
Net cash provided by noncapital financing activities	
Cash flows from investing activities	
Interest on investments and notes receivable	9,408
Collection of notes receivable	12,402
Cash loaned on notes receivable	(28,779)
Purchases of investments	(59,067)
Proceeds from sale of investments	49,737
	<u>(16,299)</u>
Net cash used in investing activities	
Net increase in cash and cash equivalents	20,664
Cash and cash equivalents	
Beginning of year	37,273
	<u>37,273</u>
End of year	<u>\$ 57,937</u>
Financial statement presentation	
Cash and cash equivalents	\$ 53,984
Restricted cash and cash equivalents	3,953
	<u>3,953</u>
Total cash and cash equivalents	<u>\$ 57,937</u>



San Diego Housing Commission
STATEMENT OF CASH FLOWS - CONTINUED
For the Year Ended June 30, 2021
(Dollars in Thousands)

Operating loss	\$ (308,558)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	9,470
Amortization	79
Allowance for accounts receivable	661
Provision for loan losses	(457)
Allowance for forgivable loans	134
Changes in operating assets and liabilities:	
Decrease (increase) in tenant receivables	(119)
Decrease (increase) in other receivables	(3,151)
Decrease (increase) in prepaid items and other assets	157
Increase (decrease) in accounts payable	(349)
Increase (decrease) in accrued payroll and benefits	1,490
Increase (decrease) in deposits payable	21
Increase (decrease) in unearned revenue	13,948
Increase (decrease) in other liabilities	107
Net cash used in operating activities	<u><u>\$ (286,567)</u></u>

Supplemental disclosure of cash flow information:

Noncash capital and related financing activities:

Decrease in capital assets for construction costs written off	<u>\$ (1,829)</u>
Total noncash capital and related financing activities	<u><u>\$ (1,829)</u></u>

See notes to financial statements



San Diego Housing Commission
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2021
(Dollars in Thousands)

Assets	
Cash and investments:	
Mutual funds	\$ 51,678
Common collective trust funds	6,370
Participant-directed brokerage accounts	4,042
Pooled separate accounts, at fair value	22,853
Guaranteed interest accounts, at contract value	2,918
Guaranteed interest accounts, at fair value	576
Cash	14
Total cash and investments	<u>88,451</u>
Receivables:	
Notes receivable from participants	<u>690</u>
Total receivables	690
Total assets	<u><u>\$ 89,141</u></u>
Liabilities	
	<u>\$ -</u>
Fiduciary net position	<u><u>\$ 89,141</u></u>
Restricted for	
Pension	\$ 60,312
Other employee benefit other than pension	<u>28,829</u>
	<u><u>\$ 89,141</u></u>

See notes to financial statements



San Diego Housing Commission
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2021
(Dollars in Thousands)

Additions to net position		
Investment income		
Net appreciation in fair value of investments	\$	17,445
Interest and dividends		1,473
Total investment income		<u>18,918</u>
Interest on notes receivable from participants		35
Contributions		
Employer contributions		4,877
Participant contributions		2,207
Rollover contributions		171
Total contributions		<u>7,255</u>
Total additions		26,208
Deductions from net position		
Benefits paid directly to participants or beneficiaries, including direct rollovers		3,444
Administrative fees and expenses		<u>115</u>
Total deductions		3,559
Change in net position		22,649
Fiduciary net position		
Beginning of year		<u>66,492</u>
End of year	\$	<u><u>89,141</u></u>

See notes to financial statements



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 1 - The Financial Reporting Entity

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

Government-Wide Financial Statements

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

Primary Government

The San Diego Housing Commission (SDHC), 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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

unit's board, and (i) either SDHC's ability to impose its will on the organization or (ii) there is 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, 2021 and pursuant to GASB Statement 80, it has been included in the financial



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

statements as a blended component unit of SDHC. See Note 18 for further information on Building Opportunities.

Discretely Presented Component Units

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

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

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

Fiduciary Fund Financial Statements

SDHC's Fiduciary Fund is comprised of a pension trust fund and a deferred compensation plan, both defined contribution plans, that are for the benefit of employees and retirees, as applicable. The pension plan and deferred compensation plan are each independently audited by an outside firm, and a copy of the audit reports can be obtained by contacting the San Diego Housing Commission at 1122 Broadway, Suite 300, San Diego, CA 92101.

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

Government-Wide and Fiduciary Fund Financial Statements

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

Pursuant to the adoption of GASB No. 84, "Fiduciary Activities", SDHC is required to present Fiduciary Fund 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. Fiduciary activities are not included in these statements. 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 Fund basic financial statements (i.e. the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position) report information about the pension plan and deferred compensation plan activities for which SDHC acts solely for the benefit of its employees and retirees.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Fair Value

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

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

New Accounting Pronouncements

During the fiscal year ended June 30, 2021, SDHC has adopted the following new accounting standards issued by the GASB:

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

adoption of this Statement had no impact on SDHC's financial statements for the period ended June 30, 2021.

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.

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. 91, "Conduit Debt Obligations". The primary objectives of GASB Statement No. 91 are to provide a single method to report conduit debt obligations 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 2021". 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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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 (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 GASB 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 SDHC's fiscal year ending June 30, 2022.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 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 Mainstream Administrative Fees, HUD's family self-sufficiency program, insurance reserve and security deposit accounts.

Transaction Flow Assumption

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

Investments

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

Interfund Transactions

Interprogram due from/to have been eliminated as prescribed by GASB standards in 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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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:

	Years
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.

Property sold by the Primary Government to a Discrete Component Unit is considered, in substance, a transfer of assets and is reported by each entity after total non-operating revenues (expenses) and before the change in net position. The recognition of the transfer by both the primary government and the discrete component would essentially have no impact to the overall financial position of the entities when taken as a whole.

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, 2021, 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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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 \$3,689 at June 30, 2021.

In providing direction for conversion to the GAAP basis of accounting, HUD's Accounting Brief No. 6 discusses the conflicting direction given in HUD grant handbooks, which are not considered GAAP, and the cost principles of GAAP. In its final analysis, HUD opines that "Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under federal awards, including but not necessarily limited to wages, salaries, and fringe benefits." Since federal awards extend for a limited time period, and accrued benefits may not be paid out during the term of the award, the above analysis can be reasonably interpreted to mean that costs may be drawn down at the close of the award period to fund unpaid compensated absences.

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

Notes Payable and Interest Payable

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

Unearned Revenue

Unearned revenue includes rents received in advance from tenants, unearned interest income, and grant funds received from other governmental agencies, which are conditioned upon incurring certain qualifying costs or meeting other conditions. The rents from tenants will be recognized as revenue when earned and the grant funds will be recognized as revenue when qualifying costs are incurred. In the prior fiscal year, SDHC sold its Mariner's Village property to its discrete component unit, HDP. Because of differing fiscal year ends between the primary government and the discrete component unit, SDHC recognized the sale of Mariner's Village as a transfer of property in fiscal year 2021, to coincide with HDP's reporting of the acquisition. With the recognition of the Mariner's Village transaction by both the primary government and the discrete component unit in FY21, there is no impact to the overall financial position of the entities when taken as a whole.



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June 30, 2021

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 expense recognition will not occur until then. SDHC does not have any items that currently meet this criterion as of June 30, 2021.

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 revenue recognition will not occur until then. SDHC does not have any items that meet this criterion as of June 30, 2021.

Net Position

In the Statement of Net Position, the classification of net position is as follows:

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



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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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.

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.



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June 30, 2021

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

Cash, cash equivalents and investments at June 30, 2021 consist of the following:

Deposits and petty cash	\$	53,984
Local Agency Investment Fund		15,916
San Diego County Investment Pool		22,178
Agency Bonds		104,767
Total investments		<u>142,861</u>
Restricted cash and cash equivalents		<u>3,953</u>
Total	\$	<u><u>200,798</u></u>

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 \$53,984 at June 30, 2021. 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.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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.

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 LAIF investments are backed with the full faith and credit of the State of California as the State of California cannot declare bankruptcy under Federal law and monies placed for deposit in LAIF are not subject to a) transfer or loan pursuant to Sections 16310, 16312, or 16313, or (b) impoundment or seizure by any state official or state agency. The fair value of the investment portfolio of PMIA at June 30, 2021, was approximately \$193,463,000. 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 291 days as of June 30, 2021.

As of June 30, 2021, SDHC had \$15,916 invested in LAIF. At that date, LAIF fair value factor of 1.00008297 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 Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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, 2021 was \$12,236,036 and had a weighted average yield to maturity of .73%, a weighted average days to maturity of 613 days and an effective duration of 1.36 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 (34.0%), public schools (44.56%), community colleges (9.97%) and non-County funds (1.08%). Voluntary depositors make up only 10.39% of the invested funds as of June 30, 2021.

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

As of June 30, 2021, SDHC had \$22,178 invested in SDCIP. More information on SDCIP can be found at:

<https://www.sdttc.com/content/ttc/en/treasury/financial-reports.html>

Agency Bonds

SDHC's investments under U.S. Government Agency bonds are mortgage-backed security (MBS) bonds and debentures traded on an active secondary market. MBS bonds are a security or debt obligation that represents a claim on the monthly cash flows from mortgage loans. They represent investments in securities that are backed by pools of high quality multi-family mortgages guaranteed by a government agency or Government Sponsored Enterprises (GSE). Government Agency Debentures are also bonds traded on an active secondary market and represent a security or debt obligation of the issuer. While Standard & Poor's and Moody's does not specifically rate MBS, they carry an implied rating based on the credit worthiness of FNMA (Federal National Mortgage Association), FHLMC (Federal Home Loans Money Corporation) and FRESB (Freddie Mac Small Balance Loans). Moody's rate FNMA, FHLMC and FRESB as AAA while Standard & Poor's rate FNMA, FHLMC and FRESB as AA+. At June 30, 2021, SDHC had \$104,767 invested in Agency MBS bonds.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets.
- Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs are unobservable inputs. The Authority doesn't hold any level 3 investments.

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

The following table summarizes the valuation of SDHC's fair value measurements in accordance with authoritative guidance at June 30, 2021:

	Level 1	Level 2	Level 3	Total
MBS	\$ -	\$ 104,767	\$ -	\$ 104,767
Total	\$ -	\$ 104,767	\$ -	\$ 104,767

FIDUCIARY FUND

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

Cash, cash equivalents and investments at June 30, 2021 consist of the following:

Assets

Cash and investments:

Mutual funds	\$	51,678
Common collective trust funds		6,370
Participant-directed brokerage accounts		4,042
Pooled separate accounts, at fair value		22,853
Guaranteed interest accounts, at contract value		2,918
Guaranteed interest accounts, at fair value		576
Cash		14
Total cash and investments	\$	<u>88,451</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 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



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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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. These guaranteed interest accounts are not rated.

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, 2021:

Pension Trust	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 51,678	\$ -	\$ -	\$ 51,678
Participant directed brokerage accounts	2,250	-	-	2,250
Total assets in the fair value hierarchy	53,928	-	-	53,928
Investments measured at net asset value	-	-	-	6,370
Investments at fair value	\$ 53,928	\$ -	\$ -	\$ 60,298



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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

Deferred Compensation Plan	Level 1	Level 2	Level 3	Total
Participant directed brokerage accounts:				
Money market funds	\$ 656	\$ -	\$ -	\$ 656
Equities	1,136	-	-	1,136
Guaranteed interest accounts	-	576	-	576
Total assets in the fair value hierarchy	1,792	576	-	2,368
Investments measured at net asset value	-	-	-	22,853
Investments at fair value	\$ 1,792	\$ 576	\$ -	\$ 25,221

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

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

FIDUCIARY FUND

The plans within the Fiduciary Fund do not have a Board-approved investment policy for interest rate risk. The plans within the Fiduciary Fund 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.



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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

GOVERNMENT-WIDE FUND

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

FIDUCIARY FUND

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

Custodial Credit Risk

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

GOVERNMENT-WIDE FUND

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



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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

SDHC's debt securities exposure to credit risk and custodial risk as of June 30, 2021 is as follows:

	Total fair value	Standard and Poor's Credit Rating			
		AA+	AA	A	Not Provided
Cash and cash equivalents					
Cash and cash equivalents	\$ 53,984	\$ -	\$ -	\$ -	\$ 53,984
Restricted cash and cash equivalents	3,953	-	-	-	3,953
Total cash and cash equivalents	<u>\$ 57,937</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,937</u>
Short-term investments					
Local Agency Investment Fund	\$ 15,916	\$ -	\$ -	\$ -	\$ 15,916
San Diego County Investment Pool	22,178	22,178	-	-	-
Agency Bonds					
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	3,900	3,900	-	-	-
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	887	887	-	-	-
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	9,007	9,007	-	-	-
Total short-term Investments	<u>\$ 51,888</u>	<u>\$ 35,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,916</u>
Long-term investments					
Agency Bonds					
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	\$ 22,374	\$ 22,374	\$ -	\$ -	\$ -
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	27,354	27,354	-	-	-
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	38,200	38,200	-	-	-
Freddie Mac Small Balance Loans	3,045	3,045	-	-	-
Total long-term Investments	<u>\$ 90,973</u>	<u>\$ 90,973</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FIDUCIARY FUND

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

Concentration of Credit Risk

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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 \$104,767 invested in agency bonds and debentures as of June 30, 2021, 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 Freddie Mac Small Balance Loans.

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

SDHC may choose to maintain 100% of its investment portfolio in U.S. Treasury Bills, notes, bonds and collateralized certificates of deposit. Certificates of deposit are, according to SDHC's Investment Policy, to be collateralized at least 100% of the amount that is not federally insured. Securities pledged as collateral are held by a third party. Joint custody safekeeping receipts are held in the name of the depository institution, but pledged to SDHC. The security cannot be released, substituted or sold without the approval of SDHC.

FIDUCIARY FUND

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

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.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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

In accordance with its Investment Policy, SDHC manages market risk by matching portfolio maturities to projected liabilities and monitoring the weighted average maturity of its portfolio. This is done by maintaining a portion of the portfolio in readily available funds and investing in securities with limited call features and an active secondary market. These measures ensure that appropriate liquidity is maintained in order to meet ongoing operations, maximize return and limit exposure to changing market conditions. SDHC's exposure to market risk as of June 30, 2021, is as follows:

	Investment maturities			
	Total fair value	Less than 3 months	4 - 12 months	1 - 5 years
Cash and cash equivalents				
Deposits	\$ 53,969	\$ 53,969	\$ -	\$ -
Petty cash	15	15	-	-
Total cash and cash equivalents	<u>\$ 53,984</u>	<u>\$ 53,984</u>	<u>\$ -</u>	<u>\$ -</u>
Restricted cash and cash equivalents	<u>\$ 3,953</u>	<u>\$ 3,953</u>	<u>\$ -</u>	<u>\$ -</u>
Short-term investments				
Local Agency Investment Fund	\$ 15,916	\$ 15,916	\$ -	\$ -
San Diego County Investment Pool	22,178	22,178	-	-
Agency Bonds				
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	3,900	259	3,641	-
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	887	-	887	-
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	9,007	1,227	7,780	-
Total short-term investments	<u>\$ 51,888</u>	<u>\$ 39,580</u>	<u>\$ 12,308</u>	<u>\$ -</u>
Long-term investments:				
Agency Bonds				
Freddie Mac Federal Home Loan Mortgage Corporation K series securities	\$ 22,374	\$ -	\$ -	\$ 22,374
Fannie Mae Alternative Credit Enhancement Securities (Fannie Mae ACE)	27,354	-	-	27,354
Fannie Mae Delegated Underwriting Servicing program (Fannie Mae DUS) securities	38,200	-	-	38,200
Freddie Mac Small Balance Loans	3,045	-	-	3,045
Total long-term Investments	<u>\$ 90,973</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,973</u>

FIDUCIARY FUND

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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

At June 30, 2021, amounts due from funding sources consist of the following:

Source/Program	Amount
Business	
City of San Diego	\$ 6,567
Total business	<u>6,567</u>
Federal	
Housing Stability Assistance Program (HSAP)	1,575
Continuum of Care	961
Moving to Work (MTW)	781
Community Development Block Grant (CDBG)	221
Operating Fund	79
Capital Fund	63
Federal - Various	48
Mainstream Vouchers	22
Total federal	<u>3,750</u>
State	
Homeless Emergency Aid Program (HEAP)	2,029
Homeless Housing, Assistance and Prevention Program (HHAP)	1,700
State - Various	19
Total state	<u>3,748</u>
Local	
Local - Various	30
Total local	<u>30</u>
Total	<u><u>\$ 14,095</u></u>

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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.

Notes, mortgages and interest receivable at June 30, 2021, consist of the following:

Borrower	Project Address	Interest Rate	Maturity Date	Principal Amount
HDP Mariner's Village, LP-Mariner's Vlg.	6847 Potomac Street, San Diego, CA 92139	3.15%	12/31/55	\$ 30,739
HDP Town & Country	4015-409 Messina Dr. San Diego, CA 92113	6.80%	12/31/73	14,850
Arbor Terrace	3693-374 Florida St. San Diego, CA 92104	4.86%	07/01/62	13,020
Mesa Verde CIC, LP/Mission Gorge	7811 Mission Gorge Rd. San Diego, CA 92120	4.00%	06/30/73	9,600
Fairmount Family Housing, LP/ Bluewater	6121-612 Fairmount Ave. San Diego, CA 92120	4.00%	12/31/74	9,469
San Ysidro CIC, LP/Paseo La Paz	238-240; 251-263 Cypress Dr. San Diego, CA 92173	4.00%	12/31/74	9,250
Villa Encantada AMCAL	505-537 62nd; 504-528 63rd St, SD, CA 92114	4.00%	12/31/73	7,500
Twain Housing, L.P.(Stella)	4304 Twain Ave. San Diego, CA 92120	3.00%	12/31/74	7,500
City Heights Ten, L.,	10 non-contiguous parcels San Diego, CA 92105	3.56%	03/31/69	7,132
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	6,920
Hilltop Family Hsg LP-The Orchard	922 - 944 Euclid Avenue, San Diego, CA 92114	4.00%	12/31/77	6,225
Delta Village Housing Assoc.	4316-436 Delta St. San Diego, CA 92113	3.00%	05/01/36	6,100
14th & Commercial CIC, LP	1 14th Street, San Diego, CA 921010	3.00%	05/01/77	5,535
LINC Arbor Village Apartments Allison R	4914-499 Logan Ave. San Diego, CA 92113	3.00%	05/01/67	5,460
Ulric St. Hsg. Assoc LP - Ulric	2645-2685 Ulric Street, San Diego CA 92111	3.00%	09/30/77	5,250
Normal Heights, CIC LP/Loft @ Normal Hgt	3808 El Cajon Blvd. San Diego, CA 92105	3.00%	05/31/74	5,200
Georgia Street, L.P./ City Scene	4105 Georgia St. San Diego, CA 92104	3.00%	07/01/66	5,111
Fairmount Senior Hsg, CIC LP (Eastblock)	4320 44th Stree, San Diego, CA 92101	4.00%	10/01/76	5,073
San Diego Commons, LP/ Mesa Commons	6456 El Cajon Blvd. San Diego, CA 92115	3.00%	04/30/69	4,905
Benson Place, LP (Hollister)	1010 Otter Road, San Diego, CA 92154	4.00%	12/31/75	4,860
14th & Comm CIC-VHHP, LP (14C-VHHP)	1 14th Street, San Diego, CA 921010	3.00%	05/01/77	4,815
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
Renaissance Sr Hsg.	4330 30th St. San Diego, CA 92104	4.65%	04/12/59	4,350
Villa Harvey Mandel, L.P.	72 17th Ave. San Diego, CA 92101	5.60%	02/12/57	4,319
Market Square Manor Associates, LP	525 14th St. San Diego, CA 92113	5.60%	02/10/58	4,314
Beyer Blvd Apts. LP	3412-346 Beyer Blvd. San Diego, CA 92154	3.00%	10/22/59	4,200
Del Sol Apts. LP	Del Sol Apts, 3606-3690 Del Sol San Diego, CA 92154	3.00%	08/31/61	4,126
Vista del Puente, L.P.	3934 Gamma St; 1510 S 40th St. San Diego, CA 92113	3.00%	12/31/75	4,100
Creekside - Affirmed Hsg. Partners	2125-215 Coronado Ave. San Diego, CA 92154	5.20%	06/30/35	3,402



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

Borrower	Project Address	Interest Rate	Maturity Date	Principal Amount
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	3,767
Golden Age Garden Hsing Prtn	740 South 36th St. San Diego, CA 92113	3.00%	12/31/67	3,661
HDP West Park, LP (West Park)	1830 Fourth Avenue, San Diego CA 92101	4.00%	06/30/75	3,593
Wakeland-Beacon, LP Beacon Apartments	145 C St. San Diego, CA 92110	4.50%	12/31/74	3,563
Imperial Urban Hsg, LP/ Cypress Apts.	1435 Imperial Ave. San Diego, 92101	3.00%	12/31/72	3,535
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
Mt. Alifan Apts., LP (Ivy Senior)	5858 Mt Alifan Drive, San Diego, CA 92111	4.00%	12/31/76	3,150
Front & Beech SH, LP- The Helm	191 West Beech Street, San Diego CA 92101	4.00%	12/31/77	3,145
Trolley Residential CIC, L.P.	4981 Market St. San Diego, CA 92114	4.00%	06/30/72	3,120
HDP New Palace/New Palace	1814 5th Ave. San Diego, CA 92101	4.00%	12/31/73	3,100
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 Grande/Vista Grande	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
Hacienda Townhomes, Ltd.	350 17th St. San Diego, CA 92101	4.50%	07/01/48	2,683
"J" Street Inn, LP J Street	222 J Street, San Diego, CA 92101	0.00%	12/31/27	2,592
WJJ CIC, L.P./Independence Point Apts.	327 S Willie James Jones, San Diego, CA 92130	4.00%	01/31/71	2,500
Amcal Mission, LP/Mission Apartments	1815-187 Hancock St. San Diego, CA 92110	3.00%	01/01/68	2,499
HDP Mason Hsg. Corp./Mason Hotel	1337-134 Fifth Avenue, San Diego CA 92103	3.00%	02/28/68	2,457
Riverwalk Apartments, L.P.	1194 Hollister St. San Diego, CA 92154	3.00%	03/01/65	2,275
Metro Villas Housing Partners	4031-408 39th St. San Diego, CA 92105	4.85%	02/01/58	2,265
HDP ADU, LLC (Companion Units)	1144 Twining Avenue, San Diego CA 92154	3.00%	12/01/75	2,260
HDP Churchill, L.P./Hotel Churchill-Sub	827 C St. San Diego, CA 92101	3.00%	08/31/71	2,201
Wakeland Village Green Apts LP	4140-415 Bonillo Dr. San Diego, CA 92115	3.00%	04/01/65	2,165
Island Inn, LP	202 Island Ave, San Diego, CA 92101	0.00%	12/31/27	2,139
Winona Gardens Hsg. Assoc.-Bandar Salaam	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
Parkside SD Apts., LP (Formerly Bolt)	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	1,709
Townspeople, a CA nonprofit	4242-4260 51st St. San Diego, CA 92115	3.00%	05/01/61	1,570
Chicano Federation Wightman	5052 Wightman St. San Diego, CA 92105	3.00%	07/01/54	1,537
Vietnam Veterans ofSD/ Phase IV	4141 Pacific Highway, San Diego, CA 92110	3.00%	08/01/77	1,492
Chicano Federation Delta Place	4420 Delta St. San Diego, CA 92113	3.00%	11/01/54	1,486
Vietnam Veterans of San Diego/ Phase V	4141 Pacific Highway, San Diego, CA 92110	3.00%	07/01/70	1,437
Mercado Apartments /MAAC	2001-2097 Newton;2008-2094 Main St. SD CA 92101	6.00%	12/01/47	1,425
Logan Development L.P./Knox Glen	4720-476 Logan Ave. San Diego, CA 92113	6.00%	11/30/50	1,400
Grant Heights II, LP	3845 Winona Avenue, San Diego CA 92105	3.00%	03/31/76	1,320
Creekside-AffirmedFamily Hsg. Partners	2125-215 Coronado Ave. San Diego, CA 92154	4.79%	06/30/35	1,200
Chicano Federation Trojan Apts.	5222 Trojan Ave. San Diego, CA 92115	3.00%	07/01/53	1,145
Casa Colina LP	5207 52nd Place, San Diego, CA 92105	3.00%	02/01/59	1,122
NCRC Encanto, L.P. Encanto Village	1617-165 Imperial Ave. San Diego. CA 92114	4.00%	05/31/74	1,060
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	960
SD LGBT Community Center	1640 Broadway, San Diego, CA 92101	0.00%	11/01/60	934
Catholic Charities/Leah Residence-9th F	798 Ninth Ave. San Diego, CA 92101	0.00%	10/31/58	928
Carmel Valley Hsg./Torrey Del Mar	13875 Carmel Valley Rd. San Diego, CA 92130	3.00%	06/30/56	892
Nook East Village, LP - The Nook	1492 K Street, San Diego, CA 92101	0.00%	09/01/48	801
NCRC SYSV, LP/San Ysidro Sr. Village	517 West San Ysidro, San Ysidro, CA 92713	3.00%	12/31/75	760



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

Borrower	Project Address	Interest Rate	Maturity Date	Principal Amount
Urban Council Dev't Inc./Villa Rica-Alta	4227 52nd St; 5202 Orange Ave. San Diego, CA 92115	3.00%	12/17/54	742
Lillian Place LP	1401 & 1437 J St. San Diego, CA 92101	3.00%	12/16/60	731
Vietnam Veterans ofSD/ Phase II B	Veterans Village, 4141 Pacific Highway, S D 92110	3.00%	06/01/72	720
Bayview CDC-40th St.	1440-1516 S. 40th St. San Diego, CA 92113	3.00%	02/01/56	696
Vietnam Veterans of SD/ Phase I	Veterans Village, 4141 Pacific Highway, S D 92110	3.00%	05/15/70	675
Hope CDC/Lincoln Park	4910-4920 Ocean View Blvd;440-444 49th St. SD 92113	3.00%	12/22/48	647
South Bay CommunityServices	135 Averil Rd. San Diego, CA 92173	3.00%	12/16/53	631
Wakeland Trinity PI Trinity Place	6240 Mission Gorge Road, San Diego, CA 92120	4.00%	12/31/76	630
Creekside - Affirmed Hsg. Partners	2125-215 Coronado Avenue, San Diego CA 92154	4.72%	06/30/35	626
3137 El Cajon Blvd. LP-The Boulevard	3137 El Cajon Blvd. San Diego, CA 92104	3.00%	12/31/63	600
Chicano Federation Park Place	4033 33rd St. San Diego, CA 92104	3.00%	12/01/52	596
Housing Innovation P	1851-186 Titus St. San Diego, CA 92103	3.00%	10/20/58	573
Santaluz Family Apts. LP-Rancho del Nort	16775 Saintbury Glen, San Diego, CA 92130	3.00%	09/29/60	500
COMM 22 Family Hsg. LP/	Commercial & 22nd St. San Diego, CA 92113	3.00%	05/01/69	500
Total Major Loans				365,324
Home ownership loans (Under \$500)				46,772
Single-Family rehabilitation loans (Under \$500)				5,874
Rental Housing Finance loans with rehab / acquisition (under \$500)				4,785
Total Non-Major Loans as of June 30, 2021				57,431
Total Major Loans and Total Non-Major Loans as of June 30, 2021 (Not Including Deferred Loans)				422,755
Allowance for Loan Losses				(4,171)
Allowance for Forgivable Loans				(7,473)
Total notes receivable at June 30, 2021				411,111
Deferred cumulative interest receivable at June 30, 2021				61,868
Total notes and interest receivable at June 30, 2021				<u>\$ 472,979</u>

Notes and mortgages receivable due one year or less amounted to \$64 as June 30, 2021.

The change in allowance on notes receivable consists of the following:

Balance, July 1, 2020	Losses/ write-offs	Additions/ adjustments	Balance, June 30, 2021
\$ 11,967	\$ (569)	\$ 246	\$ 11,644

SDHC makes affordable housing non-interest bearing loans, originated through noncash transactions, in which the borrower is not required to repay the loan during the loan compliance period provided compliance covenants are met. Compliance periods range between 10 to 65 years. SDHC monitors the loan compliance. SDHC does not record these loans in the Statement of Net Position as there is no cash disbursed. Any payment received during the compliance period is recorded as revenue in the fiscal year of receipt. Notes representing affordable housing loans outstanding as of June 30, 2021, total \$67,718.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

Note 7 - Capital Assets (Dollars in Thousands)

A summary of changes in capital assets for the year ended June 30, 2021 is as follows:

	Balance, June 30, 2020	Additions	Transfers / Retirements	Balance, June 30, 2021
Capital assets, not being depreciated				
Land	\$ 76,877	\$ 31,984	\$ (244)	\$108,617
Construction in progress	3,093	586	(2,921)	758
Total capital assets, not being depreciated	79,970	32,570	(3,165)	109,375
Capital assets, being depreciated				
Buildings	94,181	83,471	(59)	177,593
Building improvements	78,517	4,367	1,177	84,061
Office furniture and equipment	4,501	1,377	(63)	5,815
Total capital assets, being depreciated	177,199	89,215	1,055	267,469
Less accumulated depreciation for:				
Buildings	(27,498)	(3,798)	19	(31,277)
Building improvements	(28,919)	(5,289)	184	(34,024)
Office furniture and equipment	(3,704)	(383)	78	(4,009)
Total accumulated depreciation	(60,121)	(9,470)	281	(69,310)
Total capital assets, being depreciated, net	117,078	79,745	1,336	198,159
Total capital assets, net	<u>\$ 197,048</u>	<u>\$ 112,315</u>	<u>\$ (1,829)</u>	<u>\$307,534</u>

In fiscal year 2021, additions to land and building of \$31,984 and \$83,471, respectively, consist of the acquisition of Hillcrest, Valley Vista and Kearny Vista hotels. Additions of \$4,367 to building improvements include the completion of the renovation of Hotel Sandford and comprehensive renovation of the single-family home portfolio. Additionally, five of the single-family homes in SDHC's portfolio were transferred to its discrete component unit, HDP, which is included in the Transfers/Retirements column.

Depreciation expense for the year ended June 30, 2021 was \$9,470.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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

As of June 30, 2021, prepaid and other current items consisted of the following:

Prepaid grants	\$ 2,369
Prepaid software licenses	1,052
Escrow deposits - mortgage insurance premiums	205
Prepaid insurance	117
Prepaid mortgage insurance	77
Deposits other	9
	<hr/>
Total prepaids and other	<u>\$ 3,829</u>

Other Noncurrent Assets

As of June 30, 2021, other noncurrent assets was \$42. 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, 2021

Note 9 - Notes Payable and Accrued Compensated Absences (Dollars in Thousands)**Notes Payable**

A summary of notes payable at June 30, 2021 is as follows:

Type of Obligation	Interest Rate	Maturity Date	Balance, 6/30/2020	New Note Borrowings	(Payments)/ Amortization/ Adjustments	Balance, 06/30/2021	Due Within One Year FY21	GASB 88 Disclosure Footnotes
<u>Direct Borrowing Debts of the Commission</u>								
Key Bank Real Estate Capital - Smart Corner	6.08%*	2027	\$ 2,616	-	\$ (1,211) **	\$ 1,405	\$ 1,122	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.								
California Department of Housing and Community Development - Adaptable Housing	3.00%	2068	1,405	-	-	1,405	-	A1, B4, C6, D3
California Department of Housing and Community Development - Otay Villas	3.00%	2068	3,150	-	-	3,150	-	A1, B5, C6, D3
ORIX Real Estate Capital, LLC - Courtyard Apartments	4.92%	2030	4,047	-	(66)	3,981	69	A1, B6, C3, D1
JP Morgan Chase - Valley Vista	3.29%	2030	-	32,840	(317)	32,523	649	A1, B13, C2, D1
JP Morgan Chase - Kearny Vista	3.39%	2030	-	17,426	(166)	17,260	338	A1, B14, C2, D1
<u>Debts of the LLCs</u>								
Greystone Servicing Corp, Inc. - Belden SDHC FNMA, LLC	7.32%	2040	10,551	-	(252)	10,299	271	A1, B7, C3, D1
Greystone Servicing Corp, Inc. - Northern SDHC FNMA, LLC	7.32%	2040	9,258	-	(221)	9,037	237	A1, B8, C3, D1
Greystone Servicing Corp, Inc. - Central SDHC FNMA, LLC	7.32%	2040	11,998	-	(286)	11,712	308	A1, B9, C3, D1
PNC Bank, NA - Southern SDHC FHA, LLC	3.76%	2046	20,952	-	(506)	20,446	527	A1, B10, C4, D1
PNC Bank, NA - Northern SDHC FHA, LLC	3.76%	2046	14,657	-	(355)	14,302	368	A1, B11, C4, D1
PNC Bank, NA - Central SDHC FHA, LLC	3.65%	2046	13,153	-	(322)	12,831	334	A1, B12, C4, D1
Subtotal			98,326	50,266	(3,702)	144,890	4,223	
Less unamortized debt issuance costs			(1,377)	-	79	(1,298)	-	
Total			<u>\$ 96,949</u>	<u>\$ 50,266</u>	<u>\$ (3,623)</u>	<u>\$ 143,592</u>	<u>\$ 4,223</u>	

At June 30, 2021, the current portion of notes payable was \$4,223 and the noncurrent portion of notes payable was \$140,667.

On November 24, 2020, SDHC entered into a new mortgage agreement with JP Morgan Chase for the acquisition of Valley Vista and Kearny Vista properties in the amount of \$32,840 and \$17,426 and an interest rate of 3.29% and 3.39% respectively.

Debt issuance costs associated with the LLC loans totaled \$2,120, less accumulated amortization of \$822 at June 30, 2021. For fiscal year 2021, amortization totaled \$79. Under guidance issued by the GASB, these fees would be expensed as incurred. However, as the LLCs are not governmental agencies, they follow the standards issued by the FASB. In accordance with ASU 2015 - 03, debt issuance costs are capitalized and presented as a direct deduction to notes payable. In addition, the debt issuance costs are amortized over the life of the loan using the effective interest method.

The American Recovery and Reinvestment Act of 2009 created the new Build America Bond (BABs) program. State and local governments receive subsidy payments directly from the U.S. Treasury for a portion of their borrowing costs on Build America Bonds, equal



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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 \$672 in fiscal year 2021.

The projected annual principal and interest payment requirements for all of SDHC's notes payable are noted in the table below. These amounts include 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 \$598, respectively, as of June 30, 2021.

	Notes payable		
	Principal	Interest	Total
Year ending June 30, 2022	\$ 4,223	\$ 5,917	\$ 10,140
2023	3,528	5,722	9,250
2024	3,395	5,572	8,967
2025	3,561	5,404	8,965
2026	3,731	5,233	8,964
2027-2031	62,922	22,328	85,250
2032-2036	19,463	10,764	30,227
2037-2041	21,211	4,673	25,884
2042-2046	11,762	1,039	12,801
2047-2051	-	96	96
2052-2069	4,555	6,852	11,407
Subtotal	138,351	73,600	211,951
Forgivable loans	6,539	-	6,539
Total notes payable	\$ 144,890	\$ 73,600	218,490
Less: Unamortized debt issuance costs			(1,298)
Total notes payable, net			\$ 217,192

Accrued Compensated Absences

The change in accrued compensated absences consists of the following:

Balance, 6/30/2020	Additions (accrual)	Deductions (usage)	Balance, 06/30/2021	Due Within One Year FY21
\$ 2,704	\$ 3,425	\$ (2,440)	\$ 3,689	\$ 3,689



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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, and 4262-4268 44th St, 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
- B9 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
- 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
- B13 1865 Hotel Cir S, San Diego, CA 92108
- B14 5400 Kearny Mesa Rd, San Diego, CA 92111



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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.
- 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 rate 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

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

commercial leases at the Smart Corner building, Park Crest, Courtyard and Hotel Sandford. For fiscal year 2021, SDHC received land lease and other rental income comprised of the following:

Land leases	\$	2,363
Commercial leases		958
Parking and other rental income		563
		<hr/>
	\$	<u>3,884</u>

Aggregate future minimum lease revenues are as follows:

Year(s) ending June 30, 2022	\$	2,355
2023		2,249
2024		2,139
2025		2,110
2026		1,588
2027-2031		6,965
2032-2036		6,680
2037-2041		6,704
2042-2046		6,728
	\$	<hr/> <u>37,518</u>

Operating Leases

SDHC accounts for all lease arrangements as operating leases. SDHC does not hold any leases payable at June 30, 2021.

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

SDHC provides a pension plan which is a defined contribution plan and is intended to be a "governmental plan" as defined by Sections 411(s)(1)(A) and 414(d) of the IRC and Section 3(32) of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The pension plan covers all SDHC employees classified as permanent full time and permanent part time hired to work a minimum of 20 hours per week.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Eligible employees participate on their date of hire. SDHC contributes 14% of defined earnings each pay period for each eligible employee. 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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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, 2021, covered payroll was \$29,715. Pension expense related to SDHC's required contribution was \$4,087 and plan members contributed \$249 for the fiscal year ended June 30, 2021.

At June 30, 2021, there were 418 participants in the plan, including: 2 inactives receiving benefits, 94 inactives not receiving benefits and 322 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 Fund statements. The Plan is audited by an outside firm, and a copy of the audit report can be obtained by contacting the San Diego Housing Commission at 1122 Broadway, Suite 300, San Diego, California 92101.

Note 12 - Deferred Compensation Plan (Dollars in Thousands)

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

SDHC is required to contribute 3.75% of defined earnings for each temporary non-benefited employee and 1% of defined earnings for each permanent employee. SDHC also contributes a 100% matching contribution of elective deferrals up to a maximum of 1.5% for each permanent employee. All contributions by SDHC and the qualified employees are fully vested at the time of contribution. For the fiscal year ended June 30, 2021, SDHC's covered payroll was \$32,234. Deferred compensation expense related to SDHC's required contribution was \$790 and plan members contributed \$1,958 for the fiscal year ended June 30, 2021.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

At June 30, 2021, there were 819 participants in the plan, including: 10 inactives receiving benefits, 293 inactives not yet receiving benefits and 500 active participant and 16 participants with a zero ending balance.

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

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

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 Fund basic financial statements. The assets held by the plan had a market value of \$28,139 at June 30, 2021. 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.

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

Executive Committee, with members sitting two-year terms, which has the responsibility for conducting the business of the joint powers authority. Day-to-day operations of CHWCA are carried out by Sedgwick, under contract to CHWCA.

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

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

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

Property, General Liability and Other Liability Insurance

SDHC retained the services of various brokers and direct insurers to provide coverage for other identified risks. Deductibles under the policies vary. Claims and deductibles payable were \$0 at June 30, 2021. 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 \$803,809 for the period ended June 30, 2021 and is comprised of the following:



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

Net Investment in Capital Assets

SDHC's net investment in capital assets totaled \$167,437 for the period ended June 30, 2021. This relates to funds spent on capital assets being used for operations of SDHC.

Restricted Net Position

SDHC's restricted net position totaled \$224,768 for the period ended June 30, 2021. Of the total amount, \$188,106 is related to HOME - funded notes receivable, \$22,476 is related to CDBG Affordable Housing Revolving Loan Fund (AHRLF) – funded notes receivable, \$6,095 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 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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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, \$3,111 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 \$3,975, is related to Veterans Affairs Supportive Housing (VASH) and Mainstream Vouchers reserves. VASH and Mainstream restricted balance is administered in accordance with Housing Choice Vouchers (HCV) requirements.

Unrestricted Net Position

SDHC's unrestricted net position totaled \$411,604 for the period ended June 30, 2021. 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, \$255,298 relates to notes receivable (money due to SDHC, not on-hand and net of allowance for loan loss), \$34,869 relates to loans and grants SDHC has committed to fund (also see Note 16), and the remaining \$121,437 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, 2021, SDHC's original budget included \$342,542 of estimated HUD funding. A reduction in funding from HUD could significantly change the services provided by SDHC.

Note 16 - Commitments and Contingencies**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.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

Loan Commitments

SDHC has committed funds for loans and grants to various individuals and entities as of June 30, 2021. The amount of loans and grants SDHC has committed to fund, but has not funded as of June 30, 2021, is \$34,869,000.

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.

COVID-19 Pandemic

In 2021, the financial impact of the novel COVID-19 coronavirus continues to be 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 at risk of or experiencing homelessness in the City of San Diego.

In fiscal year 2021 SDHC received or has committed to receive, the following funding for coronavirus-related relief programs:

<u>CARES Act funds received by SDHC Directly:</u>	<u>Awarded</u>	<u>Received</u>
CARES Act HCV Admin Fees R1	\$ 3,104,154	\$ 3,104,154
CARES Act Mainstream Admin Fees R1	1,020	1,020
CA063-00000720DC	10,998	10,998
CA063-00000820DC	13,037	2,872
CA063-00000920DC	25,454	13,756
CA063-00001020DC	10,211	3,172
CARES Act Mod Rehab	34,514	34,514
CARES Act HCV Admin Fees R2	3,807,258	3,807,258
CARES Act Mainstream Admin Fees R2	21,544	21,544
CARES Act Mainstream vouchers	1,291,128	323,862
HCV HAP Supplemental	11,574,763	11,574,763
SDHC received directly - CRF Funds		
Expired 12/31/20 and were completely		
expended; All Other Funds SDHC to receive		
directly Expire 12/31/21	\$ 19,894,081	\$ 18,897,914



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

<u>CARES Act funds to SDHC:</u>	<u>Amount</u>	<u>Received</u>
<i>For ERAP from City of San Diego:</i>		
CRF (Coronavirus Relief Fund)	\$ 9,700,000	\$ 9,700,000
CDBG Entitlement	1,800,000	1,800,000
CDBG Cares Act	3,600,000	3,600,000
<i>Supportive Services (Valley Vista/Kearny Vista):</i>		
11/2/2020 ESG-CV City of San Diego Commitment	1,218,594	1,218,594
<i>Family Shelter:</i>		
CRF (Coronavirus Relief Fund) City of San Diego	187,000	187,000
<i>Bridge Shelter and related program:</i>		
ESG-CV2 City of San Diego	16,963,728	16,963,728
ESG-CV City of San Diego	1,107,296	1,107,296
<i>Administration & Planning:</i>		
ESG-CV2 City of San Diego	1,367,767	1,367,767
ESG-CV City of San Diego	155,900	155,900
<i>Kearny Vista/Valley Vista Acquisition:</i>		
CRF City of San Diego	10,000,000	10,000,000
<i>Kearny Vista/Valley Vista Acquisition:</i>		
CRF - State of California HCD	37,690,283	37,690,283
<i>Interim Shelter - Father Joe's Bishop 8/17/2021</i>		
ESG-CV City of San Diego	912,611	912,611
Total Funds received by SDHC as subrecipient - Funds Expire 12/31/21 and will either be spent or returned to the primary recipient by this deadline	\$ 84,703,179	\$ 84,703,179
<u>ERA1 - Consolidated Appropriations Act</u>	<u>Amount</u>	<u>Received</u>
<i>For HSAP from City of San Diego:</i>		
Program	\$ 38,100,207	\$ 38,100,207
Admin	4,233,356	4,233,356
	42,333,563	42,333,563
<i>For HSAP from State:</i>		
Program	46,131,710	-
Admin	4,356,884	-
	50,488,594	-
<i>For HSAP CDBG Funds per City HSAP MOU:</i>		
Program	4,500,000	-
Admin	500,000	-
	5,000,000	-
ERA1 Funds received by SDHC as subrecipient and Expire 9/30/2022 and will either be spent or returned to the primary recipient by this deadline	\$ 97,822,157	\$ 42,333,563



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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 for the fiscal year ended June 30, 2021 for IHF and HTF as required by the AHF Ordinance (San Diego Municipal Code Section 98.0515) and the dollars presented in the table below are in thousands.

	Inclusionary Housing Fund	Housing Trust Fund
Operating Revenues		
Fee revenue	\$ 91	\$ 56
Other revenue	5	5
Total operating revenue	96	61
Operating Expenses		
Administrative expenses	2,447	1,576
Grant expense	1,948	-
Housing assistance	942	-
Total operating expenses	5,337	1,576
Operating loss	(5,241)	(1,515)
Non- Operating Revenues		
Grant revenue	10,241	1,654
Interest income on investments and notes receivable	2,336	1,326
Total non-operating revenues	12,577	2,980
Change in net position	\$ 7,336	\$ 1,465



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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, 2021, Building Opportunities recorded approximately \$116,000 in other revenue in the statement of revenues, expenses and changes in net position. As of June 30, 2021, there was \$72,000 in 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, 2021:



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2021San Diego Housing Commission - Blended Component Units
Balance Sheet
June 30, 2021
(Dollars in Thousands)

	Belden SDHC FNMA LLC	Northern SDHC FNMA LLC	Central SDHC FNMA LLC	Northern SDHC FHA LLC	Southern SDHC FHA LLC	Central SDHC FHA LLC	Mercado SDHC LLC	SDHC Building Opportunities	Blended Component Units Total
<u>Assets</u>									
Current assets									
Operating cash	\$ 450	\$ 332	\$ 551	\$ 885	\$ 1,445	\$ 1,069	\$ -	\$ 139	\$ 4,871
Security deposit account	113	87	144	118	206	156	-	-	824
Restricted reserves	134	9	38	284	654	494	-	-	1,613
Accounts receivable	66	68	76	49	103	261	2	-	625
Allowance for doubtful accounts	(38)	(57)	(56)	(40)	(57)	(169)	-	-	(417)
Prepaid mortgage insurance	-	-	-	22	31	24	-	-	77
Escrow account - MIP	-	-	-	57	82	46	-	-	185
Total current assets	725	439	753	1,375	2,464	1,881	2	139	7,778
Capital assets									
Land	2,226	2,985	3,218	3,691	3,683	3,852	30	-	19,685
Building	1,815	3,252	3,929	5,098	3,901	3,857	-	-	21,852
Building improvements	317	2,434	5,440	5,962	6,628	5,227	-	-	26,008
Office furniture and equipment	59	103	57	56	132	103	-	-	510
Accumulated depreciation	(828)	(1,877)	(4,045)	(4,593)	(4,607)	(3,568)	-	-	(19,518)
Total capital assets	3,589	6,897	8,599	10,214	9,737	9,471	30	-	48,537
Total assets	\$ 4,314	\$ 7,336	\$ 9,352	\$ 11,589	\$ 12,201	\$ 11,352	\$ 32	\$ 139	\$ 56,315



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2021San Diego Housing Commission - Blended Component Units
Balance Sheet
June 30, 2021
(Dollars in Thousands)

	Belden SDHC FNMA LLC	Northern SDHC FNMA LLC	Central SDHC FNMA LLC	Northern SDHC FHA LLC	Southern SDHC FHA LLC	Central SDHC FHA LLC	Mercado SDHC LLC	SDHC Building Opportunities	Blended Component Units Total
Liabilities									
Current liabilities									
Accounts payable	\$ 130	\$ 173	\$ 143	\$ 183	\$ 222	\$ 298	\$ 2	\$ 4	\$ 1,155
Related party payable	154	15	92	89	166	263	-	-	779
Accrued interest payable	63	54	72	45	64	39	-	-	337
First mortgage - current portion	271	238	308	368	526	334	-	-	2,045
Prepaid revenue	44	32	23	47	58	30	-	72	306
Tenant security deposits	112	87	144	119	206	156	-	-	824
Total current liabilities	774	599	782	851	1,242	1,120	2	76	5,446
Long -term liabilities									
First mortgage payable, net	9,945	8,724	11,261	13,631	19,504	12,220	-	-	75,285
Total liabilities	10,719	9,323	12,043	14,482	20,746	13,340	2	76	80,731
Net Position									
Net investment in capital assets	(6,710)	(2,139)	(3,114)	(4,089)	(10,709)	(3,360)	30	-	(30,091)
Restricted net position	133	9	38	285	654	494	-	-	1,613
Unrestricted net position	172	143	385	911	1,510	878	-	63	4,062
Total net position	(6,405)	(1,987)	(2,691)	(2,893)	(8,545)	(1,988)	30	63	(24,416)
Total liabilities and net position	\$ 4,314	\$ 7,336	\$ 9,352	\$ 11,589	\$ 12,201	\$ 11,352	\$ 32	\$ 139	\$ 56,315



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2021San Diego Housing Commission - Blended Component Units
Statement of Operations
For the Year Ended June 30, 2021
(Dollars in Thousands)

	Belden SDHC FNMA LLC	Northern SDHC FNMA LLC	Central SDHC FNMA LLC	Northern SDHC FHA LLC	Southern SDHC FHA LLC	Central SDHC FHA LLC	Mercado SDHC LLC	SDHC Building Opportunities	Blended Component Units Total
<u>Operating Income</u>									
Rental income	\$ 2,535	\$ 2,221	\$ 3,131	\$ 3,000	\$ 5,078	\$ 3,906	\$ -	\$ -	\$ 19,871
Other income	255	15	16	226	312	236	-	-	1,060
Total operating income	2,790	2,236	3,147	3,226	5,390	4,142	-	-	20,931
<u>Expenses</u>									
Operating expenses									
Salaries and benefits	314	269	484	353	577	564	-	-	2,561
Management fee	128	112	157	152	257	197	-	-	1,003
Other administration	102	53	85	56	63	111	2	-	472
Utilities	202	177	222	252	461	430	-	4	1,748
Repairs and maintenance	389	325	535	399	504	919	-	-	3,071
Protective services	37	14	-	-	50	58	-	-	159
Insurance	65	35	34	37	61	43	-	-	275
Depreciation	79	262	504	581	616	499	-	-	2,541
Bad debt expense	48	54	38	42	59	177	-	-	418
Total operating expenses	1,364	1,301	2,059	1,872	2,648	2,998	2	4	12,248
Operating income (loss)	1,426	935	1,088	1,354	2,742	1,144	(2)	(4)	8,684
Non-Operating revenues (expenses)									
Grant revenue	-	-	-	-	-	-	-	116	116
Grant expense	-	-	-	-	-	-	-	(116)	(116)
Interest expense	(762)	(669)	(867)	(544)	(778)	(474)	-	-	(4,094)
Mortgage insurance	-	-	-	(65)	(93)	(59)	-	-	(217)
Amortized loan fees	(5)	(5)	(9)	(18)	(25)	(16)	-	-	(78)
Entity taxes and fees	(7)	(7)	(7)	(7)	(13)	(7)	(1)	-	(49)
Total Non-Operating revenues (expenses)	(774)	(681)	(883)	(634)	(909)	(556)	(1)	-	(4,438)
Net income (loss)	652	254	205	720	1,833	588	(3)	(4)	4,246
Net operating transfers in (out)	-	-	-	-	-	-	3	-	3
Net income (loss) net of financing sources	\$ 652	\$ 254	\$ 205	\$ 720	\$ 1,833	\$ 588	\$ -	\$ (4)	\$ 4,249



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2021San Diego Housing Commission - Blended Component Units
Statement of Cash Flows
For the Year Ended June 30, 2021
(Dollars in Thousands)

	Belden SDHC FNMA LLC	Northern SDHC FNMA LLC	Central SDHC FNMA LLC	Northern SDHC FHA LLC	Southern SDHC FHA LLC	Central SDHC FHA LLC	Mercado SDHC LLC	SDHC Building Opportunities	Blended Component Units Total
Cash flow information									
Operating receipts	\$ 291	\$ 391	\$ 823	\$ 3,205	\$ 5,328	\$ 3,763	\$ -	\$ 72	\$ 13,873
Operating expenses paid	(60)	(169)	(85)	(1,776)	(2,775)	(2,433)	-	(54)	(7,352)
Cash flows from operating activities	231	222	738	1,429	2,553	1,330	-	18	6,521
Net withdrawals	-	-	-	60	59	97	-	-	216
Net purchases	(37)	(103)	-	-	-	(5)	-	-	(145)
Cash flows from investing activities	(37)	(103)	-	60	59	92	-	-	71
Debt principal payments	(246)	(215)	(277)	(355)	(507)	(322)	-	-	(1,922)
Distribution	(211)	(127)	(425)	(1,647)	(2,060)	(1,577)	-	(3)	(6,050)
Contribution	210	78	31	49	-	59	-	-	427
Cash flows from capital and related financing activities	(247)	(264)	(671)	(1,953)	(2,567)	(1,840)	-	(3)	(7,545)
Net increase in cash and restricted cash	(53)	(145)	67	(464)	45	(418)	-	15	(953)
Cash and restricted cash - beginning	616	564	628	1,467	1,606	1,643	-	124	6,648
Cash and restricted cash - end	\$ 563	\$ 419	\$ 695	\$ 1,003	\$ 1,651	\$ 1,225	\$ -	\$ 139	\$ 5,695



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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 between the component unit and the primary government, are detailed below.



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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

	Component Unit	HDP Audit Presentation	Variance
<u>Assets</u>			
Current assets			
Cash and cash equivalents	\$ 14,223	\$ 14,223	\$ -
Restricted cash and cash equivalents	738	738	-
Accounts receivable - tenants, net	53	53	-
Accounts receivable - funding sources	37	37	-
Accounts receivable - other	329	329	-
Prepaid items and other assets	446	446	-
Total current assets	15,826	15,826	-
Noncurrent assets			
Restricted cash and cash equivalents	14,538	14,538	-
Investment in partnerships	63	63	-
Other assets	3,243	3,243	-
Capital assets not being depreciated	19,529	19,529	-
Capital assets, net of accumulated depreciation	107,402	107,402	-
Total noncurrent assets	144,775	144,775	-
Total assets	\$ 160,601	\$ 160,601	\$ -
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 5,321	\$ 5,321	\$ -
Accrued payroll and benefits	52	52	-
Accrued interest payable	236	236	-
Notes payable, current portion	3,460	3,460	-
Deposits payable	615	615	-
Unearned revenue	72	72	-
Total current liabilities	9,756	9,756	-
Noncurrent liabilities			
Accrued interest payable - noncurrent	6,875	4,329	(2,546)
Notes payable noncurrent, net	159,864	114,553	(45,311)
Other liabilities	11,804	11,804	-
Total noncurrent liabilities	178,543	130,686	(47,857)
Total liabilities	\$ 188,299	\$ 140,442	\$ (47,857)
<u>Net Position</u>			
Restricted			
Non-controlling interest - tax credit partnerships	\$ 25,063	\$ 25,063	\$ -
Unrestricted	(52,761)	(4,904)	47,857
Total net position	\$ (27,698)	\$ 20,159	\$ 47,857
Total liabilities and net position	\$ 160,601	\$ 160,601	\$ -



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

**Reconciliation of HDP Discrete Component Unit Presentation
Statement of Revenues, Expenses and Changes in Net Position
As of December 31, 2020**

	Component Unit	HDP Audit Presentation	Variance
Operating revenues			
Dwelling rental income	\$ 14,539	\$ 14,579	\$ 40
Land lease and other rental income	160	160	-
Fee revenue	1,932	1,932	-
Other revenue	253	213	(40)
Resident services	-	74	74
Grant revenue	-	302	302
Interest income	-	94	94
	<u>16,884</u>	<u>17,354</u>	<u>470</u>
Total operating revenues			
Operating expenses			
Program services	-	17,571	17,571
Management and general	-	2,543	2,543
Administrative expenses	4,482	-	(4,482)
Tenant services	383	-	(383)
Asset management	4,683	-	(4,683)
General expenses	1,315	-	(1,315)
Depreciation	4,768	-	(4,768)
	<u>15,631</u>	<u>20,114</u>	<u>4,984</u>
Total operating expenses			
Operating income (loss)	<u>1,253</u>	<u>(2,760)</u>	<u>(4,514)</u>
Nonoperating revenues (expenses)			
Grant revenue	376	-	(376)
Interest income on investments and notes receivable	94	-	(94)
Interest expense	(6,350)	-	6,350
	<u>(5,880)</u>	<u>-</u>	<u>5,880</u>
Total nonoperating revenues (expenses)			
Income (loss) before capital transactions	(4,627)	(2,760)	1,867
Contributions, net of distributions	865	(505)	(1,370)
Transfer of properties to component unit	(33,164)	-	33,164
	<u>(36,926)</u>	<u>(3,264)</u>	<u>33,661</u>
Change in net position			
Net position			
Beginning of year	<u>9,228</u>	<u>23,424</u>	<u>14,196</u>
End of year	<u>\$ (27,698)</u>	<u>\$ 20,159</u>	<u>\$ 47,857</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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, 12/31/2020	Additions	Payments	SDHC Balance, 6/30/2021
SALARIES PAYABLE AND OTHER PAYABLES					
<u>Debts of Housing Development Partners of San Diego</u>					
San Diego Housing Commission		\$ 243	\$ 1,100	\$ (963)	\$ 380
ACCRUED INTEREST PAYABLE AND NOTES PAYABLE					
<u>Debts of HDP Mason Housing Corporation</u>					
San Diego Housing Commission	Principal	2,480	-	(23)	2,457
San Diego Housing Commission	Interest	647	37	-	684
<u>Debts of Casa Colina, LP</u>					
San Diego Housing Commission	Principal	1,182	-	(60)	1,122
San Diego Housing Commission	Interest	20	18	(38)	-
<u>Debts of Logan Development II, LP</u>					
San Diego Housing Commission	Principal	1,400	-	-	1,400
San Diego Housing Commission	Interest	1,460	42	(75)	1,427
<u>Debts of HDP Churchill, LP</u>					
San Diego Housing Commission	Principal	6,001	-	-	6,001
San Diego Housing Commission	Interest	550	90	(65)	575
<u>Debts of HDP New Palace, LP</u>					
San Diego Housing Commission	Principal	3,100	-	-	3,100
San Diego Housing Commission	Interest	249	62	(33)	278
<u>Debts of HDP Town & Country, LP</u>					
San Diego Housing Commission	Principal	14,850	-	-	14,850
San Diego Housing Commission	Interest	112	504	(142)	474
<u>Debts of HDP Quality Inn, LLC</u>					
San Diego Housing Commission	Principal	4,632	-	-	4,632
San Diego Housing Commission	Interest	187	93	-	280
<u>Debts of HDP West Park, LP</u>					
San Diego Housing Commission	Principal	3,593	-	-	3,593
San Diego Housing Commission	Interest	11	67	-	78
<u>Debts of HDP Mariner's Village, LP</u>					
San Diego Housing Commission	Principal	29,800	939	-	30,739
San Diego Housing Commission	Interest	869	-	(457)	412
<u>Debts of HDP ADU, LLC</u>					
San Diego Housing Commission	Principal	2,260	-	-	2,260
San Diego Housing Commission	Interest	4	34	-	38
		<u>\$ 73,650</u>	<u>\$ 2,986</u>	<u>\$ (1,856)</u>	<u>\$ 74,780</u>



San Diego Housing Commission

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

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, 2021, 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:

Additional Coronavirus Relief Funds

On July 19, 2021 SDHC received approximately \$44,900 of funding for the City of San Diego's housing stability program that SDHC administers on behalf of the City. These funds are ERA1 funds from the State of California's indirect allocation to the City of San Diego and expire on September 30, 2022.

On August 25, 2021, SDHC received approximately \$27,400 of additional funding from the City of San Diego for the housing stability program that SDHC administers on behalf of the City. These funds are ERA1 and ERA2 funds (from State of California's allocation) and expire on September 30, 2022 and September 30, 2025, respectively.

On October 5, 2021, SDHC received approximately \$32,700 of additional funding from the City of San Diego for the housing stability program that SDHC administers on behalf of the City. These funds are entirely ERA2 funds (from the City of San Diego's federal allocation) and expire on September 30, 2025.



SAN DIEGO
HOUSING
COMMISSION

Supplementary Information



We're About People

The San Diego Housing Commission (SDHC) administers and operates the City of San Diego COVID-19 Housing Stability Assistance Program to help pay rent and utilities for households with low income that experience financial hardship due to or during the COVID-19 pandemic. The program launched March 15, 2021, and as of September 14, 2021, SDHC has disbursed payments totaling approximately \$97.8 million to help 11,197 households.

Also in Fiscal Year 2021, SDHC administered and operated the COVID-19 Emergency Rental Assistance Program, which launched July 20, 2020, with limited funding to help qualifying households with low income pay their rent during the pandemic. SDHC disbursed more than \$13.7 million to help 3,735 households through that program.





San Diego Housing Commission
COMBINING SCHEDULE OF NET POSITION - ENTERPRISE FUNDS
June 30, 2021
(Dollars in Thousands)

	Business activities	Federal funds	State funds	Eliminations	Primary Government
<u>Assets</u>					
Current assets					
Cash and cash equivalents	\$ 53,984	\$ -	\$ -	\$ -	\$ 53,984
Restricted cash and cash equivalents	3,228	725	-	-	3,953
Short-term investments	1,753	49,992	143	-	51,888
Accounts receivable - tenants, net	301	782	-	-	1,083
Accounts receivable - funding sources	7,379	3,749	3,749	(782)	14,095
Accounts receivable - other	2,668	768	14	-	3,450
Notes and mortgages receivable, current portion	64	-	-	-	64
Accrued interest receivable - investments	124	46	3	-	173
Prepaid items and other assets	3,829	-	-	-	3,829
Total current assets	73,330	56,062	3,909	(782)	132,519
Noncurrent assets					
Long-term investments	66,723	24,250	-	-	90,973
Accrued interest receivable - notes and mortgages receivable	28,562	31,637	1,669	-	61,868
Notes and mortgages receivable, net of allowance for loan losses	196,054	207,190	7,803	-	411,047
Other assets	42	-	-	-	42
Capital assets not being depreciated	105,736	3,639	-	-	109,375
Capital assets, net of accumulated depreciation	180,445	17,714	-	-	198,159
Total noncurrent assets	577,562	284,430	9,472	-	871,464
Total assets	<u>\$ 650,892</u>	<u>\$ 340,492</u>	<u>\$ 13,381</u>	<u>\$ (782)</u>	<u>\$ 1,003,983</u>



San Diego Housing Commission
COMBINING SCHEDULE OF NET POSITION - ENTERPRISE FUNDS - CONTINUED
June 30, 2021
(Dollars in Thousands)

	Business activities	Federal funds	State funds	Eliminations	Primary Government
<u>Liabilities</u>					
Current liabilities					
Accounts payable	\$ 6,901	\$ 6,142	\$ 1,411	\$ (782)	\$ 13,672
Accounts payable - funding sources	9	539	-	-	548
Accrued payroll and benefits	1,492	727	-	-	2,219
Accrued compensated absences	3,689	-	-	-	3,689
Accrued interest payable	499	19	-	-	518
Notes payable, current portion	4,223	-	-	-	4,223
Deposits payable	2,225	96	-	-	2,321
Unearned revenue	994	30,512	-	-	31,506
Other current liabilities	37	2	1	-	40
Total current liabilities	20,069	38,037	1,412	(782)	58,736
Noncurrent liabilities					
Accrued interest payable - noncurrent	597	891	-	-	1,488
Notes payable noncurrent, net	134,814	4,555	-	-	139,369
Other liabilities	2	579	-	-	581
Total noncurrent liabilities	135,413	6,025	-	-	141,438
Total liabilities	155,482	44,062	1,412	(782)	200,174



San Diego Housing Commission
COMBINING SCHEDULE OF NET POSITION - ENTERPRISE FUNDS - CONTINUED
June 30, 2021
(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	150,639	16,798	-	-	167,437
Restricted					
HOME notes receivable reserve	-	188,106	-	-	188,106
NSP notes receivable reserve	-	6,095	-	-	6,095
CDBG notes receivable reserve	-	23,481	-	-	23,481
Replacement reserves	1,887	1,224	-	-	3,111
VASH and Mainstream housing assistance reserves	-	3,975	-	-	3,975
Unrestricted	342,884	56,751	11,969	-	411,604
Total net position	495,410	296,430	11,969	-	803,809
Total liabilities and net position	<u>\$ 650,892</u>	<u>\$ 340,492</u>	<u>\$ 13,381</u>	<u>\$ (782)</u>	<u>\$ 1,003,983</u>



San Diego Housing Commission
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUNDS
Year Ended June 30, 2021
(Dollars in Thousands)

	Business activities	Federal funds	State funds	Eliminations	Primary Government
Operating revenues					
Dwelling rental income	\$ 31,345	\$ 1,127	\$ -	\$ -	\$ 32,472
Land lease and other rental income	3,803	81	-	-	3,884
Fee revenue	7,747	21	3	(1,016)	6,755
Other revenue	3,673	4,713	15	(3)	8,398
Total operating revenues	<u>46,568</u>	<u>5,942</u>	<u>18</u>	<u>(1,019)</u>	<u>51,509</u>
Operating expenses					
Administrative expenses	23,864	30,721	1,004	(1,017)	54,572
Tenant services	983	1,485	-	-	2,468
Asset management	14,770	3,763	17	-	18,550
General expenses	2,621	(221)	4	-	2,404
Grant expense	9,394	17,905	7,496	(2)	34,793
Housing assistance	960	236,659	191	-	237,810
Depreciation	7,847	1,623	-	-	9,470
Total operating expenses	<u>60,439</u>	<u>291,935</u>	<u>8,712</u>	<u>(1,019)</u>	<u>360,067</u>
Operating loss	<u>(13,871)</u>	<u>(285,993)</u>	<u>(8,694)</u>	<u>-</u>	<u>(308,558)</u>



San Diego Housing Commission
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUNDS - CONTINUED
Year Ended June 30, 2021
(Dollars in Thousands)

	Business activities	Federal funds	State funds	Eliminations	Primary Government
Nonoperating revenues (expenses)					
Grant revenue	17,433	375,375	8,621	-	401,429
Interest income on investments and notes receivable	6,912	7,108	250	-	14,270
Interest expense and other expense	(5,749)	(1,082)	-	-	(6,831)
Loss on sale of capital assets	(11)	-	-	-	(11)
Total nonoperating revenues (expenses)	18,585	381,401	8,871	-	408,857
Income (loss) before capital transactions	4,714	95,408	177	-	100,299
Gain on transfer of properties to component unit	33,164	-	-	-	33,164
Income before operating transfers	37,878	95,408	177	-	133,463
Operating transfers in	151,113	244,040	-	-	395,153
Operating transfers out	(74,272)	(320,881)	-	-	(395,153)
Change in net position	114,719	18,567	177	-	133,463
Net position - beginning of year	380,691	277,863	11,792	-	670,346
Net position - end of year	<u>\$ 495,410</u>	<u>\$ 296,430</u>	<u>\$ 11,969</u>	<u>\$ -</u>	<u>\$ 803,809</u>



San Diego Housing Commission
COMBINING SCHEDULE OF CASH FLOWS - ENTERPRISE FUNDS
Year Ended June 30, 2021
(Dollars in Thousands)

	Business activities	Federal funds	State funds	Primary Government
Cash flows from operating activities				
Cash received from tenants	\$ 30,218	\$ 1,127	\$ -	\$ 31,345
Cash received from other revenue	30,149	4,815	-	34,964
Cash payments to suppliers for goods and services	(27,487)	(278,173)	(6,496)	(312,156)
Cash payments to employees for services	(23,548)	(16,164)	(1,008)	(40,720)
Net cash provided by (used in) operating activities	9,331	(288,394)	(7,504)	(286,567)
Cash flows from capital and related financing activities				
Cash received from notes payable	50,266	-	-	50,266
Principal payments on notes payable	(3,703)	-	-	(3,703)
Acquisition and construction of capital assets	(83,735)	(38,049)	-	(121,784)
Proceeds from sales of properties to component units	1,818	-	-	1,818
Interest payments	(6,532)	-	-	(6,532)
Net cash provided by (used in) capital and related financing activities	(41,886)	(38,049)	-	(79,935)
Cash flows from noncapital financing activities				
Cash received from grants	19,925	377,636	5,906	403,465
Net cash provided by noncapital financing activities	19,925	377,636	5,906	403,465
Cash flows from investing activities				
Interest on investments and notes receivable	2,061	7,108	239	9,408
Collection of notes receivable	1,043	10,286	1,072	12,402
Cash loaned on notes receivable	(16,507)	(12,188)	(84)	(28,779)
Purchases of investments	-	(59,067)	-	(59,067)
Proceeds from sale of investments	49,365	-	372	49,737
Net cash provided by (used in) investing activities	35,962	(53,860)	1,599	(16,299)
Net increase (decrease) in cash and cash equivalents	23,332	(2,667)	-	20,664
Cash and cash equivalents				
Beginning of year	33,880	3,393	-	37,273
End of year	\$ 57,212	\$ 725	\$ -	\$ 57,937
Financial statement presentation				
Cash and cash equivalents				\$ 53,984
Restricted cash and cash equivalents				3,953
Total cash and cash equivalents				\$ 57,937



San Diego Housing Commission
COMBINING SCHEDULE OF CASH FLOWS - ENTERPRISE FUNDS - CONTINUED
Year Ended June 30, 2021
(Dollars in Thousands)

	Business activities	Federal funds	State funds	Primary Government
Reconciliation of operating loss to net cash used in operating activities				
Operating loss	\$ (13,871)	\$ (285,993)	\$ (8,694)	\$ (308,558)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation	7,847	1,623	-	9,470
Amortization	79	-	-	79
Allowance for accounts receivable	765	(104)	-	661
Provision for loan losses	(118)	(343)	4	(457)
Allowance for forgivable loans	(306)	429	11	134
Changes in operating assets and liabilities:				
Decrease (increase) in tenant receivables	(132)	13	-	(119)
Decrease (increase) in other receivables	(1,137)	(1,999)	(14)	(3,151)
Decrease (increase) in prepaid items and other assets	(2,171)	1	2,327	157
Increase (decrease) in accounts payable	(2,981)	3,772	(1,141)	(349)
Increase (decrease) in accrued payroll and benefits	1,269	221	-	1,490
Increase (decrease) in deposits payable	102	(82)	1	21
Increase (decrease) in unearned revenue	19,982	(6,036)	2	13,948
Increase (decrease) in other liabilities	3	104	-	107
Net cash used in operating activities	<u>\$ 9,331</u>	<u>\$ (288,394)</u>	<u>\$ (7,504)</u>	<u>\$ (286,567)</u>
Supplemental Disclosure of Cash Flow Information:				
Noncash capital and related financing activities:				
Decrease in capital assets for construction costs written off	\$ (1,829)	\$ -	\$ -	\$ (1,829)
Total noncash capital and related financing activities	<u>\$ (1,829)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,829)</u>



San Diego Housing Commission
Combining Schedule of Fiduciary Net Position
June 30, 2021
(Dollars in Thousands)

	<u>Pension Trust</u>	<u>Deferred Compensation Plan</u>	<u>Total</u>
Assets			
Cash and investments:			
Mutal funds	\$ 51,678	\$ -	\$ 51,678
Common collective trust funds	6,370	-	6,370
Participant directed brokerage accounts	2,250	1,792	4,042
Pooled separate accounts, at fair value	-	22,853	22,853
Guarnateed interest accounts, at contract value	-	2,918	2,918
Guaranteed interest accounts, at fair value	-	576	576
Cash	14	-	14
Total cash and investments	<u>60,312</u>	<u>28,139</u>	<u>88,451</u>
Receivables:			
Notes receivable from participants	-	690	690
Total receivables	<u>-</u>	<u>690</u>	<u>690</u>
Total assets	<u>\$ 60,312</u>	<u>\$ 28,829</u>	<u>\$ 89,141</u>
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fiduciary net position	<u>\$ 60,312</u>	<u>\$ 28,829</u>	<u>\$ 89,141</u>
Restricted for			
Pension	\$ 60,312	\$ -	\$ 60,312
Other employee benefit other than pension	-	28,829	28,829
	<u>\$ 60,312</u>	<u>\$ 28,829</u>	<u>\$ 89,141</u>



San Diego Housing Commission
Combining Schedule of Changes in Fiduciary Net Position
Year Ended June 30, 2021
(Dollars in Thousands)

	<u>Pension Trust</u>	<u>Deferred Compensation Plan</u>	<u>Total</u>
Additions to net position			
Investment income:			
Net appreciation in fair value of investments	\$ 12,759	\$ 4,686	\$ 17,445
Interest and dividends	777	696	1,473
Total investment income	<u>13,536</u>	<u>5,382</u>	<u>18,918</u>
Interest on notes receivable from participants	-	35	35
Contributions:			
Employer contributions	4,087	790	4,877
Participant contributions	249	1,958	2,207
Rollover contributions	138	33	171
Total contributions	<u>4,474</u>	<u>2,781</u>	<u>7,255</u>
Total additions	18,010	8,198	26,208
Deductions from net position			
Benefits paid directly to participants or beneficiaries, including direct rollovers	2,909	535	3,444
Administrative fees and expenses	49	66	115
Total deductions	2,958	601	3,559
Change in net position	15,052	7,597	22,649
Fiduciary net position			
Beginning of year	45,260	21,232	66,492
End of year	<u>\$ 60,312</u>	<u>\$ 28,829</u>	<u>\$ 89,141</u>

FINANCIAL DATA SCHEDULE

San Diego Housing Commission (CA063)

SAN DIEGO, CA

Entity Wide Balance Sheet Summary

Fiscal Year End: 06/30/2021

	Project Total	14.PHC Public Housing CARES Act Funding	14.210 Community Development Block Grants/Entitlement Cares	14.MSC Mainstream CARES Act Funding	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	1 Business Activities	2 State/Local	14.267 Continuum of Care Program	9 Other Federal Program 2	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program
111 Cash - Unrestricted					\$14,223,384	\$4,871,703	\$47,057,876					
112 Cash - Restricted - Modernization and Development												
113 Cash - Other Restricted				\$104,417	\$14,645,589	\$1,612,832	\$2,328,733					
114 Cash - Tenant Security Deposits					\$629,625	\$823,948	\$517,403					
115 Cash - Restricted for Payment of Current Liabilities												
100 Total Cash	\$0	\$0	\$0	\$104,417	\$29,498,598	\$7,308,483	\$49,904,012	\$0	\$0	\$0	\$0	\$0
121 Accounts Receivable - PHA Projects												
122 Accounts Receivable - HUD Other Projects		\$3,300			\$36,995						\$21,960	
124 Accounts Receivable - Other Government	\$139,391		\$220,652				\$6,596,952	\$3,748,084	\$960,718			
125 Accounts Receivable - Miscellaneous				\$2,196	\$329,192	\$72,604	\$3,392,241	\$14,440			\$3,344	\$20,345
126 Accounts Receivable - Tenants	\$7,579			\$10,576	\$222,634	\$141,537	\$259,679				\$10,362	
126.1 Allowance for Doubtful Accounts - Tenants	-\$439			\$0	-\$170,007	-\$6,020	-\$94,266				\$0	
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	-\$15,133	\$0	\$0	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current							\$64,172					
128 Fraud Recovery												
128.1 Allowance for Doubtful Accounts - Fraud												
129 Accrued Interest Receivable	\$12,047		\$2,475,120				\$28,686,572	\$1,671,791				\$29,171,134
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$158,578	\$3,300	\$2,695,772	\$12,772	\$418,814	\$208,121	\$38,890,217	\$5,434,315	\$960,718	\$0	\$35,666	\$29,191,479
131 Investments - Unrestricted	\$9,962,804		\$8,623,136		\$63,404		\$68,475,535	\$143,213		\$21,625	\$87,808	\$13,145,514
132 Investments - Restricted												
135 Investments - Restricted for Payment of Current Liability												
142 Prepaid Expenses and Other Assets					\$446,015	\$261,336	\$3,567,740					
143 Inventories												
143.1 Allowance for Obsolete Inventories												
144 Inter Program Due From												
145 Assets Held for Sale												
150 Total Current Assets	\$10,121,382	\$3,300	\$11,318,908	\$117,189	\$30,426,831	\$7,777,940	\$160,837,504	\$5,577,528	\$960,718	\$21,625	\$123,474	\$42,336,993
161 Land	\$3,279,738				\$4,476,568	\$19,684,285	\$85,652,550					
162 Buildings	\$22,374,627				\$122,862,623	\$47,859,996	\$186,169,352					
163 Furniture, Equipment & Machinery - Dwellings	\$13,500				\$6,545,183	\$510,665	\$1,413,798					
164 Furniture, Equipment & Machinery - Administration							\$3,876,843					
165 Leasehold Improvements					\$10,863							
166 Accumulated Depreciation	-\$8,844,829				-\$22,016,554	-\$19,518,146	-\$39,867,108					
167 Construction in Progress	\$5,764				\$15,052,338		\$398,709					
168 Infrastructure												
160 Total Capital Assets, Net of Accumulated Depreciation	\$16,828,800	\$0	\$0	\$0	\$126,931,021	\$48,536,800	\$237,644,144	\$0	\$0	\$0	\$0	\$0
171 Notes, Loans and Mortgages Receivable - Non-Current			\$27,354,400				\$196,054,221	\$7,803,374				\$179,835,362
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due												
173 Grants Receivable - Non Current												
174 Other Assets					\$3,243,397		\$41,659					
176 Investments in Joint Ventures							\$1,697,710					
180 Total Non-Current Assets	\$16,828,800	\$0	\$27,354,400	\$0	\$130,174,418	\$48,536,800	\$435,437,734	\$7,803,374	\$0	\$0	\$0	\$179,835,362
200 Deferred Outflow of Resources												
290 Total Assets and Deferred Outflow of Resources	\$26,950,182	\$3,300	\$38,673,308	\$117,189	\$160,601,249	\$56,314,740	\$596,275,238	\$13,380,902	\$960,718	\$21,625	\$123,474	\$222,172,355

San Diego Housing Commission (CA063)

SAN DIEGO, CA

Entity Wide Balance Sheet Summary

Fiscal Year End: 06/30/2021

	14.OPS MTW Demonstration Program for Low Rent	14.870 Resident Opportunity and Supportive Services	14.231 Emergency Shelter Grants Program	14.HCV MTW Demonstration Program for HCV program	14.881 Moving to Work Demonstration Program	14.880 Family Unification Program (FUP)	21.019 Coronavirus Relief Fund	91 Other Federal Program 3	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
111 Cash - Unrestricted									\$0	\$66,152,963		\$66,152,963
112 Cash - Restricted - Modernization and Development									\$0			
113 Cash - Other Restricted					\$604,097				\$0	\$19,295,668		\$19,295,668
114 Cash - Tenant Security Deposits									\$0	\$1,970,976		\$1,970,976
115 Cash - Restricted for Payment of Current Liabilities						\$16,160			\$0	\$16,160		\$16,160
100 Total Cash	\$0	\$0	\$0	\$0	\$604,097	\$16,160	\$0	\$0	\$0	\$87,435,767	\$0	\$87,435,767
121 Accounts Receivable - PHA Projects					\$285,526				\$0	\$285,526		\$285,526
122 Accounts Receivable - HUD Other Projects					\$780,837				\$0	\$843,092		\$843,092
124 Accounts Receivable - Other Government		\$6,163			\$38,039			\$1,574,603	\$3,832	\$13,288,434		\$13,288,434
125 Accounts Receivable - Miscellaneous					\$449,137	\$7,125			\$125	\$4,290,749	-\$781,653	\$3,509,096
126 Accounts Receivable - Tenants					\$728,022	\$25,612			\$0	\$1,406,001		\$1,406,001
126.1 Allowance for Doubtful Accounts - Tenants					\$0	\$0			\$0	-\$270,732		-\$270,732
126.2 Allowance for Doubtful Accounts - Other		\$0	\$0		\$0	\$0		\$0	\$0	-\$15,133		-\$15,133
127 Notes, Loans, & Mortgages Receivable - Current									\$0	\$64,172		\$64,172
128 Fraud Recovery					\$197,128				\$0	\$197,128		\$197,128
128.1 Allowance for Doubtful Accounts - Fraud					-\$197,128				\$0	-\$197,128		-\$197,128
129 Accrued Interest Receivable					\$24,148	\$597			\$295	\$62,041,704		\$62,041,704
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$6,163	\$0	\$0	\$2,305,709	\$33,334	\$0	\$1,574,603	\$4,252	\$81,933,813	-\$781,653	\$81,152,160
131 Investments - Unrestricted			\$13,663,782		\$14,167,955	\$220,469	\$1,167,148	\$12,942,024	\$239,811	\$142,924,228		\$142,924,228
132 Investments - Restricted									\$0			
135 Investments - Restricted for Payment of Current Liability									\$0			
142 Prepaid Expenses and Other Assets									\$0	\$4,275,091		\$4,275,091
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	\$0	\$6,163	\$13,663,782	\$0	\$17,077,761	\$269,963	\$1,167,148	\$14,516,627	\$244,063	\$316,568,899	-\$781,653	\$315,787,246
161 Land									\$0	\$113,093,141		\$113,093,141
162 Buildings					\$5,250,178				\$0	\$384,516,776		\$384,516,776
163 Furniture, Equipment & Machinery - Dwellings									\$0	\$8,483,146		\$8,483,146
164 Furniture, Equipment & Machinery - Administration									\$0	\$3,876,843		\$3,876,843
165 Leasehold Improvements									\$0	\$10,863		\$10,863
166 Accumulated Depreciation					-\$1,079,203				\$0	-\$91,325,840		-\$91,325,840
167 Construction in Progress					\$353,382				\$0	\$15,810,193		\$15,810,193
168 Infrastructure									\$0			
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$0	\$0	\$4,524,357	\$0	\$0	\$0	\$0	\$434,465,122	\$0	\$434,465,122
171 Notes, Loans and Mortgages Receivable - Non-Current									\$0	\$411,047,357		\$411,047,357
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due									\$0			
173 Grants Receivable - Non Current									\$0			
174 Other Assets									\$0	\$3,285,056		\$3,285,056
176 Investments in Joint Ventures									\$0	\$1,697,710	-\$1,697,710	\$0
180 Total Non-Current Assets	\$0	\$0	\$0	\$0	\$4,524,357	\$0	\$0	\$0	\$0	\$850,495,245	-\$1,697,710	\$848,797,535
200 Deferred Outflow of Resources									\$0			
290 Total Assets and Deferred Outflow of Resources	\$0	\$6,163	\$13,663,782	\$0	\$21,602,118	\$269,963	\$1,167,148	\$14,516,627	\$244,063	\$1,167,064,144	-\$2,479,363	\$1,164,584,781

San Diego Housing Commission (CA063)
SAN DIEGO, CA
Entity Wide Balance Sheet Summary
Fiscal Year End: 06/30/2021

	Project Total	14.PHC Public Housing CARES Act Funding	14.218 Community Development Block Grants/Entitlement Grants	14.MSC Mainstream CARES Act Funding	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	1 Business Activities	2 State/Local	14.267 Continuum of Care Program	9 Other Federal Program 2	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program
311 Bank Overdraft												
312 Accounts Payable <= 90 Days	\$159,918	\$3,300	\$647,901	\$7,487	\$5,321,349	\$1,817,322	\$5,083,415	\$1,410,906	\$675,565			\$148
313 Accounts Payable >90 Days Past Due												
321 Accrued Wage/Payroll Taxes Payable	\$18,811		\$1,898		\$52,439	\$110,891	\$1,381,887					\$22,430
322 Accrued Compensated Absences - Current Portion							\$3,689,322					
324 Accrued Contingency Liability												
325 Accrued Interest Payable	\$909,809				\$7,111,094	\$337,299	\$759,020					
331 Accounts Payable - HUD PHA Programs												
332 Account Payable - PHA Projects												
333 Accounts Payable - Other Government	\$29,450					\$6,286	\$2,616		\$285,153			
341 Tenant Security Deposits	\$91,587				\$614,694	\$823,945	\$838,386					
342 Unearned Revenue	\$16,251		\$5,432,892	\$109,702	\$71,558	\$305,773	\$687,625				\$180	
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					\$3,459,637	\$2,044,433	\$2,178,471					
344 Current Portion of Long-term Debt - Operating Borrowings												
345 Other Current Liabilities			\$437				\$599,338	\$970				\$2,154
346 Accrued Liabilities - Other												
347 Inter Program - Due To												
348 Loan Liability - Current												
310 Total Current Liabilities	\$1,225,826	\$3,300	\$6,083,128	\$117,189	\$16,630,771	\$5,445,949	\$15,220,080	\$1,411,876	\$960,718	\$0	\$180	\$24,732
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$4,554,849				\$159,864,187	\$75,284,496	\$59,529,137					
352 Long-term Debt, Net of Current - Operating Borrowings												
353 Non-current Liabilities - Other					\$11,803,765							
354 Accrued Compensated Absences - Non Current												
355 Loan Liability - Non Current												
356 FASB 5 Liabilities												
357 Accrued Pension and OPEB Liabilities							\$2,304					
350 Total Non-Current Liabilities	\$4,554,849	\$0	\$0	\$0	\$171,667,952	\$75,284,496	\$59,531,441	\$0	\$0	\$0	\$0	\$0
300 Total Liabilities	\$5,780,675	\$3,300	\$6,083,128	\$117,189	\$188,298,723	\$80,730,445	\$74,751,521	\$1,411,876	\$960,718	\$0	\$180	\$24,732
400 Deferred Inflow of Resources												
508.3 Nonspendable Fund Balance												
508.4 Net Investment in Capital Assets	\$12,273,952					-\$28,792,128	\$179,430,536					
509.3 Restricted Fund Balance												
510.3 Committed Fund Balance												
511.3 Assigned Fund Balance												
511.4 Restricted Net Position	\$1,223,720		\$29,576,394		\$25,063,239	\$1,612,832	\$275,070				\$42,130	\$188,105,847
512.3 Unassigned Fund Balance												
512.4 Unrestricted Net Position	\$7,671,835	\$0	\$3,013,786	\$0	-\$52,760,713	\$2,763,591	\$341,818,111	\$11,969,026	\$0	\$21,625	\$81,164	\$34,041,776
513 Total Equity - Net Assets / Position	\$21,169,507	\$0	\$32,590,180	\$0	-\$27,697,474	-\$24,415,705	\$521,623,717	\$11,969,026	\$0	\$21,625	\$123,294	\$222,147,623

San Diego Housing Commission (CA063)
SAN DIEGO, CA
Entity Wide Balance Sheet Summary
Fiscal Year End: 06/30/2021

	14.0PS MTW Demonstration Program for Low Rent	14.870 Resident Opportunity and Supportive Services	14.231 Emergency Shelter Grants Program	14.HCV MTW Demonstration Program for HCV program	14.881 Moving to Work Demonstration Program	14.880 Family Unification Program (FUP)	21.019 Coronavirus Relief Fund	91 Other Federal Program 3	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
311 Bank Overdraft									\$0			
312 Accounts Payable <= 90 Days			\$3,713,815		\$583,041		\$134,978	\$351,771	\$163	\$19,911,079	-\$781,653	\$19,129,426
313 Accounts Payable >90 Days Past Due									\$0			
321 Accrued Wage/Payroll Taxes Payable					\$482,096	\$1,566		\$199,406	\$357	\$2,271,781		\$2,271,781
322 Accrued Compensated Absences - Current Portion									\$0	\$3,689,322		\$3,689,322
324 Accrued Contingency Liability									\$0			
325 Accrued Interest Payable									\$0	\$9,117,222		\$9,117,222
331 Accounts Payable - HUD PHA Programs					\$68,332				\$13,408	\$81,740		\$81,740
332 Account Payable - PHA Projects									\$0			
333 Accounts Payable - Other Government		\$6,163							\$0	\$329,668		\$329,668
341 Tenant Security Deposits					\$4,625				\$0	\$2,373,237		\$2,373,237
342 Unearned Revenue			\$9,949,967		\$5,674		\$1,032,170	\$13,965,450	\$0	\$31,577,242		\$31,577,242
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue									\$0	\$7,682,541		\$7,682,541
344 Current Portion of Long-term Debt - Operating Borrowings									\$0			
345 Other Current Liabilities									\$0	\$602,899		\$602,899
346 Accrued Liabilities - Other									\$0			
347 Inter Program - Due To									\$0			
348 Loan Liability - Current									\$0			
310 Total Current Liabilities	\$0	\$6,163	\$13,663,782	\$0	\$1,143,768	\$1,566	\$1,167,148	\$14,516,627	\$13,928	\$77,636,731	-\$781,653	\$76,855,078
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue									\$0	\$299,232,669		\$299,232,669
352 Long-term Debt, Net of Current - Operating Borrowings									\$0			
353 Non-current Liabilities - Other					\$572,432	\$6,405			\$0	\$12,382,602		\$12,382,602
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	\$2,304		\$2,304
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0	\$572,432	\$6,405	\$0	\$0	\$0	\$311,617,575	\$0	\$311,617,575
300 Total Liabilities	\$0	\$6,163	\$13,663,782	\$0	\$1,716,200	\$7,971	\$1,167,148	\$14,516,627	\$13,928	\$389,254,306	-\$781,653	\$388,472,653
400 Deferred Inflow of Resources									\$0			
508.3 Nonspendable Fund Balance									\$0			
508.4 Net Investment in Capital Assets					\$4,524,357				\$0	\$167,436,717		\$167,436,717
509.3 Restricted Fund Balance									\$0			
510.3 Committed Fund Balance									\$0			
511.3 Assigned Fund Balance									\$0			
511.4 Restricted Net Position					\$3,932,853				\$0	\$249,832,085		\$249,832,085
512.3 Unassigned Fund Balance									\$0			
512.4 Unrestricted Net Position	\$0	\$0	\$0	\$0	\$11,428,708	\$261,992	\$0	\$0	\$230,135	\$360,541,036	-\$1,697,710	\$358,843,326
513 Total Equity - Net Assets / Position	\$0	\$0	\$0	\$0	\$19,885,918	\$261,992	\$0	\$0	\$230,135	\$777,809,838	-\$1,697,710	\$776,112,128

San Diego Housing Commission (CA063)

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Entity Wide Revenue and Expense Summary

Fiscal Year End: 06/30/2021

	Project Total	14.PHC Public Housing CARES Act Funding	14.CFP MTW Demonstration Program for Capital Fund	14.218 Community Development Block Grants/Entitlement Grants	14.MSC Mainstream CARES Act Funding	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	1 Business Activities	2 State/Local	14.267 Continuum of Care Program	9 Other Federal Program 2	93.602 New Assets for Independence Demonstration Program	14.879 Mainstream Vouchers
70300 Net Tenant Rental Revenue	\$1,107,438					\$14,426,640	\$19,861,692	\$11,459,791					
70400 Tenant Revenue - Other	\$19,409					\$112,165	\$8,950	\$250,243					
70500 Total Tenant Revenue	\$1,126,847	\$0	\$0	\$0	\$0	\$14,538,805	\$19,870,642	\$11,710,034	\$0	\$0	\$0	\$0	\$0
70600 HUD PHA Operating Grants		\$34,089	\$176,917	\$20,560,430	\$235,644	\$376,021				\$5,002,117			\$1,310,235
70610 Capital Grants													
70710 Management Fee													
70720 Asset Management Fee													
70730 Book Keeping Fee													
70740 Front Line Service Fee													
70750 Other Fees								\$7,746,526					
70700 Total Fee Revenue													
70800 Other Government Grants								\$17,430,916	\$8,621,200				
71100 Investment Income - Unrestricted	\$153,868	\$6		\$157,077		\$61,704	\$3,349	-\$187,199	\$30,528	\$0	\$0		\$0
71200 Mortgage Interest Income				\$767,139				\$7,094,466	\$219,735				
71300 Proceeds from Disposition of Assets Held for Sale													
71310 Cost of Sale of Assets													
71400 Fraud Recovery													
71500 Other Revenue	\$35,738			\$1,860		\$2,345,016	\$1,183,307	\$6,057,850	\$17,735				
71600 Gain or Loss on Sale of Capital Assets							-\$11,094						
72000 Investment Income - Restricted	\$3,052					\$31,910	\$942	\$600					
70000 Total Revenue	\$1,319,505	\$34,095	\$176,917	\$21,486,506	\$235,644	\$17,353,456	\$21,047,146	\$49,853,193	\$8,889,198	\$5,002,117	\$0	\$0	\$1,310,235
91100 Administrative Salaries	\$169,928			\$352,865		\$631,843	\$826,080	\$17,384,924	\$613,433	\$284,479			\$319
91200 Auditing Fees	\$19,500					\$169,513	\$58,850	\$131,350					
91300 Management Fee													
91310 Book-keeping Fee													
91400 Advertising and Marketing						\$19,422		\$126,114					
91500 Employee Benefit contributions - Administrative	\$61,462			\$99,305		\$202,996	\$302,154	\$5,350,019	\$278,438	\$98,461			\$251
91600 Office Expenses	\$30,881			\$87,478		\$373,412	\$114,727	\$4,348,149	\$1,201	\$254			
91700 Legal Expense	\$35,509			\$2,033		\$130,114	\$48,874	\$1,157,593	\$529				
91800 Travel						\$1,339							
91810 Allocated Overhead	\$292,841			\$118,443				-\$11,764,237	\$47,444				\$511
91900 Other	\$23,785			\$452,212		\$2,879,797	\$1,153,875	\$3,177,496	\$15,391	\$4,514			
91000 Total Operating - Administrative	\$633,906	\$0	\$0	\$1,112,336	\$0	\$4,408,436	\$2,504,560	\$19,911,408	\$956,436	\$387,708	\$0	\$0	\$1,081
92000 Asset Management Fee													
92100 Tenant Services - Salaries						\$190,565		\$54,411					
92200 Relocation Costs	\$5,074					\$17,320	\$53,995	\$676,772					
92300 Employee Benefit Contributions - Tenant Services								\$13,926					
92400 Tenant Services - Other						\$174,300	\$68,094	\$89,591					
92500 Total Tenant Services	\$5,074	\$0	\$0	\$0	\$0	\$382,185	\$122,089	\$834,700	\$0	\$0	\$0	\$0	\$0
93100 Water	\$142,584					\$392,570	\$898,290	\$387,209					
93200 Electricity	\$28,001			\$52		\$503,147	\$116,373	\$841,179					
93300 Gas	\$38,996			\$17		\$185,507	\$182,549	\$107,321					
93400 Fuel													
93500 Labor													
93600 Sewer	\$95,227					\$264,003	\$547,207	\$255,931					
93700 Employee Benefit Contributions - Utilities													
93800 Other Utilities Expense						\$5,038		\$63,632					
93000 Total Utilities	\$304,808	\$0	\$0	\$69	\$0	\$1,350,265	\$1,744,419	\$1,655,272	\$0	\$0	\$0	\$0	\$0

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	14.239 HOME Investment Partnerships Program	14.OPS MTW Demonstration Program for Low Rent	14.870 Resident Opportunity and Supportive Services	14.231 Emergency Shelter Grants Program	14.CMT CARES Act Funding Transferred to MTW	14.HCC HCV CARES Act Funding	14.HCV MTW Demonstration Program for HCV program	14.MRC Moderate Rehabilitation CARES Act Funding	14.881 Moving to Work Demonstration Program	14.880 Family Unification Program (FUP)	21.019 Coronavirus Relief Fund	91 Other Federal Program 3	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue													\$0	\$46,855,561		\$46,855,561
70400 Tenant Revenue - Other									\$200				\$0	\$390,967		\$390,967
70500 Total Tenant Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$200	\$0	\$0	\$0	\$0	\$47,246,528	\$0	\$47,246,528
70600 HUD PHA Operating Grants	\$2,620,867	\$480,344	\$42,036	\$12,803,793		\$18,267,951	\$224,093,691	\$34,514		\$2,001,669			\$315,739	\$288,356,257		\$288,356,257
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													\$0	\$7,746,526	-\$1,016,293	\$6,730,233
70700 Total Fee Revenue													\$0	\$0	-\$1,016,293	-\$1,016,293
70800 Other Government Grants											\$57,453,831	\$29,942,716	\$0	\$113,448,663		\$113,448,663
71100 Investment Income - Unrestricted	\$71		\$3	\$0			\$0		\$254,412	\$7,538	\$0	\$0	\$3,748	\$485,105		\$485,105
71200 Mortgage Interest Income	\$5,761,093												\$0	\$13,842,433		\$13,842,433
71300 Proceeds from Disposition of Assets Held for Sale													\$0			
71310 Cost of Sale of Assets													\$0			
71400 Fraud Recovery									\$6,374				\$0	\$6,374		\$6,374
71500 Other Revenue	\$666,932								\$4,103,074	\$1,385			\$0	\$14,412,897	-\$2,984	\$14,409,913
71600 Gain or Loss on Sale of Capital Assets													\$0	-\$11,094		-\$11,094
72000 Investment Income - Restricted													\$0	\$36,504		\$36,504
70000 Total Revenue	\$9,048,963	\$480,344	\$42,039	\$12,803,793	\$0	\$18,267,951	\$224,093,691	\$34,514	\$4,364,060	\$2,010,592	\$57,453,831	\$29,942,716	\$319,487	\$485,570,193	-\$1,019,277	\$484,550,916
91100 Administrative Salaries	\$360,648			\$443,905	\$2,325,697				\$4,778,484	\$28,043		\$1,938,669	\$6,130	\$30,145,447		\$30,145,447
91200 Auditing Fees													\$0	\$379,213		\$379,213
91300 Management Fee													\$0			
91310 Book-keeping Fee													\$0			
91400 Advertising and Marketing					\$413				\$412		\$50,000	\$244,222	\$0	\$440,583		\$440,583
91500 Employee Benefit contributions - Administrative	\$93,274			\$114,478	\$881,967				\$1,661,070	\$9,147		\$144,385	\$2,002	\$9,299,409		\$9,299,409
91600 Office Expenses	\$2,164			\$624	\$249,902				\$312,983		\$489,760	\$556,956	\$0	\$6,568,491		\$6,568,491
91700 Legal Expense	\$45,280				\$60,542				\$162,724		\$1,930	\$11,558	\$0	\$1,656,686		\$1,656,686
91800 Travel													\$0	\$1,339		\$1,339
91810 Allocated Overhead	\$255,651			\$625,848	\$2,472,891				\$5,857,649	\$25,915		\$2,060,977	\$6,067	\$0		\$0
91900 Other	\$29,677			\$5,967	\$182,240				\$392,461	\$448	\$152,368	\$929,569	\$82	\$9,399,882	-\$1,016,965	\$8,382,917
91000 Total Operating - Administrative	\$786,694	\$0	\$0	\$1,190,822	\$6,173,652	\$0	\$0	\$0	\$13,165,783	\$63,553	\$694,058	\$5,886,336	\$14,281	\$57,891,050	-\$1,016,965	\$56,874,085
92000 Asset Management Fee													\$0			
92100 Tenant Services - Salaries				\$29,608	\$17,978				\$999,962				\$0	\$1,292,524		\$1,292,524
92200 Relocation Costs				\$0									\$0	\$753,161		\$753,161
92300 Employee Benefit Contributions - Tenant Services				\$10,768	\$7,910				\$340,436				\$0	\$373,040		\$373,040
92400 Tenant Services - Other									\$9,504				\$0	\$341,489		\$341,489
92500 Total Tenant Services	\$0	\$0	\$40,376	\$0	\$25,888	\$0	\$0	\$0	\$1,349,902	\$0	\$0	\$0	\$0	\$2,760,214	\$0	\$2,760,214
93100 Water												\$455,600	\$0	\$2,276,253		\$2,276,253
93200 Electricity												\$2,233,707	\$0	\$3,722,459		\$3,722,459
93300 Gas												\$419	\$0	\$514,809		\$514,809
93400 Fuel													\$0			
93500 Labor													\$0			
93600 Sewer												\$4,919	\$0	\$1,167,287		\$1,167,287
93700 Employee Benefit Contributions - Utilities													\$0			
93800 Other Utilities Expense													\$0	\$68,670		\$68,670
93000 Total Utilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,694,645	\$0	\$7,749,478	\$0	\$7,749,478

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	Project Total	14.PHC Public Housing CARES Act Funding	14.CFP MTW Demonstration Program for Capital Fund	14.218 Community Development Block Grants/Entitlement Grants	14.MSC Mainstream CARES Act Funding	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	1 Business Activities	2 State/Local	14.267 Continuum of Care Program	9 Other Federal Program 2	93.602 New Assets for Independence Demonstration Program	14.879 Mainstream Vouchers
94100 Ordinary Maintenance and Operations - Labor	\$137,295					\$627,867	\$863,131	\$332,581					
94200 Ordinary Maintenance and Operations - Materials and Other	\$24,094					\$89,068	\$165,928	\$177,822					
94300 Ordinary Maintenance and Operations Contracts	\$392,441	\$34,095				\$1,045,861	\$2,589,654	\$4,752,735	\$16,886		\$0		
94500 Employee Benefit Contributions - Ordinary Maintenance	\$61,217						\$381,311	\$152,821					
94000 Total Maintenance	\$615,047	\$34,095	\$0	\$0	\$0	\$1,762,796	\$4,000,024	\$5,415,959	\$16,886	\$0	\$0	\$0	\$0
95100 Protective Services - Labor													
95200 Protective Services - Other Contract Costs	\$65,016					\$577,362	\$158,699	\$1,127,472					
95300 Protective Services - Other						\$84,152		\$1,474					
95500 Employee Benefit Contributions - Protective Services													
95000 Total Protective Services	\$65,016	\$0	\$0	\$0	\$0	\$661,514	\$158,699	\$1,128,946	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$16,452			\$555			\$153,431	\$177,089					
96120 Liability Insurance	\$8,266					\$482,468	\$55,648	\$189,628					\$10
96130 Workmen's Compensation	\$18,757			\$5,208		\$90,735	\$117,383	\$301,791	\$16,163	\$5,475			\$14
96140 All Other Insurance	\$19,497					\$11,809	\$66,447	\$310,521					
96100 Total insurance Premiums	\$62,972	\$0	\$0	\$5,763	\$0	\$585,012	\$392,909	\$979,029	\$16,163	\$5,475	\$0	\$0	\$24
96200 Other General Expenses				\$1,357,882		\$1,313,108	\$214,236	\$10,282,630	\$7,496,263	\$460,539			\$831
96210 Compensated Absences	\$12,058			\$10,465			\$50,183	\$1,192,475	\$31,294				-\$202
96300 Payments in Lieu of Taxes	\$84					\$54,584	\$47,708	\$1,078					
96400 Bad debt - Tenant Rents	\$51,194					\$163,149	\$390,185	\$252,538					
96500 Bad debt - Mortgages	\$0			\$21,067				-\$126,729	\$4,160				
96600 Bad debt - Other	\$46,229					\$20,755	\$28,321	\$37,614					
96800 Severance Expense													
96000 Total Other General Expenses	\$109,565	\$0	\$0	\$1,389,414	\$0	\$1,551,596	\$730,633	\$11,639,606	\$7,531,717	\$460,539	\$0	\$0	\$629
96710 Interest of Mortgage (or Bonds) Payable	\$136,645			\$802,205		\$6,349,615	\$4,310,728	\$1,438,253					
96720 Interest on Notes Payable (Short and Long Term)													
96730 Amortization of Bond Issue Costs													
96700 Total Interest Expense and Amortization Cost	\$136,645	\$0	\$0	\$802,205	\$0	\$6,349,615	\$4,310,728	\$1,438,253	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,933,033	\$34,095	\$0	\$3,309,787	\$0	\$17,051,419	\$13,964,061	\$43,003,173	\$8,521,202	\$853,722	\$0	\$0	\$1,734
97000 Excess of Operating Revenue over Operating Expenses	-\$613,528	\$0	\$176,917	\$18,176,719	\$235,644	\$302,037	\$7,083,085	\$6,850,020	\$367,996	\$4,148,395	\$0	\$0	\$1,308,501

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	14.239 HOME Investment Partnerships Program	14.OPS MTW Demonstration Program for Low Rent	14.870 Resident Opportunity and Supportive Services	14.231 Emergency Shelter Grants Program	14.CMT CARES Act Funding Transferred to MTW	14.HCC HCV CARES Act Funding	14.HCV MTW Demonstration Program for HCV program	14.MRC Moderate Rehabilitation CARES Act Funding	14.881 Moving to Work Demonstration Program	14.880 Family Unification Program (FUP)	21.019 Coronavirus Relief Fund	91 Other Federal Program 3	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
94100 Ordinary Maintenance and Operations - Labor													\$0	\$1,960,874		\$1,960,874
94200 Ordinary Maintenance and Operations - Materials and Other													\$0	\$456,912		\$456,912
94300 Ordinary Maintenance and Operations Contracts									\$17,752			\$2,976	\$0	\$8,852,400		\$8,852,400
94500 Employee Benefit Contributions - Ordinary Maintenance													\$0	\$595,349		\$595,349
94000 Total Maintenance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17,752	\$0	\$0	\$2,976	\$0	\$11,865,535	\$0	\$11,865,535
95100 Protective Services - Labor													\$0			
95200 Protective Services - Other Contract Costs													\$0	\$1,928,549		\$1,928,549
95300 Protective Services - Other													\$0	\$85,626		\$85,626
95500 Employee Benefit Contributions - Protective Services													\$0			
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,014,175	\$0	\$2,014,175
96110 Property Insurance													\$0	\$347,527		\$347,527
96120 Liability Insurance	\$333				\$25,034				\$39,420	\$202		\$13,829	\$31	\$814,869		\$814,869
96130 Workmen's Compensation	\$4,398		\$282	\$4,176	\$47,328				\$91,145	\$420		\$29,113	\$125	\$732,513		\$732,513
96140 All Other Insurance	\$3				\$299				\$314	\$2		\$1	\$1	\$408,894		\$408,894
96100 Total Insurance Premiums	\$4,734	\$0	\$282	\$4,176	\$72,661	\$0	\$0	\$0	\$130,879	\$624	\$0	\$42,943	\$157	\$2,303,803	\$0	\$2,303,803
96200 Other General Expenses	\$305,951		\$1,381	\$11,520,213	\$288,803				\$3,727,609		\$187,000		\$0	\$37,156,446	-\$2,312	\$37,154,134
96210 Compensated Absences	\$11,171			\$22,857	\$132,184				\$305,238	\$2,557			\$944	\$1,771,224		\$1,771,224
96300 Payments in Lieu of Taxes													\$0	\$103,454		\$103,454
96400 Bad debt - Tenant Rents													\$0	\$857,066		\$857,066
96500 Bad debt - Mortgages	-\$405,767												\$0	-\$507,269		-\$507,269
96600 Bad debt - Other									-\$3,539				\$0	\$129,380		\$129,380
96800 Severance Expense													\$0			
96000 Total Other General Expenses	-\$88,645	\$0	\$1,381	\$11,543,070	\$420,987	\$0	\$0	\$0	\$4,029,308	\$2,557	\$187,000	\$0	\$944	\$39,510,301	-\$2,312	\$39,507,989
96710 Interest of Mortgage (or Bonds) Payable									\$143,077				\$0	\$13,180,523		\$13,180,523
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	\$0	\$0	\$0	\$0	\$143,077	\$0	\$0	\$0	\$0	\$13,180,523	\$0	\$13,180,523
96900 Total Operating Expenses	\$702,783	\$0	\$42,039	\$12,738,068	\$6,693,188	\$0	\$0	\$0	\$18,836,701	\$66,734	\$881,058	\$8,626,900	\$15,382	\$137,275,079	-\$1,019,277	\$136,255,802
97000 Excess of Operating Revenue over Operating Expenses	\$8,346,180	\$480,344	\$0	\$65,725	-\$6,693,188	\$18,267,951	\$224,093,891	\$34,514	-\$14,472,641	\$1,943,858	\$56,572,773	\$21,315,816	\$304,105	\$348,295,114	\$0	\$348,295,114

San Diego Housing Commission (CA063)
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	Project Total	14.PHC Public Housing CARES Act Funding	14.CFP MTW Demonstration Program for Capital Fund	14.218 Community Development Block Grants/Entitlement Grants	14.MSC Mainstream CARES Act Funding	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	1 Business Activities	2 State/Local	14.267 Continuum of Care Program	9 Other Federal Program 2	93.602 New Assets for Independence Demonstration Program	14.879 Mainstream Vouchers
97100 Extraordinary Maintenance						\$160,875	\$294,386	\$119,893					
97200 Casualty Losses - Non-capitalized													
97300 Housing Assistance Payments				\$4,860,000	\$235,644			\$959,617	\$190,558	\$4,148,395			\$1,185,207
97350 HAP Portability-In													
97400 Depreciation Expense	\$1,273,426					\$4,767,645	\$2,541,945	\$5,304,787					
97500 Fraud Losses													
97600 Capital Outlays - Governmental Funds													
97700 Debt Principal Payment - Governmental Funds													
97800 Dwelling Units Rent Expense													
90000 Total Expenses	\$3,206,459	\$34,095	\$0	\$8,169,787	\$235,644	\$21,979,939	\$16,800,392	\$49,387,470	\$8,711,760	\$5,002,117	\$0	\$0	\$1,186,941
10010 Operating Transfer In	\$901,829						\$2,980	\$151,109,528					
10020 Operating transfer Out	-\$91,926		-\$176,917	-\$9,999,455				-\$74,271,926					
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)						-\$32,298,781	-\$6,726,020	\$33,163,970					
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)	\$809,903	\$0	-\$176,917	-\$9,999,455	\$0	-\$32,298,781	-\$6,723,040	\$110,001,572	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$1,077,051	\$0	\$0	\$3,317,264	\$0	-\$36,925,264	-\$2,476,286	\$110,467,295	\$177,438	\$0	\$0	\$0	\$123,294
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$972,768	\$1,942,101	\$1,594,820	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$22,246,558	\$0	\$0	\$29,272,916	\$0	\$9,227,790	-\$21,939,419	\$411,056,422	\$11,791,588	\$0	\$21,625	\$0	\$0
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors				\$0				\$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					39119	15060	8152					1646
11210 Number of Unit Months Leased	2206					37725	14791	7984					1268
11270 Excess Cash	\$8,748,734												
11610 Land Purchases	\$0												
11620 Building Purchases	\$0												
11630 Furniture & Equipment - Dwelling Purchases	\$0												
11640 Furniture & Equipment - Administrative Purchases	\$0												
11650 Leasehold Improvements Purchases	\$0												
11660 Infrastructure Purchases	\$0												
13510 CFFP Debt Service Payments	\$0												
13901 Replacement Housing Factor Funds	\$0												

San Diego Housing Commission (CA063)
SAN DIEGO, CA
Entity Wide Revenue and Expense Summary
Fiscal Year End: 06/30/2021

	14.239 HOME Investment Partnerships Program	14.OPS MTW Demonstration Program for Low Rent	14.870 Resident Opportunity and Supportive Services	14.231 Emergency Shelter Grants Program	14.CMT CARES Act Funding Transferred to MTW	14.HCC HCV CARES Act Funding	14.HCV MTW Demonstration Program for HCV program	14.MRC Moderate Rehabilitation CARES Act Funding	14.881 Moving to Work Demonstration Program	14.880 Family Unification Program (FUP)	21.019 Coronavirus Relief Fund	91 Other Federal Program 3	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
97100 Extraordinary Maintenance													\$0	\$575,154		\$575,154
97200 Casualty Losses - Non-capitalized													\$0			
97300 Housing Assistance Payments				\$65,725	\$11,574,763			\$34,514	\$178,175,868	\$2,067,259	\$8,882,490	\$21,315,816	\$284,906	\$233,980,762		\$233,980,762
97350 HAP Portability-In									\$3,828,743				\$0	\$3,828,743		\$3,828,743
97400 Depreciation Expense									\$350,012				\$0	\$14,237,815		\$14,237,815
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	\$702,783	\$0	\$42,039	\$12,803,793	\$18,267,951	\$0	\$0	\$34,514	\$201,191,324	\$2,133,993	\$9,763,548	\$29,942,716	\$300,288	\$389,897,553	-\$1,019,277	\$388,878,276
10010 Operating Transfer In					\$18,267,951				\$224,870,480				\$0	\$395,152,768	-\$375,072,693	\$20,080,075
10020 Operating transfer Out		-\$480,344				-\$18,267,951	-\$224,093,891		-\$20,080,074		-\$47,690,283		\$0	-\$395,152,767	\$375,072,693	-\$20,080,074
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	-\$5,860,831	\$6,726,020	\$865,189
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)	\$0	-\$480,344	\$0	\$0	\$18,267,951	-\$18,267,951	-\$224,093,891	\$0	\$204,790,406	\$0	-\$47,690,283	\$0	\$0	-\$5,860,830	\$6,726,020	\$865,190
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$8,346,180	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,963,142	-\$123,401	\$0	\$0	\$19,199	\$89,811,810	\$6,726,020	\$96,537,830
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,509,689		\$4,509,689
11030 Beginning Equity	\$213,801,443	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$11,922,776	\$385,393	\$0	\$0	\$210,936	\$687,998,028		\$687,998,028
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									185052	2100			264	253661		253661
11210 Number of Unit Months Leased									186420	1666			264	252324		252324
11270 Excess Cash													\$0	\$8,748,734		\$8,748,734
11610 Land Purchases													\$0	\$0		\$0
11620 Building Purchases													\$0	\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases													\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases													\$0	\$0		\$0
11650 Leasehold Improvements Purchases													\$0	\$0		\$0
11660 Infrastructure Purchases													\$0	\$0		\$0
13510 CFFP Debt Service Payments													\$0	\$0		\$0
13901 Replacement Housing Factor Funds													\$0	\$0		\$0



SAN DIEGO
HOUSING
COMMISSION

Statistical Section (Unaudited)



We're About People

The San Diego Housing Commission's (SDHC) Achievement Academy is a learning and resource center 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 122 to 124.

Revenue Capacity

This schedule contains information to help the reader assess SDHC's most significant revenue source. This schedule can be viewed on page 126.

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 128.

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 130 to 134.

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 136 to 141.

FINANCIAL TRENDS



San Diego Housing Commission

Net Position by Component (Unaudited)

Ten Years Ending June 30, 2021

Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
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
2021	167,437,312	224,767,810	411,604,481	803,809,603

Source: Annual Financial Statements



San Diego Housing Commission

Revenue, Expenses and Changes in Net Position (Unaudited)

Last Ten Years Ending June 30, 2021

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Operating revenues										
Dwelling rental income	\$ 32,471,638	\$ 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
Land lease and other rental income	3,884,295	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
Fee revenue	6,754,836	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
Shared equity income	-	-	-	-	-	-	-	-	-	171,422
Other revenue	8,398,457	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
Total operating revenues	51,509,226	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
Operating expenses										
Administrative expenses	54,572,266	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
Tenant services	2,468,496	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
Asset management	18,550,007	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
General expenses	2,404,243	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
Grant expense	34,792,742	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
Housing assistance	237,809,503	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
Depreciation	9,470,169	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
Total operating expenses	360,067,425	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
Operating loss	(308,558,199)	(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)
Nonoperating revenues (expenses):										
Grant revenue	401,428,897	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
Investment income	14,270,429	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
Gain/loss on sale of capital assets	(11,094)	-	(21,936)	2,376	-	3,844,578	-	-	38,220	(49,695)
Gain on fair market value of interest swap	-	-	-	-	-	-	-	-	-	-
Interest expense	(6,830,909)	(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)
Net nonoperating revenues	408,857,324	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
Income before capital transactions	100,299,125	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
Transfer of properties to component unit	33,163,970	-	-	13,681,464	-	-	-	-	-	-
Total revenues and expenses	133,463,094	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
Capital grants	-	-	-	-	-	-	-	-	-	-
Change in net position	\$ 133,463,094	\$ 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



San Diego Housing Commission
Capital Assets by Category (Unaudited)
Last Ten Years Ending June 30, 2021

CATEGORY	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Land	\$ 108,616,573	\$ 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
Construction in progress	757,855	3,093,157	532,390	879,290	2,772,651	8,296,759	2,267,262	751,305	1,854,210	9,831,387
Buildings	177,592,756	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
Building improvements	84,061,398	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
Furniture and equipment	5,814,806	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
Total capital assets	376,843,388	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
Less accumulated depreciation										
Buildings	31,275,563	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
Building improvements	34,024,286	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
Furniture and equipment	4,009,437	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
Total accumulated depreciation	69,309,286	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
Net capital assets	307,534,101	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
Related debt	140,096,789	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
Net investment in capital assets	\$ 167,437,312	\$ 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

Source: Annual Financial Statements

REVENUE CAPACITY



San Diego Housing Commission
Revenue on a Gross Basis (Unaudited)
Last Ten Years Ending June 30, 2021

DESCRIPTION	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues (gross):										
Operating revenues	\$ 51,509,226	\$ 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
Subsidies and grants	401,428,897	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
Investment income	14,270,429	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
Gain/(loss) on sale of capital assets	(11,094)	-	(21,936)	2,376	-	3,844,578	-	-	38,220	(49,695)
Total revenues	<u>\$467,197,458</u>	<u>\$311,823,119</u>	<u>\$274,681,776</u>	<u>\$295,665,613</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>

Source: Annual Financial Statements

DEBT CAPACITY



San Diego Housing Commission

Ratios of Outstanding Debt (Unaudited)

Last Ten Years Ending June 30, 2021

Fiscal year	Outstanding Debt¹		Capital Assets Less Accumulated Depreciation¹	Ratio of outstanding debt to capital assets	Ratio of outstanding debt to total personal income²
2012	117,326,102	(1)	157,891,317	74.31%	0.0009%
2013	115,500,409	(2)	165,796,448	69.66%	0.0008%
2014	112,993,522	(3)	163,137,331	69.26%	0.0008%
2015	109,913,912	(4)	174,814,601	62.87%	0.0007%
2016	106,884,501	(5)	178,135,008	60.00%	0.0007%
2017	103,813,347	(6)	199,369,868	52.07%	0.0006%
2018	103,369,851	(7)	211,805,942	48.80%	0.0006%
2019	100,054,425	(8)	215,634,258	46.40%	0.0005%
2020	96,949,826	(9)	197,048,425	49.20%	0.0005%
2021	143,591,386	(10)	307,534,101	46.69%	0.0007%

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

- (1) The outstanding debt of \$117 million includes \$14 million of unspent loan proceeds.
- (2) The outstanding debt of \$115 million includes \$5 million of unspent loan proceeds.
- (3) The outstanding debt of \$113 million includes \$5 million of unspent loan proceeds.
- (4) The outstanding debt of \$110 million includes \$4 million of unspent loan proceeds.
- (5) The outstanding debt of \$107 million includes \$2 million of unspent loan proceeds.
- (6) The outstanding debt of \$103 million includes \$398,000 of unspent loan proceeds, and \$1.6 million of unamortized debt issuance costs.
- (7) The outstanding debt of \$103 million includes \$400,000 of unspent loan proceeds, and \$1.6 million of unamortized debt issuance costs.
- (8) The outstanding debt of \$100 million includes \$407,000 of unspent loan proceeds, and \$1.5 million of unamortized debt issuance costs.
- (9) The outstanding debt of \$97 million includes \$183,000 of unspent loan proceeds, and \$1.4 million of unamortized debt issuance costs.
- (10) The outstanding debt of \$144 million includes \$5 million of unspent loan proceeds, and \$1.3 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
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%
2020-21	332,472,594	0.79%	1,411,034	-1.36%

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, 2021**

Population and Personal Income - City of San Diego

Year	Population¹	Personal Income² (1,000s)	Per Capita Personal Income	Unemployment Rate³(%)
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
2020-21	1,411,034	63,871,018	45,265	9.0

Footnotes:

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

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

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

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

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



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

Employer	Number of Employees	Percentage of Total Employment
For the Fiscal Year Ended June 30, 2021		
Naval Base San Diego(1)	43,003	6.17%
University of California San Diego (2)	35,807	5.14%
Sharp Health Care (3)	19,321	2.77%
County of San Diego	17,285	2.48%
Scripps Health (4)	14,001	2.01%
San Diego Unified School District	13,559	1.95%
Qualcomm Inc (5)	11,200	1.61%
City of San Diego	9,820	1.41%
Kaiser Permanente (6)	9,166	1.32%
Northrop Grumman Corporation	5,652	0.81%
Total Top Employers	178,814	25.67%
Total City Employment (7)	696,600	
For the Fiscal Year Ended June 30, 2012		
Naval Base San Diego(1)	27,869	3.92%
University of California San Diego (2)	28,071	3.95%
Sharp Health Care (3)	15,366	2.16%
County of San Diego	15,171	2.13%
San Diego Unified School District	13,633	1.92%
Qualcomm Inc (5)	11,877	1.67%
City of San Diego	9,841	1.38%
Kaiser Permanente (6)	7,425	1.04%
UC San Diego Medical Center	6,039	0.85%
San Diego Gas & Electric Company	5,028	0.71%
Total Top Employers	140,320	19.73%
Total City Employment (7)	711,500	

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

Source: 2011-12 data from previously published ACFR

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

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

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

(3) Employee count is countywide

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

(5) Excludes temps and interns

(6) Count includes physicians

(7) 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	8,493	48.0%	Studio	2,496	14.2%
2 Members	3,885	22.0%	1 Bedroom	4,997	28.3%
3 Members	1,958	11.1%	2 Bedrooms	5,707	32.3%
4 Members	1,509	8.6%	3 Bedrooms	3,244	18.4%
5 Members	891	5.1%	4 Bedrooms	999	5.7%
6 Members	465	2.6%	5 Bedrooms	176	1.0%
7 Members	209	1.2%	6 Bedrooms	17	0.1%
8 Members	102	0.6%	7 Bedrooms	-	0.0%
9 Members	63	0.4%	8 Bedrooms	-	0.0%
10 + Members	62	0.4%	9 Bedrooms	1	0.0%
Total	17,637	100.0%	Total	17,637	100.0%

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

Income Ranges (All Sources)

Annual Income Ranges	No. of Households	Percentage
\$ 0-99	973	5.5%
\$ 100-9,999	1,637	9.3%
\$ 10,000-19,999	8,993	51.0%
\$ 20,000-29,999	2,734	15.5%
\$ 30,000-39,999	1,624	9.2%
\$ 40,000-49,999	865	4.9%
\$ 50,000 +	811	4.6%
Total	17,637	100.0%

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	480	2.7%
1	1,651	9.4%
2	1,855	10.5%
3	929	5.3%
4	1,011	5.7%
5	672	3.8%
6	989	5.6%
7	778	4.4%
8	188	1.1%
9	630	3.6%
10	630	3.6%
11	269	1.5%
12	383	2.2%
13	311	1.8%
14	1,504	8.5%
15	316	1.8%
16	743	4.2%
17	379	2.1%
18	227	1.3%
19	569	3.2%
20+	3,123	17.7%
Total	17,637	100.0%

Source: San Diego Housing Commission Statistics

OPERATING INFORMATION

Statistical Section (Unaudited)



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	2479 - 2481 Fairmount Avenue	4	1967
3081 - 3083	Hawthorn Street	4	1983
1170	Ilexey Avenue	1	1970
1366	Ilexey Avenue	1	1970
4230	Kimsue Way	1	1970
1255	Kostner Drive	1	1970
4259	Layla Court	1	1970
4276	Layla Court	1	1970
4256	Layla Way	1	1970
4269	Layla Way	1	1970
4274	Layla Way	1	1970
4339	Marcia Court	1	1970
4074	Marcwade Drive	1	1970
4150	Marcwade Drive	1	1970
4186	Marcwade Drive	1	1970
4293	Marcwade Drive	1	1970
4239	Marge Way	1	1971
4331	Marge Way	1	1970
4334	Marge Way	1	1970
4890	Naples Street	4	1982
1152	Nevin Street	1	1970
8505	Noeline Avenue	1	1975
4050 - 4056	Oakcrest Drive	4	1960
5974	Old Memory Lane	1	1941
4034	Peterlynn Court	1	1970
1327	Peterlynn Drive	1	1970
1405	Peterlynn Drive	1	1970
1530	Peterlynn Drive	1	1970
4024	Peterlynn Way	1	1970
2325	Rachel Avenue	3	1982
1128	Ransom Street	1	1970
1145	Ransom Street	1	1970
1169	Ransom Street	1	1970
5955 #1 - 4	Streamview Drive	4	1963
3755 - 3757	Swift Avenue	4	1997
6511 - 6517	Tait Street	4	1952
1041	Twining Avenue	1	1970

Statistical Section (Unaudited)



San Diego Housing Commission Owned - Continued

Address			
1317	Twining Avenue	1	1970
3630 - 3632	Van Dyke Avenue	4	1982
10101 - 10191	Maya Linda Road	132	1978
2052 - 2098	Via Las Cumbres	84	1984
4262-4268	44th Street	4	2009
4395	El Cajon Boulevard	33	2009
1301	Fifth Avenue	130	1914
5330	Orange Avenue	71	1985
3754	Fifth Avenue - Hillcrest	47	1988
1865	Hotel Circle South - Valley Vista	192	1990
5400	Kearny Mesa Rd - Kearny Vista	144	1990
Total SDHC Owned		957	

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, 2739 - 2745	Meade Avenue	6	1964
4352 #1 - 8	Oregon Street	8	1960
4043	Wilson Avenue	5	1986
Total Central SDHC FNMA, LLC		185	

Statistical Section (Unaudited)



Northern SDHC FHA, LLC

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

Southern SDHC FHA, LLC

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

Central SDHC FHA, LLC

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

Statistical Section (Unaudited)



Public Housing Units

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

Housing Development Partners (HDP)

Address		No. Units	Year Built
5207	52nd Place*	75	
1345	5th Ave	17	
4754	Logan Avenue	54	1996
2170-2172	Front Street*	34	1913
827	C Street*	73	1910
1055	9th Ave*	156	1980
4066	Messina Drive	145	1981/85
1814	5th Avenue	80	1912
7720-7780	Belden Street*	120	1986
1830	Fourth Avenue*	92	1990
1840	Fourth Avenue*	47	1989
6847	Potomac Street*	172	1989
1232	Peterlynn Drive	1	1970
1506	Peterlynn Drive	1	1970
4233	Stu Court	1	1970
1144	Twining Avenue	1	1970
1250	Twining Avenue	1	1970
Total Housing Development Partners		1,070	

Total SDHC, LLC, Public Housing Units and HDP **3,471**

Other Program Housing Units - Partnerships

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

Combined Total Units **4,524**

* SDHC retains ownership in the land



**San Diego Housing Commission
Employee Demographics - Unaudited
As of June 30, 2021**

Seniority of Employees			Racial Composition		
Categories	Number	Percent	Categories	Number	Percent
Less than 3 years	74	23.20%	American Indian or Alaska Native, White	3	0.94%
3 to 5 years	108	33.85%	Asian	19	5.96%
6 to 9 years	45	14.11%	Black or African American	31	9.72%
10 to 19 years	52	16.30%	Hispanic or Latino	117	36.67%
20 to 29 years	26	8.15%	Native Hawaiian or Other Pacific Islander	14	4.39%
30 years and over	<u>14</u>	4.39%	Two or More Races	7	2.19%
Grand Total	<u><u>319</u></u>		White	111	34.80%
			Other	<u>17</u>	5.33%
			Grand Total	<u><u>319</u></u>	

Source: Information provided by San Diego Housing Commission HR Department



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

Department:	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Board & Executive Functions	6	6	9	8	9	7	6	8	5	4
Business Services	46	39	38	37	40	44	41	37	35	26
Community Relations & Communications	6	7	7	7	7	8	6	7	5	7
External Affairs	0	0	0	0	0	0	0	12	12	11
Financial Services	28	25	25	26	26	22	24	25	24	25
Housing Finance	15	15	16	16	16	12	0	0	0	0
Housing Innovations	33	31	32	25	20	12	6	0	0	0
Housing Development Partners	9	8	8	5	5	4	3	3	3	3
Policy & Public Affairs	4	5	0	0	0	0	0	0	0	5
Real Estate Development	72	67	74	77	77	70	75	75	80	77
Rental Assistance Program	100	112	114	114	106	115	105	107	109	110
	319	315	323	315	306	294	266	274	273	268

Source: Information provided by San Diego Housing Commission Payroll Department

San Diego Housing Commission

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

Year Ended June 30, 2021

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 fund of the San Diego Housing Commission ("SDHC"), a component unit of the City of San Diego, California, as of and for the year ended June 30, 2021, 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, 2021. Our report includes a reference to another auditor who audited the financial statements of SDHC's fiduciary fund, as described in our report on SDHC's financial statements. The financial statements of the aggregate discretely presented component units and the fiduciary fund were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the aggregate discretely presented component units and the fiduciary fund of SDHC.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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, 2021

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

To the Board of Commissioners
San Diego Housing Commission

Report on Compliance for Each Major Federal Program

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 each of SDHC's major federal programs for the year ended June 30, 2021. SDHC's major federal programs are 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 each of SDHC's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of SDHC's compliance.

Opinion on Each 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 each of its major federal programs for the year ended June 30, 2021.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 Required by the Uniform Guidance

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units and the fiduciary fund of SDHC, a component unit of the City of San Diego, California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise SDHC's basic financial statements. We issued our report thereon dated November 3, 2021, which contained unmodified opinions on those financial statements. Our report includes a reference to another auditor who audited the financial statements of the fiduciary fund of SDHC, as described in our report on SDHC's financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Sacramento, California
November 3, 2021

San Diego Housing Commission

Schedule of Expenditures of Federal Awards Year Ended June 30, 2021

Federal Grantor / Passthrough Grantor / Program and / or Cluster 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 - Entitlement Grants Cluster</u>					
CDBG (City) - Passed through the City of San Diego					
Contract: B-20-MC-06-0542	14.218	\$ -	\$ 3,293,607	\$ 3,293,607	\$ 1,165,414
Contract: B-19-MC-06-0542	14.218	-	10,000,000	10,000,000	-
Contract: B-18-MC-06-0542	14.218	-	3,595,328	3,595,328	209,328
Contract: B-20-MW-06-0542	14.218	-	3,600,000	3,600,000	-
CDBG (County) - Passed-through the County of San Diego Contract: 563572	14.218	-	71,495	71,495	-
Subtotal - CDBG - Entitlement Grants Cluster	14.218	-	20,560,430	20,560,430	1,374,742
<u>Emergency Solutions Grant Program</u>					
Passed through the City of San Diego					
Contract#: E-20-MC-06-0542	14.231	-	999,289	999,289	847,536
Contract#: E-20-MC-06-0542	14.231	-	11,804,504	11,804,504	10,546,084
Subtotal - ESG	14.231	-	12,803,793	12,803,793	11,393,620
Subtotal - CDBG, ESG		-	33,364,223	33,364,223	12,768,362
<u>Continuum of Care Program</u>					
Special Needs Assistance					
CA0534L9D011912	14.267	3,989,048	-	3,989,048	3,631,112
CA1208L9D011906	14.267	186,395	-	186,395	179,504
CA1602L9D011903	14.267	620,170	-	620,170	591,813
CA1349L9D011804	14.267	206,504	-	206,504	139,772
Subtotal - Continuum of Care Program	14.267	5,002,117	-	5,002,117	4,542,201
<u>HOME Investment Partnerships Program</u>					
Passed through the City of San Diego					
HOME Program: M-20-MC-06-0533	14.239	-	346,772	346,772	-
HOME Program: M-19-MC-06-0533	14.239	-	55,000	55,000	-
HOME Program: M-18-MC-06-0533	14.239	-	8,000	8,000	-
HOME Program: M-17-MC-06-0533	14.239	-	2,211,095	2,211,095	-
Subtotal - HOME Investment Partnerships Program	14.239	-	2,620,867	2,620,867	-
<u>Section 8 Project-Based Cluster</u>					
Section 8 Moderate Rehabilitation					
Project 2 MR2: CA063MR0002	14.856	71,012	-	71,012	-
Project 7 MR7: CA063MR0007	14.856	244,727	-	244,727	-
CARES Act - Project 7 MR7: CA063MR0007	14.MRC	34,514	-	34,514	-
Subtotal - Section 8 Project-Based Cluster	14.856	350,253	-	350,253	-
<u>Resident Opportunity and Supportive Services - Service Coordinators (ROSS)</u>					
ROSS191266	14.870	42,036	-	42,036	-

See notes to Schedule of Expenditures of Federal Awards

San Diego Housing Commission

Schedule of Expenditures of Federal Awards Year Ended June 30, 2021

Federal Grantor / Passthrough Grantor / Program and / or Cluster Title:	Federal CFDA Number	Direct Programs	Passed Through Programs	Federal Expenditures Amount	Passed Through to Subrecipients
<u>Moving to Work (MTW)</u>					
Housing Assistance Payments Program:					
Section 8 Housing Choice Vouchers					
Voucher CA063VOW093--/CA06VOW100	14.HCV	196,748,961	-	196,748,961	-
Voucher CA063AF0249--/CA063AF0257	14.HCV	15,317,192	-	15,317,192	-
VASH Program - CA063VO388/CA063VO399	14.HCV	11,565,332	-	11,565,332	-
HCV FSS Coord: FSS20CA3111	14.HCV	239,048	-	239,048	-
HCV FSS Coord: FSS21CA3735	14.HCV	223,358	-	223,358	-
CARES Act - MTW Administrative CA063AF0251/ CA063AF0252	14.HCC	6,693,188	-	6,693,188	-
CARES Act - HCV HAP Program CA063VO0386	14.HCC	11,574,763	-	11,574,763	-
Subtotal - Housing Assistance Payments Program		242,361,842	-	242,361,842	-
Public Housing Capital Fund					
Capital Fund Program: CA16P06350119	14.CFP	176,917	-	176,917	-
Subtotal - Public Housing Capital Fund		176,917	-	176,917	-
Low Rent Public Housing					
CA06300000719D	14.OPS	72	-	72	-
CA06300000720D	14.OPS	35,813	-	35,813	-
CA06300000721D	14.OPS	41,252	-	41,252	-
CA06300000819D	14.OPS	74	-	74	-
CA06300000820D	14.OPS	42,493	-	42,493	-
CA06300000821D	14.OPS	67,073	-	67,073	-
CA06300000919D	14.OPS	128	-	128	-
CA06300000920D	14.OPS	82,965	-	82,965	-
CA06300000921D	14.OPS	120,335	-	120,335	-
CA06300001019D	14.OPS	74	-	74	-
CA06300001020D	14.OPS	33,283	-	33,283	-
CA06300001021D	14.OPS	56,782	-	56,782	-
CARES Act - CA06300000720DC	14.PHC	10,989	-	10,989	-
CARES Act - CA06300000820DC	14.PHC	3,752	-	3,752	-
CARES Act - CA06300000920DC	14.PHC	15,690	-	15,690	-
CARES Act - CA06300001020DC	14.PHC	3,658	-	3,658	-
Subtotal - Low Rent Public Housing		514,433	-	514,433	-
Subtotal - Moving to Work	14.881	243,053,192	-	243,053,192	-
<u>Family Unification Program (FUP)</u>					
Contract #: CA063VO0381--/CA063VO0402	14.880	2,001,669	-	2,001,669	-
Subtotal - FUP	14.880	2,001,669	-	2,001,669	-
<u>Housing Voucher Cluster</u>					
Mainstream Vouchers Program					
Contract #: CA063DV0006--/CA063DV0016	14.879	1,183,730	-	1,183,730	-
Contract #: CA0638F0009--/CA0638F0016	14.879	126,505	-	126,505	-
CARES Act - Contract #: CA0638F0008/CA0638F0011/ CA063DV0012	14.MSC	235,644	-	235,644	-
Subtotal - Housing Voucher Cluster		1,545,879	-	1,545,879	-
Total - U.S. Department of Housing and Urban Development		251,995,146	35,985,090	287,980,236	17,310,563

See notes to Schedule of Expenditures of Federal Awards

San Diego Housing Commission

Schedule of Expenditures of Federal Awards Year Ended June 30, 2021

Federal Grantor / Passthrough Grantor / Program and / or Cluster Title:	Federal CFDA Number	Direct Programs	Passed Through Programs	Federal Expenditures Amount	Passed Through to Subrecipients
U.S. Department of the Treasury					
<u>Coronavirus Relief Fund (CRF)</u>					
CRF - Passed through the City of San Diego					
Cortez Hill-Alpha-City CRF	21.019	-	187,000	187,000	-
Emergency Rental Assistance Program CRF	21.019	-	9,576,548	9,576,548	-
RI Kearny Mesa - City CARES Act	21.019	-	10,000,000	10,000,000	-
CRF - Passed through the State of California					
Department of Housing and Community					
RI Hotel Circle - State CRF	21.019	-	27,690,283	27,690,283	-
RI Kearny Mesa - State CRF	21.019	-	10,000,000	10,000,000	-
Subtotal - Coronavirus Relief Fund	21.019	-	57,453,831	57,453,831	-
<u>Emergency Rental Assistance Program</u>					
Housing Stability Assistance Program - Passed through the City of San Diego	21.023	-	29,942,716	29,942,716	-
Total - U.S. Department of the Treasury		-	87,396,547	87,396,547	-
TOTAL		\$ 251,995,146	\$ 123,381,637	\$ 375,376,783	\$ 17,310,563

See notes to Schedule of Expenditures of Federal Awards

San Diego Housing Commission

Notes to Schedule of Expenditures of Federal Awards June 30, 2021

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 for the year ended June 30, 2021. 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 awards activity of SDHC, it is not intended to and does not present the financial position, change in net position or cash flows of SDHC as a whole.

Significant Accounting Policies

The expenditures included in the Schedule are reported under the accrual basis of accounting. Such expenditures are recognized in accordance with the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. SDHC has elected not to use the 10-percent de minimis indirect cost rate 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	\$ 401,429
Less grants from City and local agencies	(17,431)
Less grants from state agencies	<u>(8,621)</u>
Grant revenue from federal sources	<u>\$ 375,377</u>

San Diego Housing Commission

Notes to Schedule of Expenditures of Federal Awards June 30, 2021

Note 4 - Blended Component Units Federal Expenditures

SDHC has three blended component units: Southern SDHC FHA LLC, Northern SDHC FHA LLC and Central SDHC FHA LLC whose federal expenditures are excluded from the Schedule because their federal expenditures have been separately audited and reported to HUD. The federal expenditures for the programs of Southern SDHC FHA LLC, Northern SDHC FHA LLC and Central SDHC FHA LLC for the year ended June 30, 2021 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	14.134	FHA # 12911055	\$20,445,882
FHA Insured Loan - Northern SDHC FHA LLC	14.134	FHA # 12911053	14,302,499
FHA Insured Loan - Central SDHC FHA LLC	14.134	FHA # 12911054	<u>12,830,827</u>
TOTAL			<u><u>\$47,579,208</u></u>

San Diego Housing Commission
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

A. Summary of Auditor's Results

Financial Statements

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

Unmodified opinion

Internal control over financial reporting:

*Material weakness(es) identified? Yes x No

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

Noncompliance material to financial statements noted? Yes x No

Federal Awards

Internal control over major programs:

*Material weakness(es) identified? Yes x No

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

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

Unmodified opinion

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

 Yes x No

Identification of major programs:

CFDA Numbers(s)	Name of Federal Program or Cluster
14.218	CDBG - Entitlement Grants Cluster
14.231	Emergency Solutions Grant Program
14.881	Moving to Work
21.019	Coronavirus Relief Fund
21.023	Emergency Rental Assistance Program

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, 2021

B. Findings - Financial Statement 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, 2021

November 3, 2021

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

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary fund of 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, 2021, and have issued our report thereon dated November 3, 2021. The financial statements of the fiduciary fund have been audited by other auditors and we have made a reference to the reports of those auditors in our report on SDHC's financial statements. Professional standards 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 July 15, 2021. 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.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 30, 2021, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of SDHC solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

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

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by SDHC is included in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates 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.

Financial Statement Disclosures

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

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

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

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

Disagreements with Management

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

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated November 3, 2021.

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with SDHC, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as SDHC's auditors.

No matters were brought to our attention by the auditor of the fiduciary fund that we consider significant to the responsibilities of those charged with governance. No instances or limitations in which the evaluation of the work of the auditor of the fiduciary fund 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, and the data collection form of 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,



Sacramento, California



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

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

June 30, 2021 and 2020

**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, 2021

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, 2021 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, 2021

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, 2021, to the best of my knowledge and belief, the same are complete and accurate.

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020 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 15, 2021 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 15, 2021

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

**Statements of Net Position
June 30, 2021 and 2020**

	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 26,424	\$ 380,012
Tenants' accounts receivable, net	2,964	6,163
Accounts receivable - other	36,783	20,749
	<u>66,171</u>	<u>406,924</u>
Total current assets		
Other assets		
Investments - operations	636,210	221,727
Restricted deposits and funded reserves	948,346	901,753
	<u>1,584,556</u>	<u>1,123,480</u>
Total other assets		
Capital assets		
Buildings and improvements	6,255,040	6,255,040
Accumulated depreciation	(3,816,077)	(3,482,858)
	<u>2,438,963</u>	<u>2,772,182</u>
Land	<u>1,087,727</u>	<u>1,087,727</u>
Total capital assets	<u>3,526,690</u>	<u>3,859,909</u>
Total assets	<u>\$ 5,177,417</u>	<u>\$ 5,390,313</u>

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

**Statements of Net Position
June 30, 2021 and 2020**

Liabilities and Net Position

	<u>2021</u>	<u>2020</u>
Current liabilities		
Accounts payable - operations	\$ 30,041	\$ 37,022
Accrued expenses	4,689	5,121
Accrued interest payable - first mortgage, current	13,230	13,230
Prepaid rent	7,558	7,685
	<u>55,518</u>	<u>63,058</u>
Total current liabilities		
Deposits and prepaid liability		
Tenants' security deposits liability	38,987	41,462
	<u>38,987</u>	<u>41,462</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	646,863	565,593
	<u>3,796,863</u>	<u>3,715,593</u>
Total long-term liabilities		
	<u>3,891,368</u>	<u>3,820,113</u>
Total liabilities		
Contingency	-	-
Net Position		
Net investment in capital assets	376,690	709,909
Restricted for operating and replacement reserves	909,359	860,291
Unrestricted	-	-
	<u>1,286,049</u>	<u>1,570,200</u>
Total net position		
	<u>\$ 5,177,417</u>	<u>\$ 5,390,313</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, 2021 and 2020

	2021	2020
Operating revenue		
Rental income	\$ 432,597	\$ 439,465
Subsidy income	219,118	155,595
Other operating income	6,952	9,015
	<u>658,667</u>	<u>604,075</u>
Total operating revenue		
Operating expenses		
Administrative	189,011	179,292
Utilities	180,329	149,446
Operating and maintenance	152,979	250,958
Taxes and insurance	60,669	58,427
Depreciation	333,219	333,219
	<u>916,207</u>	<u>971,342</u>
Total operating expenses		
Net operating loss	<u>(257,540)</u>	<u>(367,267)</u>
Nonoperating revenue (expense)		
Financial revenue - investments	24,753	37,108
Interest expense - first mortgage	(94,500)	(93,450)
	<u>(69,747)</u>	<u>(56,342)</u>
Total nonoperating revenue (expense)		
Change in net position before capital transactions	(327,287)	(423,609)
Contributions	43,136	121,509
	<u>(284,151)</u>	<u>(302,100)</u>
Change in net position		
Net position		
Beginning of year	<u>1,570,200</u>	<u>1,872,300</u>
End of year	<u>\$ 1,286,049</u>	<u>\$ 1,570,200</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, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Cash received from tenants and operations	\$ 616,931	\$ 570,687
Less cash payments for operations and administration		
Administrative expenses paid	(42,126)	(17,026)
Management fee and sponsor overhead paid	(73,010)	(73,008)
Utilities paid	(177,803)	(145,145)
Salaries and wages paid	(125,407)	(133,777)
Operating and maintenance paid	(83,714)	(186,132)
Property insurance paid	(15,554)	(12,111)
Other operating expenses paid	(44,934)	(46,316)
	<u>(562,548)</u>	<u>(613,515)</u>
Net cash provided by (used in) operating activities	<u>54,383</u>	<u>(42,828)</u>
Cash flows from capital and related financing activities		
Contributions from owner	43,136	121,509
Interest paid	(13,230)	(13,230)
	<u>29,906</u>	<u>108,279</u>
Net cash provided by capital and related financing activities		
Cash flows from investing activities		
Net deposits to replacement reserve	(48,517)	(55,351)
Net deposits to operating reserve	(551)	(951)
Interest on investments	25,674	38,212
Net sales (purchases) of investments	(414,483)	212,578
	<u>(437,877)</u>	<u>194,488</u>
Net cash provided by (used in) investing activities		
Net increase (decrease) in cash and cash equivalents	(353,588)	259,939
Cash and cash equivalents, beginning	<u>380,012</u>	<u>120,073</u>
Cash and cash equivalents, end	<u>\$ 26,424</u>	<u>\$ 380,012</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, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Reconciliation of net operating loss to net cash provided by (used in) operating activities		
Net operating loss	\$ (257,540)	\$ (367,267)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities		
Depreciation	333,219	333,219
Bad debt	12,067	3,176
Changes in		
Tenants' accounts receivable	(8,868)	(7,191)
Accounts receivable - other	(16,955)	12,954
Prepaid revenue	(127)	2,939
Accounts payable - operations	(6,981)	(22,873)
Accrued expenses	(432)	2,215
	<u>54,383</u>	<u>(42,828)</u>
Net cash provided by (used in) operating activities	<u>\$ 54,383</u>	<u>\$ (42,828)</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, 2021 and 2020**

Note 1 - The financial reporting entity

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

Note 2 - Significant accounting policies

Basic financial statements

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

Measurement focus, basis of accounting and financial statement presentation

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

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

Cash and cash equivalents

The Project cash and cash equivalents are maintained within the general operating bank account of SDHC. The ending balance of the operating account is allocated between several projects of SDHC based upon each project's relative cash activities. The reconciled balance of SDHC general cash account is \$46,536,479 and \$27,669,903 of which \$26,424 and \$380,012 belongs to the Project as of June 30, 2021 and 2020, respectively.

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

**Notes to Financial Statements
June 30, 2021 and 2020**

Restricted deposits and funded reserves

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

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

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

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

Fair value

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

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

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

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

Tenant accounts receivable

Resident accounts receivable are due from tenants and reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of the receivables. It is reasonably possible that management's estimate of the allowance will change. The allowance for doubtful accounts was \$114 and \$877 as of June 30, 2021 and 2020, respectively.

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

**Notes to Financial Statements
June 30, 2021 and 2020**

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, 2021 and 2020.

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 \$219,118 and \$155,595 of operating subsidy income which is included in the statements of revenue, expenses and changes in net position for the years ended June 30, 2021 and 2020, 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, 2021 and 2020**

Note 3 - Restricted deposits and funded reserves

As of June 30, 2021 and 2020, 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 \$38,987 and \$41,462 as of June 30, 2021 and 2020, 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 \$688,452 and \$639,935 as of June 30, 2021 and 2020, respectively. During the years ended June 30, 2021 and 2020, the replacement reserve activity was as follows:

	2021	2020
Beginning balance	\$ 639,935	\$ 584,584
Deposits (\$600 x 78 units)	46,800	46,800
Project cash flow	-	5,790
Interest earned	1,717	2,761
Ending balance	<u>\$ 688,452</u>	<u>\$ 639,935</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 \$220,907 and \$220,356 as of June 30, 2021 and 2020, respectively.

Other investments

The Project has other investments with a balance of \$636,210 and \$221,727 as of June 30, 2021 and 2020, 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, 2021 and 2020**

Note 4 - Mortgage payable

Mortgage payable to RHCP associated with the acquisition of the Project is in the amount of \$3,150,000. Repayment of the interest and any outstanding principal balance is due in its entirety on the maturity date of May 10, 2068. The note bears interest at 3.00% and is payable in the annual amount of 0.42% of the outstanding principal balance (\$13,230 per year). Interest expense was \$94,500 and \$93,450 for the years ended June 30, 2021 and 2020, respectively. Outstanding principal and accrued interest is \$3,150,000 and \$660,093, respectively, as of June 30, 2021 and \$3,150,000 and \$578,823, respectively, as of June 30, 2020.

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 \$73,010 and \$73,008 for the years ended June 30, 2021 and 2020, 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, 2021.

Note 7 - Current vulnerability due to certain concentrations

The Project's principal assets consist of 78 units within various apartment projects. The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations of governmental agencies, including, but not limited to RHCP. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD or RHCP. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 8 - 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. As of June 30, 2021, the global pandemic is still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on the Project.

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

**Notes to Financial Statements
June 30, 2021 and 2020**

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 15, 2021, 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, 2021 and 2020**

Schedule of Operating Revenue

<u>Account No.</u>	<u>2021</u>	<u>2020</u>
Rental revenue		
5120 Rent revenue - gross potential	\$ 432,597	\$ 439,465
5121 Tenant assistance payments	219,118	155,595
	<hr/>	<hr/>
5100T Total rental revenue	651,715	595,060
	<hr/>	<hr/>
5152N Net rental revenue	651,715	595,060
	<hr/>	<hr/>
Financial revenue		
5410 Financial revenue - project operations	22,485	33,396
5440 Revenue from investments - replacement reserve	1,717	2,761
5490 Revenue from investments - miscellaneous	551	951
	<hr/>	<hr/>
5400T Total financial revenue	24,753	37,108
	<hr/>	<hr/>
Other revenue		
5910 Laundry and vending	6,952	6,815
5920 Tenant charges	-	2,200
	<hr/>	<hr/>
5900T Total other revenue	6,952	9,015
	<hr/>	<hr/>
5000T Total revenue	683,420	641,183
	<hr/>	<hr/>

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

Supplementary Information
Years Ended June 30, 2021 and 2020

Schedule of Operating Expenses

<u>Account No.</u>	<u>2021</u>	<u>2020</u>
Administrative expenses		
6250 Other renting expenses	1,252	2,779
6310 Office salaries	55,710	44,178
6311 Office expenses	7,509	7,940
6320 Management fee	73,010	73,008
6331 Administrative rent free unit	15,228	11,789
6340 Legal expense - project	5,668	18,736
6350 Auditing expense	7,773	7,100
6351 Bookkeeping fees/accounting services	8,892	8,892
6370 Bad debts	12,067	3,176
6390 Miscellaneous administrative expenses	2,083	1,694
6263T Total administrative expenses	189,192	179,292
Utilities expense		
6450 Electricity	17,234	19,866
6451 Water	86,260	71,824
6452 Gas	15,341	14,039
6453 Sewer	61,494	43,717
6400T Total utilities expense	180,329	149,446
Operating and maintenance expenses		
6510 Payroll	40,335	56,490
6515 Supplies	11,732	25,152
6520 Contracts	50,690	113,056
6525 Garbage and trash removal	21,153	16,183
6530 Security payroll/contract	28,930	35,324
6570 Vehicle and maintenance equipment operation and repairs	139	4,453
6590 Miscellaneous operating and maintenance expenses	-	300
6500T Total operating and maintenance expenses	152,979	250,958

**Otay Villas Housing Development
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**Supplementary Information
Years Ended June 30, 2021 and 2020**

Account No.	<u>2021</u>	<u>2020</u>
Taxes and insurance		
6720 Property and liability insurance	15,554	12,111
6722 Workmen's compensation	5,400	6,810
6723 Health insurance and other employee benefits	39,534	39,506
	<u>60,488</u>	<u>58,427</u>
6700T Total taxes and insurance		
Financial expenses		
6820 Interest on first mortgage payable	94,500	93,450
	<u>94,500</u>	<u>93,450</u>
6800T Total financial expenses		
6000T Total cost of operations before depreciation	677,488	731,573
	<u>677,488</u>	<u>731,573</u>
5060T Income (loss) before depreciation	5,932	(90,390)
	<u>5,932</u>	<u>(90,390)</u>
Depreciation		
6600 Depreciation expense	333,219	333,219
	<u>333,219</u>	<u>333,219</u>
Total depreciation	333,219	333,219
	<u>333,219</u>	<u>333,219</u>
5060N Operating income (loss)	(327,287)	(423,609)
	<u>(327,287)</u>	<u>(423,609)</u>
Total expenses	1,010,707	1,064,792
	<u>1,010,707</u>	<u>1,064,792</u>
3250 Change in net assets	\$ (327,287)	\$ (423,609)
	<u>\$ (327,287)</u>	<u>\$ (423,609)</u>

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

**Supplementary Information
Years Ended June 30, 2021 and 2020**

Detail of Accounts - Schedules of Activities

	<u>2021</u>	<u>2020</u>
Miscellaneous Administrative Expenses (Account No. 6390)		
Professional consultants	\$ 1,454	\$ 41
Business expense	1	17
Mileage reimbursement	10	652
Parking fees and permits	351	475
Gym membership	4	109
Training - computer	77	-
Training - local	154	264
Employee bilingual testing	8	10
Education and training classes	24	126
	<u>\$ 2,083</u>	<u>\$ 1,694</u>

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

Supplementary Information
Year Ended June 30, 2021

Cash on Hand and in Banks

Unrestricted cash operating accounts	
Operating account	\$ 26,424
	<u>\$ 26,424</u>
Restricted cash accounts	
Tenant security deposits	\$ 38,987
Replacement reserve	688,452
Operating reserve	220,907
Investments	636,210
	<u>\$ 1,584,556</u>

Mortgage Impound Accounts

None.

Reserves for Replacement and Operating Expenses

	Replacement reserve	Operating reserve
Balance as of June 30, 2020	\$ 639,935	\$ 220,356
Deposits (\$600 x 78 units)	46,800	-
Interest earned	1,717	551
Transfers in/out		
Balance as of June 30, 2021	<u>\$ 688,452</u>	<u>\$ 220,907</u>

Property, Equipment and Improvements

Following are the details of property, equipment and improvements:

	Property, equipment and improvements			
	Balance 6/30/20	Additions	Deletions	Balance 6/30/21
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
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**Supplementary Information
Year Ended June 30, 2021**

Accounts Payable and Accrued Expenses

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

Current	\$ 30,041
Total	<u>\$ 30,041</u>

Gross Potential Rents

Gross potential rents includes the following:

Tenant rental payments	\$ 405,302
Tenant assistance payments	219,118
Rent free units	15,228
Bad debt	<u>12,067</u>
Total gross potential rents	<u>\$ 651,715</u>

Management Fee

The management fee and sponsor overhead authorized by RHCP totals \$73,010 for the year ended June 30, 2021.

**Otay Villas Housing Development
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**Supplementary Information
Year Ended June 30, 2021**

Operating Cash Flow/Surplus Cash Computation

Operating income	
Total income	\$ 683,420
Interest earned on restricted reserve accounts	(2,268)
	<u>681,152</u>
Adjusted operating income	681,152
Operating expenses	<u>(582,988)</u>
Adjusted net income	98,164
Other activity	
Deposits into replacement reserve account	(46,800)
Interest paid on mortgage	(13,230)
	<u>(60,030)</u>
Total other activity	(60,030)
Operating cash flow/surplus cash	<u>38,134</u>
Total cash available for distributions (net cash flow)	<u><u>\$ 38,134</u></u>

Reconciliation to RHCP Form 181

Total operating revenue	\$ 658,667
Interest income	24,753
Less interest on reserves	(2,268)
	<u>681,152</u>
Effective gross rent per RHCP Form 181	<u><u>\$ 681,152</u></u>

Reconciliation to RHCP Form 180

Total operating expenses	\$ 916,207
Less depreciation	(333,219)
	<u>582,988</u>
Total operating costs per RHCP Form 180	<u><u>\$ 582,988</u></u>

Otay Villas Housing Development
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Supplementary Information
Year Ended June 30, 2021

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

Contract No: 80-RHC-026
Project Name: Otay Villas
Prepared by: Maria Gimutao
Date Prepared: 8/9/21
Reporting Period: 7/1/20 to 6/30/21
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	16,848	16,848	56,160	56,160	0	0
ADMINISTRATIVE EXPENSES: 6200/6300							
2 Advertising	6210	0	0	0	0	0	0
3 Apartment Resale Expense (Cooperatives)	6235	0	0	0	0	0	0
4 Other Renting Expenses	6250	468	289	1,562	962	0	0
5 Office Salaries	6310	8,175	12,856	27,250	42,854	0	0
6 Office Supplies	6311	1,814	1,733	6,046	5,777	0	0
7 Office or Model Apartment Rent	6312	0	0	0	0	0	0
8 Manager and Superintendent Salaries	6330	0	0	0	0	0	0
9 Manager's or Superintendent's Rent Free Unit	6331	3,514	3,514	11,714	11,714	0	0
10 Legal Expense - Project	6340	4,113	1,308	13,708	4,360	0	0
11 Audit Expense - Project	6350	1,638	1,794	5,462	5,979	0	0
12 Bookkeeping Fees/Accounting Services	6351	2,052	2,052	6,840	6,840	0	0
13 Telephone and Answering Service Expenses	6360	0	0	0	0	0	0
14 Bad Debt Expense	6370	0	0	0	12,067	0	0
15 Miscellaneous Administrative Expenses (specify)	6390	420	481	1,402	1,603	0	0
16 TOTAL ADMINISTRATIVE EXPENSES	6200/6300T	22,195	24,027	73,983	92,156	0	0
UTILITIES EXPENSES: 6400							
17 Fuel Oil/Coal	6420	0	0	0	0	0	0
18 Electricity	6450	4,740	3,977	15,800	13,257	0	0
19 Water	6451	16,362	19,906	54,538	66,354	0	0
20 Gas	6452	3,091	3,540	10,304	11,801	0	0
21 Sewer	6453	16,971	14,191	56,571	47,303	0	0
22 TOTAL UTILITIES EXPENSES	6400T	41,164	41,614	137,213	138,714	0	0
OPERATING AND MAINTENANCE EXPENSES: 6500							
23 Janitor and Cleaning Payroll	6510	14,246	9,308	47,486	31,027	0	0
24 Janitor and Cleaning Supplies	6515	7,058	2,708	23,525	9,026	0	0
25 Janitor and Cleaning Contracts	6517	0	0	0	0	0	0
26 Exterminating Payroll/Contract	6519	0	0	0	0	0	0
27 Exterminating Supplies	6520	37,462	11,698	124,874	38,992	0	0
28 Garbage and Trash Removal	6525	0	4,881	0	16,271	0	0
29 Security Payroll/Contract	6530	8,896	6,676	29,654	22,254	0	0
30 Grounds Payroll	6535	0	0	0	0	0	0
31 Grounds Supplies	6536	0	0	0	0	0	0
32 Grounds Contract	6537	0	0	0	0	0	0
33 Repairs Payroll	6540	0	0	0	0	0	0
34 Repairs Material	6541	0	0	0	0	0	0
35 Repairs Contract	6542	0	0	0	0	0	0
36 Elevator Maintenance/Contract	6545	0	0	0	0	0	0
37 Heating/Cooling Repairs and Maintenance	6546	0	0	0	0	0	0
38 Swimming Pool Maintenance/Contract	6547	0	0	0	0	0	0
39 Snow Removal	6548	0	0	0	0	0	0
40 Decorating/Payroll Contract	6560	0	0	0	0	0	0
41 Decorating Supplies	6561	0	0	0	0	0	0
42 Vehicle and Maint. Equipment Operation/Repairs	6570	1,441	32	4,805	107	0	0
43 Misc. Operating and Maintenance Expenses (specify)	6590	0	0	0	0	0	0
44 TOTAL OPERATING & MAINTENANCE EXPENSES	6500T	69,103	35,303	230,344	117,677	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	0	3,589	0	11,965	0	0
49 Fidelity Bond Insurance	6721	0	0	0	0	0	0
50 Worker's Compensation	6722	1,847	1,246	6,155	4,155	0	0
51 Health Insurance and Other Employee Benefits	6723	8,656	9,123	28,853	30,411	0	0
52 Other Insurance	6729	0	0	0	0	0	0
53 TOTAL TAXES AND INSURANCE	6700T	10,503	13,959	35,008	46,530	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		159,813	131,751	532,708	451,237	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, 2021

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: Maria Gimutao
Date Prepared: 8/9/21

Reporting Period: 7/1/20 to 6/30/21

Units/Sq. Ft. - Assisted: 18
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	105,972	99,830	344,784	332,767	0	0	450,756	432,597	(18,159)
2 Tenant Assistance Payments	5121	39,290	50,566	130,966	168,553	0	0	170,256	219,118	48,862
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	145,262	150,396	475,750	501,319	0	0	621,012	651,715	30,703
VACANCIES: 5200										
Vacancy Percentage:		0	0	0	0	0	0			
11 Apartments -	5220	0	0	0	0	0	0			
12 Stores and Commercial	5240	0	0	0	0	0	0			
13 Rental Concessions	5250	0	0	0	0	0	0			
14 Garage and Parking Spaces	5270	0	0	0	0	0	0			
15 Miscellaneous	5290	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	6,493	5,189	21,644	17,296	0	0	28,137	22,485	(5,652)
Total Financial Revenue	5400T	6,493	5,189	21,644	17,296	0	0	28,137	22,485	(5,652)
OTHER REVENUE: 5900										
22 Laundry and Vending Revenue	5910	1,502	1,604	5,006	5,348	0	0	6,508	6,952	444
23 NSF and Late Charges	5920	0	0	0	0	0	0	0	0	0
24 Damages and Cleaning Fees	5930	0	0	0	0	0	0	0	0	0
25 Forfeited Tenant Security Deposits	5940	0	0	0	0	0	0	0	0	0
26 Other Revenue	5990	0	0	0	0	0	0	0	0	0
Total Other Revenue	5900T	1,502	1,604	5,006	5,348	0	0	6,508	6,952	444
27 EFFECTIVE GROSS RENT (EGR)	5152T	153,257	157,189	502,400	523,963	0	0	655,657	681,152	25,495
28 TOTAL OPERATING EXPENSES	6000T	164,607	131,751	548,690	451,237	0	0	713,297	582,988	130,309
29 NET OPERATING INCOME (NOI)	5000T	(11,350)	25,438	(46,290)	72,726	0	0	(57,640)	98,164	155,804
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	0	0	0	0	0	0	0	0	0
35 Replacement Reserve-Deposit	1320	10,800	10,800	36,000	36,000	0	0	46,800	46,800	0
36 Operating Reserve-Deposit	1300	0	0	0	0	0	0	0	0	0
37 Other Reserves (specify)										
#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		10,800	10,800	36,000	36,000	0	0	46,800	46,800	0
38 PROJECT CASH FLOW (CF)		(22,150)	14,638	(95,520)	23,496	0	0	(117,670)	38,134	155,804
ADDITIONAL REVENUE:										
39 RHCP-O Annuity Fund Request (For Assisted Units Only)		0	0	0	0	0	0	0	0	0
40 Withdrawal from Operating Reserves		0	0	0	0	0	0	0	0	0
41 Borrower Contribution		0	0	0	0	0	0	0	0	0
42 Other (specify)		0	0	0	0	0	0	0	0	0
Total Additional Revenue		0	0	0	0	0	0	0	0	0
USE OF CASH FLOW:										
43 HCD Interest Payments		0	0	0	0	0	0	0	0	0
44 Asset Mgmt Fee (CHRP-R/SUHRP & HOME-pre-UMR Only)		0	0	0	0	0	0	0	0	0
45 Asset Mgmt Fee/Prtrshp Costs (MHP/HOME under UMR)		0	0	0	0	0	0	0	0	0
46 Borrower Distributions		0	0	0	0	0	0	0	0	0
47 Residual Receipt Loan Payments		0	0	0	0	0	0	0	0	0
48 Other (specify)		0	0	0	0	0	0	0	0	0
Total Use of Cash Flow		0	0	0	0	0	0	0	0	0

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

To the Board of Commissioners
San Diego Housing Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of San Diego Housing Commission's ("SDHC's") Otay Villas Housing Development Project No. 12-HLCP-0003 (the "Project"), which comprise the statement of net position as of June 30, 2021, 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 15, 2021 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 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 a 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 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 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.

CohnReznick LLP

Sacramento, California
September 15, 2021



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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, 2021 and 2020

**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, 2021

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, 2021 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

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

June 30, 2021

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, 2021, to the best of my knowledge and belief, the same is complete and accurate.

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, 2021 and 2020, 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 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 the San Diego Housing Commission's Adaptable Housing Development Project No. 12-HLCP-0004 as of June 30, 2021 and 2020, 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, 2021 and 2020 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 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 17, 2021 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 17, 2021

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

**Statements of Net Position
June 30, 2021 and 2020**

	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 19,889	\$ 138,126
Tenants' accounts receivable, net	1,594	2,164
Accounts receivable - grants	16,975	2,731
Accounts receivable - other	697	1,016
	<u>39,155</u>	<u>144,037</u>
Total current assets		
Other assets		
Investments	243,980	92,756
Restricted deposits and funded reserves	330,638	308,426
	<u>574,618</u>	<u>401,182</u>
Total other assets		
Capital assets		
Buildings and improvements	6,802,810	6,802,810
Accumulated depreciation	(2,470,867)	(2,054,638)
	4,331,943	4,748,172
Land	484,372	484,372
	<u>4,816,315</u>	<u>5,232,544</u>
Total capital assets		
Total assets	<u>\$ 5,430,088</u>	<u>\$ 5,777,763</u>

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

**Statements of Net Position
June 30, 2021 and 2020**

Liabilities and Net Position

	<u>2021</u>	<u>2020</u>
Current liabilities		
Accounts payable - operations	\$ 24,647	\$ 16,473
Accrued expenses	4,544	3,891
Accrued interest payable - first mortgage, current	5,900	5,900
Prepaid rent	4,228	2,957
	<u>39,319</u>	<u>29,221</u>
Deposits and prepaid liability		
Tenants' security deposits liability	16,277	15,849
	<u>16,277</u>	<u>15,849</u>
Long-term liabilities		
Mortgage payable - first mortgage	1,404,849	1,404,849
Accrued interest payable - first mortgage, net of current portion	243,816	207,571
	<u>1,648,665</u>	<u>1,612,420</u>
Total long-term liabilities	<u>1,648,665</u>	<u>1,612,420</u>
	<u>1,704,261</u>	<u>1,657,490</u>
Contingency	-	-
Net Position		
Net investment in capital assets	3,411,466	3,827,695
Restricted for operating and replacement reserves	314,361	292,577
Unrestricted	-	1
	<u>3,725,827</u>	<u>4,120,273</u>
Total net position	<u>3,725,827</u>	<u>4,120,273</u>
Total liabilities and net position	<u>\$ 5,430,088</u>	<u>\$ 5,777,763</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, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Operating revenue		
Rental income	\$ 212,092	\$ 191,513
Subsidy income	93,797	75,272
Other operating income	<u>13,933</u>	<u>7,162</u>
Total operating revenue	<u>319,822</u>	<u>273,947</u>
Operating expenses		
Administrative	96,141	107,797
Utilities	63,365	51,912
Operating and maintenance	92,498	97,307
Taxes and insurance	34,969	24,255
Depreciation	<u>416,229</u>	<u>416,228</u>
Total operating expenses	<u>703,202</u>	<u>697,499</u>
Net operating loss	<u>(383,380)</u>	<u>(423,552)</u>
Nonoperating revenue (expense)		
Financial revenue - investments	8,830	13,826
Interest expense - first mortgage	<u>(42,145)</u>	<u>(41,721)</u>
Total nonoperating revenue (expense)	<u>(33,315)</u>	<u>(27,895)</u>
Change in net position before capital transactions	(416,695)	(451,447)
Contributions	<u>22,249</u>	<u>58,649</u>
Change in net position	(394,446)	(392,798)
Net position		
Beginning of year	<u>4,120,273</u>	<u>4,513,071</u>
End of year	<u><u>\$ 3,725,827</u></u>	<u><u>\$ 4,120,273</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, 2021 and 2020**

	2021	2020
Cash flows from operating activities		
Cash received from tenants and operations	\$ 298,591	\$ 275,216
Less cash payments for operations and administration		
Administrative expenses paid	(22,629)	(55,407)
Management fee and sponsor overhead paid	(32,760)	(32,760)
Utilities paid	(62,698)	(50,638)
Salaries and wages paid	(64,867)	(41,228)
Operating and maintenance paid	(51,395)	(107,869)
Property insurance paid	(4,854)	(3,942)
Net tenant security deposits received (paid)	428	900
Other operating expenses paid	(30,115)	(22,174)
	<u>(268,890)</u>	<u>(313,118)</u>
Net cash (used in) provided by operating activities	<u>29,701</u>	<u>(37,902)</u>
Cash flows from capital and related financing activities		
Contributions from owner	22,249	58,649
Interest paid	(5,900)	(50,578)
	<u>16,349</u>	<u>8,071</u>
Net cash provided by capital and related financing activities		
Cash flows from investing activities		
Net deposits to replacement reserve	(21,587)	(21,923)
Net deposits to operating reserve	(197)	(340)
Interest on investments	9,149	14,356
Net sales (purchases) of investments	(151,652)	122,436
	<u>(164,287)</u>	<u>114,529</u>
Net cash provided by (used in) investing activities		
Net increase (decrease) in cash and cash equivalents	(118,237)	84,698
Cash and cash equivalents, beginning	<u>138,126</u>	<u>53,428</u>
Cash and cash equivalents, end	<u>\$ 19,889</u>	<u>\$ 138,126</u>

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

**Statements of Cash Flows
Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Reconciliation of net operating loss to net cash provided by (used in) operating activities		
Net operating loss	\$ (383,380)	\$ (423,552)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities		
Depreciation	416,229	416,228
Bad debt	8,828	(1,089)
Changes in:		
Tenants' accounts receivable	(8,258)	914
Accounts receivable - grants	(14,244)	(2,731)
Prepaid revenue	1,271	355
Accounts payable - operations	8,174	(28,818)
Accrued expenses	653	(109)
Tenants' security deposits liability	428	900
Net cash provided by (used in) operating activities	<u>\$ 29,701</u>	<u>\$ (37,902)</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, 2021 and 2020**

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 and the operating subsidy income. Operating expenses for the Project include the cost of services and general and administrative expenses. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses. When both restricted and unrestricted resources are available for use, it is the Project's policy to use restricted resources first, then unrestricted resources as needed.

Cash and cash equivalents

The Project cash and cash equivalents are maintained within the general operating bank account of SDHC. The ending balance of the operating account is allocated between several projects of SDHC based upon each project's relative cash activities. As of June 30, 2021 and 2020, the reconciled balance of SDHC's general cash account is \$46,536,479 and \$27,669,903, respectively, of which \$19,889 and \$138,126 belong to the Project as of June 30, 2021 and 2020, respectively.

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

**Notes to Financial Statements
June 30, 2021 and 2020**

Restricted deposits and funded reserves

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

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

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

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

Fair value

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

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

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

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

Tenants' accounts receivable

Resident accounts receivable are due from tenants and reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of the receivables. It is reasonably possible that management's estimate of the allowance will change. The allowance for doubtful accounts was \$65 and \$309 as of June 30, 2021 and 2020, respectively.

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

**Notes to Financial Statements
June 30, 2021 and 2020**

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, 2021 and 2020.

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 \$93,797 and \$75,272 of operating subsidy income during the years ended June 30, 2021 and 2020, respectively, of which \$16,975 and \$2,731 is receivable as of June 30, 2021 and 2020, 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, 2021 and 2020**

Note 3 - Restricted deposits and funded reserves

As of June 30, 2021 and 2020, 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 \$16,277 and \$15,849 as of June 30, 2021 and 2020, 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 \$235,362 and \$213,775 as of June 30, 2021 and 2020, respectively. During the years ended June 30, 2021 and 2020, the replacement reserve activity was as follows:

	2021	2020
Beginning balance	\$ 213,775	\$ 191,852
Deposits (\$600 x 35 units)	21,000	21,000
Interest earned	587	923
Ending balance	<u>\$ 235,362</u>	<u>\$ 213,775</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 \$78,999 and \$78,802 as of June 30, 2021 and 2020, respectively.

Other investments

The Project has other investments with a balance of \$243,980 and \$92,756 as of June 30, 2021 and 2020, 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, 2021 and 2020**

Note 4 - Mortgage payable

The mortgage payable to RHCP associated with the acquisition of the Project is in the amount of \$1,404,849. Repayment of the interest and any outstanding principal balance is due in its entirety on the maturity date of May 10, 2068. The note bears interest at 3.00% and is payable in the annual amount of 0.42% of the outstanding principal balance. Interest expense was \$42,145 and \$41,721 for the years ended June 30, 2021 and 2020, respectively. Outstanding principal and accrued interest is \$1,404,849 and \$249,716, respectively, as of June 30, 2021 and \$1,404,849 and \$213,471, respectively, as of June 30, 2020.

Note 5 - Management fee and sponsor overhead

The Project incurs a management fee and overhead costs from SDHC for central office services which includes but is not limited to clerical and management overhead expenses, such as salaries and benefits, office supplies and equipment, data processing or computer services, postage, training and telephone services. This does not include the salary of the project manager whether onsite or offsite. SDHC allocated to the Project management fees and overhead expenses in the amount of \$32,760 and \$32,760 for the years ended of June 30, 2021 and 2020, respectively.

Note 6 - Concentration of credit risk

The Project maintains its cash and cash equivalents with various financial institutions. At times, these balances may exceed the federal insurance limits; however, the Project has not experienced any losses with respect to its bank balances in excess of government provided insurance. SDHC believes that no significant concentration of credit risks exists with respect to these cash balances at June 30, 2021.

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 Project's financial position, results of operations, and cash flows. As of December 31, 2020, the global pandemic is still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on the Project.

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

**Notes to Financial Statements
June 30, 2021 and 2020**

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 17, 2021, 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, 2021 and 2020**

Schedule of Operating Revenue

<u>Account No.</u>	<u>2021</u>	<u>2020</u>
Rental revenue		
5120 Rent revenue - gross potential	\$ 212,092	\$ 191,513
5121 Tenant assistance payments	93,797	75,272
	<hr/>	<hr/>
5100T Total rental revenue	305,889	266,785
	<hr/>	<hr/>
5152N Net rental revenue	305,889	266,785
Financial revenue		
5410 Financial revenue - project operations	8,046	12,563
5440 Revenue from investments - replacement reserve	587	923
5490 Revenue from investments - miscellaneous	197	340
	<hr/>	<hr/>
5400T Total financial revenue	8,830	13,826
	<hr/>	<hr/>
Other revenue		
5910 Laundry and vending	5,299	5,988
5920 Tenant charges	50	1,070
5990 Miscellaneous revenue	8,584	104
	<hr/>	<hr/>
5900T Total other revenue	13,933	7,162
	<hr/>	<hr/>
5000T Total revenue	<u>\$ 328,652</u>	<u>\$ 287,773</u>

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

**Supplementary Information
Years Ended June 30, 2021 and 2020**

Schedule of Operating Expenses

<u>Account No.</u>	<u>2021</u>	<u>2020</u>
Administrative expenses		
6250 Other renting expenses	\$ 3,172	\$ 3,610
6310 Office salaries	31,544	23,899
6311 Office expenses	1,614	2,233
6320 Management fee	32,760	32,760
6340 Legal expense - project	1,708	33,971
6350 Auditing expense	7,515	7,100
6351 Bookkeeping fees/accounting services	3,990	3,990
6370 Bad debts	8,828	(1,089)
6390 Miscellaneous administrative expenses	5,010	1,323
6263T Total administrative expenses	96,141	107,797
Utilities expense		
6450 Electricity	2,546	2,909
6451 Water	22,500	17,778
6452 Gas	21,656	18,051
6453 Sewer	16,663	13,174
6400T Total utilities expense	63,365	51,912
Operating and maintenance expenses		
6510 Payroll	33,961	19,077
6515 Supplies	1,113	1,305
6520 Contracts	57,306	76,214
6530 Security payroll/contract	15	4
6570 Vehicle and maintenance equipment operation and repairs	103	707
6500T Total operating and maintenance expenses	92,498	97,307

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

**Supplementary Information
Years Ended June 30, 2021 and 2020**

<u>Account No.</u>	<u>2021</u>	<u>2020</u>
Taxes and insurance		
6720 Property and liability insurance	4,854	3,942
6722 Workmen's compensation	4,253	2,262
6723 Health insurance and other employee benefits	25,862	18,051
6700T Total taxes and insurance	34,969	24,255
Financial expenses		
6820 Interest on first mortgage payable	42,145	41,721
6800T Total financial expenses	42,145	41,721
6000T Total cost of operations before depreciation	329,118	322,992
5060T Income (loss) before depreciation	(466)	(35,219)
Depreciation		
6600 Depreciation expense	416,229	416,228
Total depreciation	416,229	416,228
5060N Operating income (loss)	(416,695)	(451,447)
Total expenses	745,347	739,220
3250 Change in net position	\$ (416,695)	\$ (451,447)

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

**Supplementary Information
Years Ended June 30, 2021 and 2020**

Detail of Accounts - Schedules of Activities

	<u>2021</u>	<u>2020</u>
Miscellaneous Other Revenue (Account No. 5990)		
Insurance proceeds	\$ 8,584	\$ 104
	<u>\$ 8,584</u>	<u>\$ 104</u>
Miscellaneous Administrative Expenses (Account No. 6390)		
Grant expense	\$ -	\$ 699
Professional consultants	644	114
Business expense	-	7
Mileage reimbursement	4	3
Parking fees and permits	315	199
Gym membership	6	37
Training	115	171
Employee bilingual testing	3	5
Credit counseling service	-	88
Tenant relocation due to maintenance	1,942	-
Non-reimbursable claims	1,981	-
	<u>\$ 5,010</u>	<u>\$ 1,323</u>

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

**Supplementary Information
Years Ended June 30, 2021 and 2020**

Cash on Hand and in Banks

Unrestricted cash operating accounts	
Operating account	\$ 19,889
	<u>\$ 19,889</u>
Restricted cash accounts	
Tenant security deposits	\$ 16,277
Replacement reserve	235,362
Operating reserve	78,999
Investments	243,980
	<u>\$ 574,618</u>

Mortgage Impound Accounts

None.

Reserves for Replacements and Operating Expenses

	Reserve for replacements	Operating expense reserve
Balance, June 30, 2020	\$ 213,775	\$ 78,802
Deposits (\$1,750 x 12 months)	21,000	-
Interest earned	587	197
	<u>\$ 235,362</u>	<u>\$ 78,999</u>
Balance, June 30, 2021	<u>\$ 235,362</u>	<u>\$ 78,999</u>

Property, Equipment and Improvements

Following are the details of property, equipment and improvements:

	Property, equipment and improvements		
	Balance 6/30/20	Additions	Deletions
Land	\$ 484,372	\$ -	\$ -
Buildings	6,802,810	-	-
	<u>\$ 7,287,182</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ 7,287,182</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Supplementary Information
Years Ended June 30, 2021 and 2020**

Accounts Payable and Accrued Expenses

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

Current	\$ 24,647
Total	<u>\$ 24,647</u>

Gross Potential Rents

Gross potential rents includes the following:

Tenant rental payments	\$ 212,092
Tenant assistance payments	<u>93,797</u>
Total gross potential rents	<u>\$ 305,889</u>

Management Fee

The management fee and sponsor overhead authorized by RHCP totals \$32,760 for the year ended June 30, 2021.

Operating Cash Flow/Surplus Cash Computation

Operating income	
Total income	\$ 328,652
Interest earned on restricted reserve accounts	<u>(784)</u>
Adjusted operating income	327,868
Operating expenses	<u>(286,973)</u>
Adjusted net income	40,895
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>13,995</u>
Total cash available for distributions (net cash flow)	<u>\$ 13,995</u>

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

**Supplementary Information
Years Ended June 30, 2021 and 2020**

Reconciliation to RHCP Form 181

Total operating revenue	\$ 319,822
Interest income	8,830
Less interest on reserves	<u>(784)</u>
Effective gross rent per RHCP Form 181	<u><u>\$ 327,868</u></u>

Reconciliation to RHCP Form 180

Total operating expenses	\$ 703,202
Less depreciation	(416,229)
Other difference	<u>(2)</u>
Total operating costs per RHCP Form 180	<u><u>\$ 286,971</u></u>

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

**Supplementary Information
Years Ended June 30, 2021 and 2020**

Rental Housing Construction Program -- Original

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

Contract No: 80-RHC-002

Reporting Period: 7/21/20 to 6/30/21

Project Name: Adaptable Housing

Prepared by: Maria Gimutao

Date Prepared: 8/9/21

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	14,040	14,040	18,720	18,720	0	0
ADMINISTRATIVE EXPENSES: 6200/6300							
2 Advertising	6210	0	0	0	0	0	0
3 Apartment Resale Expense (Cooperatives)	6235	0	0	0	0	0	0
4 Other Renting Expenses	6250	130	505	174	673	0	0
5 Office Salaries	6310	10,714	13,519	14,286	18,025	0	0
6 Office Supplies	6311	1,023	692	1,363	922	0	0
7 Office or Model Apartment Rent	6312	1,282	855	1,709	1,139	0	0
8 Manager and Superintendent Salaries	6330	0	0	0	0	0	0
9 Manager's or Superintendent's Rent Free Unit	6331	0	0	0	0	0	0
10 Legal Expense - Project	6340	429	732	571	976	0	0
11 Audit Expense - Project	6350	3,043	3,221	4,057	4,294	0	0
12 Bookkeeping Fees/Accounting Services	6351	1,710	1,710	2,280	2,280	0	0
13 Telephone and Answering Service Expenses	6360	0	0	0	0	0	0
14 Bad Debt Expense	6370	159	0	212	8,828	0	0
15 Miscellaneous Administrative Expenses (specify)	6390	148	465	197	621	0	0
16 TOTAL ADMINISTRATIVE EXPENSES	6200/6300T	18,637	21,698	24,850	37,759	0	0
UTILITIES EXPENSES: 6400							
17 Fuel Oil/Coal	6420	0	0	0	0	0	0
18 Electricity	6450	1,258	1,091	1,677	1,455	0	0
19 Water	6451	7,421	9,643	9,895	12,857	0	0
20 Gas	6452	7,278	9,281	9,705	12,375	0	0
21 Sewer	6453	5,535	7,141	7,380	9,522	0	0
22 TOTAL UTILITIES EXPENSES	6400T	21,492	27,157	28,657	36,209	0	0
OPERATING AND MAINTENANCE EXPENSES: 6500							
23 Janitor and Cleaning Payroll	6510	6,434	14,555	8,579	19,406	0	0
24 Janitor and Cleaning Supplies	6515	663	479	883	638	0	0
25 Janitor and Cleaning Contracts	6517	0	0	0	0	0	0
26 Exterminating Payroll/Contract	6519	0	0	0	0	0	0
27 Exterminating Supplies	6520	33,430	25,392	44,574	33,855	0	0
28 Garbage and Trash Removal	6525	0	0	0	0	0	0
29 Security Payroll/Contract	6530	0	6	0	8	0	0
30 Grounds Payroll	6535	0	0	0	0	0	0
31 Grounds Supplies	6536	0	0	0	0	0	0
32 Grounds Contract	6537	0	0	0	0	0	0
33 Repairs Payroll	6540	0	0	0	0	0	0
34 Repairs Material	6541	0	0	0	0	0	0
35 Repairs Contract	6542	0	0	0	0	0	0
36 Elevator Maintenance/Contract	6545	0	0	0	0	0	0
37 Heating/Cooling Repairs and Maintenance	6546	0	0	0	0	0	0
38 Swimming Pool Maintenance/Contract	6547	0	0	0	0	0	0
39 Snow Removal	6548	0	0	0	0	0	0
40 Decorating/Payroll Contract	6560	0	0	0	0	0	0
41 Decorating Supplies	6561	0	0	0	0	0	0
42 Vehicle and Maint. Equipment Operation/Repairs	6570	274	44	365	59	0	0
43 Misc. Operating and Maintenance Expenses (specify)	6590	0	0	0	0	0	0
44 TOTAL OPERATING & MAINTENANCE EXPENSES	6500T	40,801	40,475	54,401	53,967	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	1,701	2,929	2,267	3,906	0	0
49 Fidelity Bond Insurance	6721	0	0	0	0	0	0
50 Worker's Compensation	6722	933	1,823	1,245	2,430	0	0
51 Health Insurance and Other Employee Benefits	6723	5,859	11,082	7,812	14,776	0	0
52 Other Insurance	6729	0	0	0	0	0	0
53 TOTAL TAXES AND INSURANCE	6700T	8,493	15,834	11,324	21,112	0	0
ASSISTED LIVING/BOARD & CARE EXPENSES; 6900							
54 Food	6932	0	0	0	0	0	0
55 Recreation and Rehabilitation	6980	0	0	0	0	0	0
56 Rehabilitation Salaries	6983	0	0	0	0	0	0
57 Other Service Expenses	6990	0	0	0	0	0	0
58 TOTAL ASSISTED LIVING EXPENSES	6900T	0	0	0	0	0	0
61 TOTAL OPERATING COSTS		103,464	119,204	137,951	167,767	0	0

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

**Supplementary Information
Years Ended June 30, 2021 and 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: Maria Gimutao
Date Prepared: 8/9/21

Reporting Period: 7/21/20 to 6/30/21

Units/Sq. Ft. - Assisted: 15
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	88,536	90,897	140,184	121,195	0	0	228,720	212,092	(16,628)
2 Tenant Assistance Payments	5121	29,272	40,199	39,030	53,598	0	0	68,302	93,797	25,495
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	117,808	131,095	179,214	174,794	0	0	297,022	305,889	8,867
VACANCIES: 5200										
Vacancy Percentage:										
11 Apartments -	5220	0	0	0	0	0	0			
12 Stores and Commercial	5240					0	0			
13 Rental Concessions	5250					0	0			
14 Garage and Parking Spaces	5270					0	0			
15 Miscellaneous	5290					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	4,715	3,448	6,288	4,598	0	0	11,003	8,046	(2,957)
Total Financial Revenue	5400T	4,715	3,448	6,288	4,598	0	0	11,003	8,046	(2,957)
OTHER REVENUE: 5900										
22 Laundry and Vending Revenue	5910	2,652	2,271	3,536	3,028	0	0	6,188	5,299	(889)
23 NSF and Late Charges	5920	0	21	0	29	0	0	0	50	50
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	3,679	0	4,905	0	0	0	8,584	8,584
Total Other Revenue	5900T	2,652	5,971	3,536	7,962	0	0	6,188	13,933	7,745
27 EFFECTIVE GROSS RENT (EGR)	5152T	125,175	140,514	189,038	187,354	0	0	314,213	327,868	13,655
28 TOTAL OPERATING EXPENSES	6000T	106,567	119,204	142,090	167,767	0	0	248,657	286,971	(38,314)
29 NET OPERATING INCOME (NOI)	5000T	18,608	21,310	46,948	19,587	0	0	65,556	40,897	(24,659)
FINANCIAL EXPENSES: 6800										
30 Non-Contingent Debt Service (specify lender)	6895									
1st Mortgage =		0	0	0	0	0	0	0	0	0
2nd Mortgage =		0	0	0	0	0	0	0	0	0
3rd Mortgage =		0	0	0	0	0	0	0	0	0
31 HCD Required Payments	6890	0	0	5,900	5,900	0	0	5,900	5,900	0
32 Lease Payment	6890	0	0	0	0	0	0	0	0	0
33 Miscellaneous Financial Expenses	6890	0	0	0	0	0	0	0	0	0
Total Financial Expenses	6800T	0	0	5,900	5,900	0	0	5,900	5,900	0
FUNDED RESERVES:										
34 Escrow Deposits	1300	0	0	0	0	0	0	0	0	0
35 Replacement Reserve-Deposit	1320	9,000	9,000	12,000	12,000	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)										
#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		9,000	9,000	12,000	12,000	0	0	21,000	21,000	0
38 PROJECT CASH FLOW (CF)		9,608	12,310	29,048	1,687	0	0	38,656	13,997	(24,659)
ADDITIONAL REVENUE:										
39 RHCP-O Annuity Fund Request (For Assisted Units Only)		0	0	0	0	0	0	0	0	0
40 Withdrawal from Operating Reserves		0	0	0	0	0	0	0	0	0
41 Borrower Contribution		0	0	0	0	0	0	0	0	0
42 Other (specify)		0	0	0	0	0	0	0	0	0
Total Additional Revenue		0	0	0	0	0	0	0	0	0
USE OF CASH FLOW:										
43 HCD Interest Payments		0	0	0	0	0	0	0	0	0
44 Asset Mgmt Fee (CHRP-R/SUHRP & HOME-pre-UMR Only)		0	0	0	0	0	0	0	0	0
45 Asset Mgmt Fee/Prtshp Costs (MHP/HOME under UMR)		0	0	0	0	0	0	0	0	0
46 Borrower Distributions		0	0	0	0	0	0	0	0	0
47 Residual Receipt Loan Payments		0	0	0	0	0	0	0	0	0
48 Other (specify)		0	0	0	0	0	0	0	0	0
Total Use of Cash Flow		0	0	0	0	0	0	0	0	0

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

To the Board of Commissioners
San Diego Housing Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of San Diego Housing Commission's ("SDHC's") Adaptable Housing Development Project No. 12-HLCP-0004 (the "Project"), which comprise the statement of net position as of June 30, 2021, 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 17, 2021, 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 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 a 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 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 Project's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Sacramento, California
September 17, 2021



Independent Member of Nexia International

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

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

June 30, 2021

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

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

June 30, 2021

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

Emily Jacobs Date
E. Vice President of Real Estate

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

June 30, 2021

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

Emily Jacobs
E. Vice President of Real Estate

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, 2021, 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, 2021, 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 14, 2021 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 14, 2021

Taxpayer Identification Number:
22-1478099

Lead Auditor: Ahamadou Alainchar Bocar, CPA

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

Balance Sheet
June 30, 2021

Assets

Current assets	
Cash - operations	\$ 884,794
Tenant accounts receivable	9,116
Allowance for doubtful accounts	(549)
Prepaid expenses	<u>21,565</u>
Total current assets	<u>914,926</u>
Deposits held in trust - funded	
Tenant deposits	<u>118,624</u>
Restricted deposits and funded reserves	
Escrow deposits	57,062
Reserve for replacements	<u>284,351</u>
Total restricted deposits and funded reserves	<u>341,413</u>
Rental property	
Land	3,690,974
Buildings and improvements	11,060,209
Dwelling equipment	<u>55,380</u>
	14,806,563
Less accumulated depreciation	<u>(4,592,862)</u>
Total rental property	<u>10,213,701</u>
Total assets	<u><u>\$ 11,588,664</u></u>

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

Balance Sheet
June 30, 2021

Liabilities and Member's Equity (Deficit)

Current liabilities	
Accounts payable - operations	\$ 166,162
Accounts payable - entity	75,898
Accrued wages payable	17,412
Accrued management fee payable	13,203
Accrued interest payable - first mortgage	44,815
Mortgage payable - first mortgage (short-term)	368,381
Prepaid revenue	<u>46,979</u>
Total current liabilities	<u>732,850</u>
Deposits liability	
Tenant deposits held in trust (contra)	<u>118,624</u>
Long-term liabilities	
Mortgage payable - first mortgage, net	<u>13,630,929</u>
Total long-term liabilities	<u>13,630,929</u>
Total liabilities	<u>14,482,403</u>
Contingency	-
Member's equity (deficit)	<u>(2,893,739)</u>
Total liabilities and member's equity (deficit)	<u><u>\$ 11,588,664</u></u>

See Notes to Financial Statements.

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

**Statement of Operations
Year Ended June 30, 2021**

Rental revenue	
Rent revenue - gross potential	\$ 2,242,486
Tenant assistance payments	<u>906,450</u>
Total rental revenue	<u>3,148,936</u>
Vacancies	
Apartment	(62,312)
Rental concessions	<u>(47,201)</u>
Total vacancies	<u>(109,513)</u>
Net rental revenue	<u>3,039,423</u>
Financial revenue	
Financial revenue - project operations	936
Revenue from investments - replacement reserve	<u>123</u>
Total financial revenue	<u>1,059</u>
Other revenue	
Laundry and vending	45,396
Tenant charges	1,106
Miscellaneous revenue	<u>179,460</u>
Total other revenue	<u>225,962</u>
Total revenue	<u>3,266,444</u>

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

Statement of Operations
Year Ended June 30, 2021

Administrative expenses	
Other renting expenses	487
Office salaries	124,842
Office expenses	12,303
Management fee	152,267
Administrative rent free unit	40,587
Legal expense - project	10,206
Auditing expense	13,050
Bad debts	41,702
Miscellaneous administrative expenses	<u>6,203</u>
Total administrative expenses	<u>401,647</u>
Utilities expense	
Electricity	15,692
Water	122,053
Gas	30,902
Sewer	<u>82,933</u>
Total utilities expense	<u>251,580</u>
Operating and maintenance expenses	
Payroll	112,717
Supplies	22,644
Contracts	350,755
Garbage and trash removal	31,724
Security payroll/contract	2,834
Vehicle and maintenance equipment operation and repairs	<u>3,934</u>
Total operating and maintenance expenses	<u>524,608</u>

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

Statement of Operations
Year Ended June 30, 2021

Taxes and insurance	
Property and liability insurance	37,125
Workmen's compensation	16,273
Health insurance and other employee benefits	98,799
Miscellaneous taxes, licenses, permits and insurance	<u>6,800</u>
Total taxes and insurance	<u>158,997</u>
Financial expenses	
Interest on first mortgage payable	561,841
Mortgage insurance premium/service charge	<u>65,224</u>
Total financial expenses	<u>627,065</u>
Total cost of operations before depreciation	<u>1,963,897</u>
Income (loss) before depreciation	<u>1,302,547</u>
Depreciation	
Depreciation expense	<u>581,327</u>
Total depreciation	<u>581,327</u>
Total expenses	<u>2,545,224</u>
Net income (loss)	<u><u>\$ 721,220</u></u>

See Notes to Financial Statements.

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

Statement of Member's Equity (Deficit)
Year Ended June 30, 2021

Member's equity (deficit), June 30, 2020	\$ (2,017,580)
Distributions	(1,646,632)
Contributions	49,253
Net income (loss)	<u>721,220</u>
Member's equity (deficit), June 30, 2021	<u><u>\$ (2,893,739)</u></u>

See Notes to Financial Statements.

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

Statement of Cash Flows
Year Ended June 30, 2021

Cash flows from operating activities	
Rental receipts	\$ 2,977,825
Interest receipts	1,059
Other operating receipts	<u>225,962</u>
Total receipts	<u>3,204,846</u>
Management fees paid	(149,884)
Utilities paid	(251,580)
Salaries and wages paid	(235,176)
Operating and maintenance paid	(386,220)
Property insurance paid	(37,125)
Miscellaneous taxes and insurance paid	(6,800)
Tenant security deposits received	16,069
Other operating expenses paid	(115,072)
Interest paid on first mortgage	(545,041)
Mortgage insurance premium paid	<u>(64,695)</u>
Total disbursements	<u>(1,775,524)</u>
Net cash provided by operating activities	<u>1,429,322</u>
Cash flows from investing activities	
Net withdrawals from mortgage escrows	1,204
Net withdrawals from reserve for replacements	<u>58,632</u>
Net cash provided by investing activities	<u>59,836</u>
Cash flows from financing activities	
Mortgage principal payments - first mortgage	(354,808)
Distributions to sole member	(1,646,632)
Contributions from sole member	<u>49,253</u>
Net cash used in financing activities	<u>(1,952,187)</u>
Net decrease in cash and restricted cash	(463,029)
Cash and restricted cash, beginning	<u>1,466,447</u>
Cash and restricted cash, end	<u><u>\$ 1,003,418</u></u>

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

Statement of Cash Flows
Year Ended June 30, 2021

Reconciliation of net income (loss) to net cash provided by operating activities	
Net income (loss)	\$ 721,220
Adjustments to reconcile net income (loss) to net cash provided by operating activities	
Depreciation	581,327
Amortization of debt issuance costs	17,911
Bad debts	41,702
Miscellaneous fixed assets written off	10,921
Changes in asset and liability accounts	
(Increase) decrease in assets	
Tenant accounts receivable	(30,890)
Accounts receivable - other	44,012
Prepaid expenses	529
Increase (decrease) in liabilities	
Accounts payable	33,649
Accrued liabilities	6,427
Accrued interest payable	(1,111)
Tenant security deposits held in trust	16,069
Prepaid revenue	9,289
Entity/construction liability accounts (include detail)	
Accounts payable - entity	(21,733)
Total adjustments	708,102
Net cash provided by operating activities	\$ 1,429,322
Significant noncash investing and financing activities	
Miscellaneous fixed assets written off	\$ 10,921

See Notes to Financial Statements.

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

Notes to Financial Statements
June 30, 2021

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, 2021, the allowance for doubtful accounts is \$549.

Rental property

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

Buildings and improvements	12 - 37 years
Dwelling equipment	5 years

Impairment of long-lived assets

The Company reviews its investment in rental property for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the Projects are less than its carrying amount, management compares the carrying amount of the Projects to its fair value in order to determine whether an impairment loss has occurred. The amount of the

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

Notes to Financial Statements
June 30, 2021

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, 2021.

Debt issuance costs

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

Rental revenue

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

Income taxes

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

Advertising costs

Advertising and marketing costs are expensed as incurred.

Use of estimates

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

Note 3 - Restricted deposits and funded reserves

Escrow deposits

Under agreements with the mortgage lender and HUD, the Company is required to make monthly deposits to escrow accounts. Funds deposited are used to pay mortgage insurance premiums. As of June 30, 2021, the balance in the escrow deposits is \$57,062.

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. During the year ended June 30, 2021, the Company only made one monthly deposit of \$4,492 and the deposits were not required by the lender for the remainder of the year. As of June 30, 2021, the balance in the reserve for replacements is \$284,351.

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

Notes to Financial Statements
June 30, 2021

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	\$ 884,794
Tenant deposits	<u>118,624</u>
 Total cash and restricted cash shown in the statement of cash flows	 <u>\$ 1,003,418</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, 2021, the outstanding principal and accrued interest is \$14,302,499 and \$44,815, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$303,189 as of June 30, 2021, 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 \$17,911 for the year ended June 30, 2021 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, 2021, the Company received BABs interest rebate of \$179,460, which is included in miscellaneous revenue on the statement of operations.

Northern SDHC FHA LLC
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Notes to Financial Statements
June 30, 2021

Aggregate annual maturities of the mortgage payable over each of the next five years and thereafter subsequent to June 30, 2021 are as follows:

2022	\$ 368,381
2023	382,473
2024	397,104
2025	412,296
2026	428,068
Thereafter	<u>12,314,177</u>
Subtotal	14,302,499
Less unamortized debt issuance costs	<u>(303,189)</u>
Total	<u><u>\$ 13,999,310</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, 2021, management fees of \$152,267 were incurred and charged to operations, of which \$13,203 remains payable as of June 30, 2021.

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, 2021, the Company recognized housing assistance payments amounting to \$906,450.

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, 2021, \$75,898 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

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

Notes to Financial Statements
June 30, 2021

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, 2021.

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. As of June 30, 2021, the global pandemic is still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on the Project.

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 14, 2021, 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, 2021

		<u>Assets</u>	
<u>Account No.</u>			
Current assets			
1120	Cash - operations		\$ 884,794
1130	Tenant accounts receivable	\$ 9,116	
1131	Allowance for doubtful accounts	(549)	
1130N	Net tenants accounts receivable		8,567
1200	Prepaid expenses		<u>21,565</u>
1100T	Total current assets		914,926
Deposits held in trust - funded			
1191	Tenant deposits		118,624
Restricted deposits and funded reserves			
1310	Escrow deposits	57,062	
1320	Reserve for replacements	<u>284,351</u>	
1300T	Total deposits		341,413
Rental property			
1410	Land	3,690,974	
1420	Buildings	11,060,209	
1440	Building equipment - portable	<u>55,380</u>	
1400T	Total fixed assets	14,806,563	
1495	Less accumulated depreciation	<u>(4,592,862)</u>	
1400N	Net fixed assets		<u>10,213,701</u>
1000T	Total assets		<u>\$ 11,588,664</u>

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

Supplementary Information

Balance Sheet Data
June 30, 2021

<u>Account No.</u>		<u>Liabilities and Members' Equity (Deficit)</u>	
Current liabilities			
2110	Accounts payable - operations	\$	166,162
2113	Accounts payable - entity		75,898
2120	Accrued wages payable		17,412
2123	Accrued management fee payable		13,203
2131	Accrued interest payable - first mortgage		44,815
2170	Mortgage payable - first mortgage (short-term)		368,381
2210	Prepaid revenue		<u>46,979</u>
2122T	Total current liabilities		732,850
Deposits liability			
2191	Tenant deposits held in trust (contra)		118,624
Long-term liabilities			
2320	Mortgage payable - first mortgage	<u>\$ 13,630,929</u>	
2300T	Total long-term liabilities		<u>13,630,929</u>
2000T	Total liabilities		14,482,403
3130	Members' equity (deficit)		<u>(2,893,739)</u>
2033T	Total liabilities and members' equity (deficit)	\$	<u>11,588,664</u>

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2021

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 2,242,486	
5121	Tenant assistance payments	<u>906,450</u>	
5100T	Total rental revenue		\$ 3,148,936
Vacancies			
5220	Apartments	(62,312)	
5250	Rental concessions	<u>(47,201)</u>	
5200T	Total vacancies		<u>(109,513)</u>
5152N	Net rental revenue		3,039,423
Financial revenue			
5410	Financial revenue - project operations	936	
5440	Revenue from investments - replacement reserve	<u>123</u>	
5400T	Total financial revenue		1,059
Other revenue			
5910	Laundry and vending	45,396	
5920	Tenant charges	1,106	
5990	Miscellaneous revenue	<u>179,460</u>	
5900T	Total other revenue		<u>225,962</u>
5000T	Total revenue		<u>3,266,444</u>

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2021

Account No.

Administrative expenses

6250	Other renting expenses	487
6310	Office salaries	124,842
6311	Office expenses	12,303
6320	Management fee	152,267
6331	Administrative rent free unit	40,587
6340	Legal expense - project	10,206
6350	Auditing expense	13,050
6370	Bad debts	41,702
6390	Miscellaneous administrative expenses	6,203

6263T	Total administrative expenses	401,647
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Utilities expense

6450	Electricity	15,692
6451	Water	122,053
6452	Gas	30,902
6453	Sewer	82,933

6400T	Total utilities expense	251,580
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Operating and maintenance expenses

6510	Payroll	112,717
6515	Supplies	22,644
6520	Contracts	350,755
6525	Garbage and trash removal	31,724
6530	Security payroll/contract	2,834
6570	Vehicle and maintenance equipment operation and repairs	3,934

6500T	Total operating and maintenance expenses	524,608
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Northern SDHC FHA LLC
HUD Project No.: 129-11053

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2021

<u>Account No.</u>			
Taxes and insurance			
6720	Property and liability insurance	37,125	
6722	Workmen's compensation	16,273	
6723	Health insurance and other employee benefits	98,799	
6790	Miscellaneous taxes, licenses, permits and insurance	<u>6,800</u>	
6700T	Total taxes and insurance		158,997
Financial expenses			
6820	Interest on first mortgage payable	561,841	
6850	Mortgage insurance premium/service charge	<u>65,224</u>	
6800T	Total financial expenses		<u>627,065</u>
6000T	Total cost of operations before depreciation		<u>1,963,897</u>
5060T	Income (loss) before depreciation		<u>1,302,547</u>
Depreciation			
6600	Depreciation expense	<u>581,327</u>	
	Total depreciation		<u>581,327</u>
5060N	Operating income (loss)		<u>721,220</u>
	Total expenses		<u>2,545,224</u>
3250	Net income (loss)		<u><u>\$ 721,220</u></u>

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2021

<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>\$ 354,808</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>\$ 4,492</u>
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations.
	<u>\$ 63,247</u>
S1000-040	Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statement of operations.
	<u>\$ -</u>
S3100-120	Mortgage payable note detail (Section 236 only) Interest reduction payments from subsidy.
	<u>\$ -</u>

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

Supplementary Information

Statement of Member's Equity (Deficit) Data
Year Ended June 30, 2021

<u>Account No.</u>		<u>Total</u>
S1100-010	Member's equity (deficit), June 30, 2020	\$ (2,017,580)
S1200-420	Distributions	(1,646,632)
S1200-430	Contributions	49,253
3250	Net income (loss)	<u>721,220</u>
3130	Member's equity (deficit), June 30, 2021	<u><u>\$ (2,893,739)</u></u>

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

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2021

<u>Account No.</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 2,977,825
S1200-020	Interest receipts	1,059
S1200-030	Other operating receipts	<u>225,962</u>
S1200-040	Total receipts	<u>3,204,846</u>
S1200-070	Management fees paid	(149,884)
S1200-090	Utilities paid	(251,580)
S1200-100	Salaries and wages paid	(235,176)
S1200-110	Operating and maintenance paid	(386,220)
S1200-140	Property insurance paid	(37,125)
S1200-150	Miscellaneous taxes and insurance paid	(6,800)
S1200-160	Net tenant security deposits received (paid)	1
S1200-170	Other operating expenses paid	(115,072)
S1200-180	Interest paid on first mortgage	(545,041)
S1200-210	Mortgage insurance premium paid	<u>(64,695)</u>
S1200-230	Total disbursements	<u>(1,791,592)</u>
S1200-240	Net cash provided by operating activities	<u>1,413,254</u>
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	1,204
S1200-250	Net withdrawals from reserve for replacements	<u>58,632</u>
S1200-350	Net cash provided by investing activities	<u>59,836</u>
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	(354,808)
S1200-420	Distributions to members	(1,646,632)
S1200-430	Contributions by members	<u>49,253</u>
S1200-460	Net cash used in financing activities	<u>(1,952,187)</u>
S1200-470	Net decrease in cash	(479,097)
S1200-480	Cash, beginning	<u>1,363,891</u>
S1200T	Cash, end	<u><u>\$ 884,794</u></u>

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

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2021

<u>Account No.</u>			
	Reconciliation of net income (loss) to net cash provided by operating activities		
3250	Net income (loss)		<u>\$ 721,220</u>
	Adjustments to reconcile net income (loss) to net cash provided by operating activities		
6600	Depreciation		581,327
S1200-486	Amortization of debt issuance costs		17,911
	Changes in asset and liability accounts		
	(Increase) decrease in assets		
S1200-490	Tenant accounts receivable		(30,890)
S1200-500	Accounts receivable - other		44,012
S1200-520	Prepaid expenses		529
S1200-530	Tenant security deposits funded		(16,068)
	Increase (decrease) in liabilities		
S1200-540	Accounts payable		33,649
S1200-560	Accrued liabilities		6,427
S1200-570	Accrued interest payable		(1,111)
S1200-580	Tenant security deposits held in trust		16,069
S1200-590	Prepaid revenue		9,289
S1200-605	Entity/construction liability accounts (include detail)		
S1200-606	Accounts payable - entity	<u>\$ (21,733)</u>	
			(21,733)
S1200-600	Other adjustments (include detail)		
S1200-601	Bad debts	41,702	
S1200-601	Miscellaneous fixed assets written off	<u>10,921</u>	
			<u>52,623</u>
	Total adjustments		<u>692,034</u>
S1200-610	Net cash provided by operating activities		<u>\$ 1,413,254</u>
S1200-620	Comments		
	Miscellaneous fixed assets written off		<u>\$ 10,921</u>

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

Supplementary Information
Year Ended June 30, 2021

Reserve for Replacements

<u>Account No.</u>		
1320P	Balance at June 30, 2020	\$ 342,983
1320DT	Total monthly deposits	4,492
1320INT	Interest income	123
1320WT	Approved withdrawals	<u>(63,247)</u>
1320	Balance at June 30, 2021	<u><u>\$ 284,351</u></u>

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

Supplementary Information
Period Ended December 31, 2020

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)	\$ 994,378
S1400-030	Accounts receivable - HUD	-
		<hr/>
S1400-050	Total cash	994,378
		<hr/>
S1400-060	Accrued mortgage interest payable	45,376
S1400-070	Delinquent mortgage principal payments	-
S1400-080	Delinquent deposits to reserve for replacements	-
S1400-090	Accounts payable (due within 30 days)	93,152
S1400-100	Loans and notes payable (due within 30 days)	-
S1400-110	Deficient tax, insurance or MIP escrow deposits	-
S1400-120	Accrued expenses (not escrowed)	-
S1400-130	Prepaid revenue (Account 2210)	42,557
S1400-140	Tenant security deposits liability (Account 2191)	102,424
S1400-150	Other current obligations (describe in detail)	
S1400-160	Accounts payable - entity	<u>\$ 90,761</u>
		<hr/>
		90,761
		<hr/>
S1400-180	Less total current obligations	374,270
		<hr/>
S1400-190	Surplus cash (deficiency)	<u><u>\$ 620,108</u></u>

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

Supplementary Information
Year Ended June 30, 2021

Computation of Surplus Cash

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1300-010	Cash (Accounts 1120, 1170 and 1191)	\$ 1,003,418
1135	Accounts receivable - HUD	<u>-</u>
S1300-040	Total cash	<u>1,003,418</u>
S1300-050	Accrued mortgage interest payable	44,815
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	166,162
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)	30,615
2210	Prepaid revenue (Account 2210)	46,979
2191	Tenant security deposits liability (Account 2191)	118,624
S1300-110	Other current obligations (describe in detail)	
S1300-120	Accounts payable - entity	<u>\$ 75,898</u>
		<u>75,898</u>
S1300-140	Less total current obligations	<u>483,093</u>
S1300-150	Surplus cash (deficiency)	<u><u>\$ 520,325</u></u>

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

Supplementary Information
Year Ended June 30, 2021

Changes in Fixed Asset Accounts

	Assets			
	Balance 6/30/20	Additions	Deletions	Balance 6/30/21
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>\$ 14,817,484</u>	<u>\$ -</u>	<u>\$ 10,921</u>	<u>\$ 14,806,563</u>
Accumulated depreciation	<u>\$ 4,011,535</u>	<u>\$ 581,327</u>	<u>\$ -</u>	<u>\$ 4,592,862</u>
Total net book value				<u>\$ 10,213,701</u>

Fixed Asset Detail

Deductions from Miscellaneous Fixed Assets Account

<u>Item and quantity</u>	<u>Amount</u>
Miscellaneous improvements written off	<u>\$ 10,921</u>

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

Supplementary Information
Year Ended June 30, 2021

Detail of Accounts - Statement of Operations

Miscellaneous Other Revenue (Account No. 5990)

Interest rebate - Build America Bonds	<u>\$ 179,460</u>
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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>\$ 149,884</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, 2021, and the related statements of operations, member's equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 14, 2021.

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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northern SDHC FHA LLC's internal control. 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

CohnReznick LLP

Sacramento, California
September 14, 2021

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, 2021. 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, 2021.

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 14, 2021

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

**Schedule of Findings, Questioned Costs and Recommendations
June 30, 2021**

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, 2021**

1. Audit Report, dated September 23, 2020, for the year ended June 30, 2020, 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, 2021

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

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

June 30, 2021

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

Emily Jacobs Date
E. Vice President of Real Estate

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

June 30, 2021

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

Emily Jacobs
E. Vice President of Real Estate

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, 2021, 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, 2021, 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 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 14, 2021, 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 14, 2021

Taxpayer Identification Number:
22-1478099

Lead Auditor: Ahamadou Alainchar Bocar, CPA

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

Balance Sheet
June 30, 2021

Assets

Current assets	
Cash - operations	\$ 1,445,703
Tenant accounts receivable	48,031
Allowance for doubtful accounts	(1,915)
Prepaid expenses	<u>30,829</u>
Total current assets	<u>1,522,648</u>
Deposits held in trust - funded	
Tenant deposits	<u>205,783</u>
Restricted deposits and funded reserves	
Escrow deposits	81,572
Reserve for replacements	<u>654,234</u>
Total restricted deposits and funded reserves	<u>735,806</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>(4,606,723)</u>
Total rental property	<u>9,736,386</u>
Total assets	<u><u>\$ 12,200,623</u></u>

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

Balance Sheet
June 30, 2021

Liabilities and Member's Equity (Deficit)

Current liabilities	
Accounts payable - operations	\$ 199,494
Accounts payable - entity	144,312
Accrued wages payable	22,332
Accrued management fee payable	21,651
Accrued interest payable - first mortgage	64,064
Mortgage payable - first mortgage (short-term)	526,613
Prepaid revenue	<u>57,911</u>
Total current liabilities	<u>1,036,377</u>
Deposits liability	
Tenant deposits held in trust (contra)	<u>205,782</u>
Long-term liabilities	
Mortgage payable - first mortgage, net	<u>19,503,808</u>
Total long-term liabilities	<u>19,503,808</u>
Total liabilities	<u>20,745,967</u>
Contingency	-
Member's equity (deficit)	<u>(8,545,344)</u>
Total liabilities and member's equity (deficit)	<u><u>\$ 12,200,623</u></u>

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

Statement of Operations
Year Ended June 30, 2021

Rental revenue	
Rent revenue - gross potential	\$ 3,423,732
Tenant assistance payments	<u>1,742,422</u>
Total rental revenue	<u>5,166,154</u>
Vacancies	
Apartments	(26,762)
Rental concessions	<u>(20,935)</u>
Total vacancies	<u>(47,697)</u>
Net rental revenue	<u>5,118,457</u>
Financial revenue	
Financial revenue - project operations	1,158
Revenue from investments - replacement reserve	<u>262</u>
Total financial revenue	<u>1,420</u>
Other revenue	
Laundry and vending	54,111
Tenant charges	11,575
Miscellaneous revenue	<u>256,594</u>
Total other revenue	<u>322,280</u>
Total revenue	<u>5,442,157</u>

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

Statement of Operations
Year Ended June 30, 2021

Administrative expenses	
Management consultants	6,249
Other renting expenses	1,011
Office salaries	210,740
Office expenses	20,646
Management fee	256,621
Administrative rent free unit	41,400
Legal expense - project	7,617
Auditing expense	13,050
Bad debts	60,679
Miscellaneous administrative expenses	<u>2,756</u>
Total administrative expenses	<u>620,769</u>
Utilities expense	
Electricity	28,858
Water	253,972
Gas	52,182
Sewer	<u>125,619</u>
Total utilities expense	<u>460,631</u>
Operating and maintenance expenses	
Payroll	180,771
Supplies	36,880
Contracts	416,126
Garbage and trash removal	66,662
Security payroll/contract	53,865
Vehicle and maintenance equipment operation and repairs	<u>965</u>
Total operating and maintenance expenses	<u>755,269</u>

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

Statement of Operations
Year Ended June 30, 2021

Taxes and insurance	
Property and liability insurance	60,933
Workmen's compensation	23,576
Health insurance and other employee benefits	162,063
Miscellaneous taxes, licenses, permits and insurance	<u>12,590</u>
Total taxes and insurance	<u>259,162</u>
Financial expenses	
Interest on first mortgage payable	802,119
Mortgage insurance premium/service charge	<u>93,240</u>
Total financial expenses	<u>895,359</u>
Total cost of operations before depreciation	<u>2,991,190</u>
Income (loss) before depreciation	<u>2,450,967</u>
Depreciation	
Depreciation expense	<u>615,598</u>
Total depreciation	<u>615,598</u>
Total expenses	<u>3,606,788</u>
Net income (loss)	<u><u>\$ 1,835,369</u></u>

See Notes to Financial Statements.

Southern SDHC FHA LLC
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Statement of Member's Equity (Deficit)
Year Ended June 30, 2021

Member's equity (deficit), June 30, 2020	\$ (8,321,156)
Distributions	(2,059,557)
Net income (loss)	<u>1,835,369</u>
Member's equity (deficit), June 30, 2021	<u><u>\$ (8,545,344)</u></u>

See Notes to Financial Statements.

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

Statement of Cash Flows
Year Ended June 30, 2021

Cash flows from operating activities	
Rental receipts	\$ 5,004,674
Interest receipts	1,420
Other operating receipts	<u>322,280</u>
Total receipts	<u>5,328,374</u>
Administrative expenses paid	(6,460)
Management fees paid	(256,013)
Utilities paid	(460,631)
Salaries and wages paid	(446,326)
Operating and maintenance paid	(486,358)
Property insurance paid	(60,933)
Miscellaneous taxes and insurance paid	(12,590)
Tenant security deposits received	12,033
Other operating expenses paid	(185,639)
Interest paid on first mortgage	(779,154)
Mortgage insurance premium paid	<u>(92,486)</u>
Total disbursements	<u>(2,774,557)</u>
Net cash provided by operating activities	<u>2,553,817</u>
Cash flows from investing activities	
Net withdrawals from mortgage escrows	1,721
Net withdrawals from reserve for replacements	<u>57,309</u>
Net cash provided by investing activities	<u>59,030</u>
Cash flows from financing activities	
Mortgage principal payments - first mortgage	(507,211)
Distributions to sole member	<u>(2,059,557)</u>
Net cash used in financing activities	<u>(2,566,768)</u>
Net increase in cash and restricted cash	46,079
Cash and restricted cash, beginning	<u>1,605,407</u>
Cash and restricted cash, end	<u><u>\$ 1,651,486</u></u>

Southern SDHC FHA LLC
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Statement of Cash Flows
Year Ended June 30, 2021

Reconciliation of net income (loss) to net cash provided by operating activities	
Net income (loss)	<u>\$ 1,835,369</u>
Adjustments to reconcile net income (loss) to net cash provided by operating activities	
Depreciation	615,598
Amortization of debt issuance costs	24,554
Bad debts	60,679
Changes in asset and liability accounts	
(Increase) decrease in assets	
Tenant accounts receivable	(78,622)
Accounts receivable - other	44,869
Prepaid expenses	754
Increase (decrease) in liabilities	
Accounts payable	39,663
Accrued liabilities	(342)
Accrued interest payable	(1,589)
Tenant security deposits held in trust	12,033
Prepaid revenue	6,239
Entity/construction liability accounts (include detail)	
Accounts payable - entity	<u>(5,388)</u>
Total adjustments	<u>718,448</u>
Net cash provided by operating activities	<u><u>\$ 2,553,817</u></u>

See Notes to Financial Statements.

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

Notes to Financial Statements
June 30, 2021

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, 2021, the allowance for doubtful accounts is \$1,915.

Rental property

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

Buildings and improvements	12 - 37 years
Dwelling equipment	5 years

Impairment of long-lived assets

The Company reviews its investment in rental property for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the Projects are less than its carrying amount, management compares the carrying amount of the Projects to its fair

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

Notes to Financial Statements
June 30, 2021

value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended June 30, 2021.

Debt issuance costs

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

Rental revenue

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

Income taxes

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

Advertising costs

Advertising and marketing costs are expensed as incurred.

Use of estimates

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

Note 3 - Restricted deposits and funded reserves

Escrow deposits

Under agreements with the mortgage lender and HUD, the Company is required to make monthly deposits to escrow accounts. Funds deposited are used to pay mortgage insurance premiums. As of June 30, 2021, the balance in the escrow deposits is \$81,572.

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. During the year ended June 30, 2021, the Company only made two monthly deposits of \$7,500 and the deposits were not required by the lender for the remainder of the year. As of June 30, 2021, the balance in the reserve for replacements is \$654,234.

Southern SDHC FHA LLC
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Notes to Financial Statements
June 30, 2021

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, 2021, the outstanding principal and accrued interest is \$20,445,883 and \$64,064, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$415,462 as of June 30, 2021, 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 \$24,554 for the year ended June 30, 2021, 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, 2021, the Company received BABs interest rebate of \$256,544, which is included in miscellaneous revenue on the statement of operations.

Aggregate annual maturities of the mortgage payable over each of the next five years and thereafter subsequent to June 30, 2021 are as follows:

	2022	\$	526,613
	2023		546,758
	2024		567,674
	2025		589,391
	2026		611,938
	Thereafter		<u>17,603,509</u>
	Subtotal		20,445,883
	Less unamortized debt issuance costs		<u>(415,462)</u>
	Total	\$	<u><u>20,030,421</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, 2021, management fees of \$256,621 were incurred and charged to operations, of which \$21,651 remains payable at June 30, 2021.

Southern SDHC FHA LLC
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Notes to Financial Statements
June 30, 2021

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	\$ 1,445,703
Deposits held in trust - funded	<u>205,783</u>
 Total cash and restricted cash shown in the statement of cash flows	 <u><u>\$ 1,651,486</u></u>

The amount included in restricted cash consists of security deposits held in trust for the future benefit of tenants upon moving out of the Projects.

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, 2021, the Company recognized housing assistance payments amounting to \$1,742,422.

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, 2021, \$144,312 is due.

Note 9 - Concentration of credit risk

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

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

The Company believes that no significant concentration of credit risks exists with respect to these cash balances at June 30, 2021.

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

Southern SDHC FHA LLC
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Notes to Financial Statements
June 30, 2021

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 result, events have occurred including mandates from federal, state and local authorities leading 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. As of June 30, 2021, the global pandemic is still ongoing. Management continues monitor the results of operations to evaluate the economic impact of the pandemic on the Projects.

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 14, 2021 (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, 2021

Assets

Account No.

Current assets

1120	Cash - operations		\$	1,445,703
1130	Tenant accounts receivable	\$	48,031	
1131	Allowance for doubtful accounts		(1,915)	
1130N	Net tenants accounts receivable			46,116
1200	Prepaid expenses			30,829

1100T	Total current assets			1,522,648
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Deposits held in trust - funded

1191	Tenant deposits			205,783
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Restricted deposits and funded reserves

1310	Escrow deposits		81,572	
1320	Reserve for replacements		654,234	

1300T	Total deposits			735,806
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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		(4,606,723)	

1400N	Net fixed assets			9,736,386
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1000T	Total assets			\$ 12,200,623
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Southern SDHC FHA LLC
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Supplementary Information

Balance Sheet Data
June 30, 2021

Liabilities and Members' Equity (Deficit)

Account No.

Current liabilities

2110	Accounts payable - operations	\$ 199,494
2113	Accounts payable - entity	144,312
2120	Accrued wages payable	22,332
2123	Accrued management fee payable	21,651
2131	Accrued interest payable - first mortgage	64,064
2170	Mortgage payable - first mortgage (short-term)	526,613
2210	Prepaid revenue	<u>57,911</u>

2122T	Total current liabilities	1,036,377
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Deposits liability

2191	Tenant deposits held in trust (contra)	205,782
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Long-term liabilities

2320	Mortgage payable - first mortgage	<u>\$ 19,503,808</u>
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2300T	Total long-term liabilities	<u>19,503,808</u>
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2000T	Total liabilities	20,745,967
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3130	Members' equity (deficit)	<u>(8,545,344)</u>
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2033T	Total liabilities and members' equity (deficit)	<u><u>\$ 12,200,623</u></u>
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Southern SDHC FHA LLC
HUD Project No.: 129-11055

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2021

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 3,423,732	
5121	Tenant assistance payments	<u>1,742,422</u>	
5100T	Total rental revenue		\$ 5,166,154
Vacancies			
5220	Apartments	(26,762)	
5250	Rental concessions	<u>(20,935)</u>	
5200T	Total vacancies		<u>(47,697)</u>
5152N	Net rental revenue		5,118,457
Financial revenue			
5410	Financial revenue - project operations	1,158	
5440	Revenue from investments - replacement reserve	<u>262</u>	
5400T	Total financial revenue		1,420
Other revenue			
5910	Laundry and vending	54,111	
5920	Tenant charges	11,575	
5990	Miscellaneous revenue	<u>256,594</u>	
5900T	Total other revenue		<u>322,280</u>
5000T	Total revenue		<u>5,442,157</u>

Southern SDHC FHA LLC
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Supplementary Information

Statement of Operations Data
Year Ended June 30, 2021

Account No.

Administrative expenses

6204	Management consultants	6,249
6250	Other renting expenses	1,011
6310	Office salaries	210,740
6311	Office expenses	20,646
6320	Management fee	256,621
6331	Administrative rent free unit	41,400
6340	Legal expense - project	7,617
6350	Auditing expense	13,050
6370	Bad debts	60,679
6390	Miscellaneous administrative expenses	<u>2,756</u>

6263T	Total administrative expenses		620,769
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Utilities expense

6450	Electricity	28,858
6451	Water	253,972
6452	Gas	52,182
6453	Sewer	<u>125,619</u>

6400T	Total utilities expense		460,631
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Operating and maintenance expenses

6510	Payroll	180,771
6515	Supplies	36,880
6520	Contracts	416,126
6525	Garbage and trash removal	66,662
6530	Security payroll/contract	53,865
6570	Vehicle and maintenance equipment operation and repairs	<u>965</u>

6500T	Total operating and maintenance expenses		755,269
-------	--	--	---------

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2021

Account No.

Taxes and insurance		
6720	Property and liability insurance	60,933
6722	Workmen's compensation	23,576
6723	Health insurance and other employee benefits	162,063
6790	Miscellaneous taxes, licenses, permits and insurance	<u>12,590</u>
6700T	Total taxes and insurance	259,162
Financial expenses		
6820	Interest on first mortgage payable	802,119
6850	Mortgage insurance premium/service charge	<u>93,240</u>
6800T	Total financial expenses	<u>895,359</u>
6000T	Total cost of operations before depreciation	<u>2,991,190</u>
5060T	Income (loss) before depreciation	<u>2,450,967</u>
Depreciation		
6600	Depreciation expense	<u>615,598</u>
	Total depreciation	<u>615,598</u>
5060N	Operating income (loss)	<u>1,835,369</u>
	Total expenses	<u>3,606,788</u>
3250	Net income (loss)	<u><u>\$ 1,835,369</u></u>

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2021

Account No.

S1000-010	Total first mortgage (or bond) principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.	<u>\$ 507,211</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>\$ 15,000</u>
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations.	<u>\$ 72,571</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, 2021

<u>Account No.</u>		
S1100-010	Member's equity (deficit) June 30, 2020	\$ (8,321,156)
S1200-420	Distributions	(2,059,557)
3250	Net income (loss)	<u>1,835,369</u>
3130	Member's equity (deficit) June 30, 2021	<u><u>\$ (8,545,344)</u></u>

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

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2021

<u>Account No.</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 5,004,674
S1200-020	Interest receipts	1,420
S1200-030	Other operating receipts	<u>322,280</u>
S1200-040	Total receipts	<u>5,328,374</u>
S1200-050	Administrative expenses paid	(6,460)
S1200-070	Management fees paid	(256,013)
S1200-090	Utilities paid	(460,631)
S1200-100	Salaries and wages paid	(446,326)
S1200-110	Operating and maintenance paid	(486,358)
S1200-140	Property insurance paid	(60,933)
S1200-150	Miscellaneous taxes and insurance paid	(12,590)
S1200-170	Other operating expenses paid	(185,639)
S1200-180	Interest paid on first mortgage	(779,154)
S1200-210	Mortgage insurance premium paid	<u>(92,486)</u>
S1200-230	Total disbursements	<u>(2,786,590)</u>
S1200-240	Net cash provided by operating activities	<u>2,541,784</u>
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	1,721
S1200-250	Net withdrawals from reserve for replacements	<u>57,309</u>
S1200-350	Net cash provided by investing activities	<u>59,030</u>
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	(507,211)
S1200-420	Distributions to members	<u>(2,059,557)</u>
S1200-460	Net cash used in financing activities	<u>(2,566,768)</u>
S1200-470	Net increase in cash	34,046
S1200-480	Cash, beginning	<u>1,411,657</u>
S1200T	Cash, end	<u><u>\$ 1,445,703</u></u>

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

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2021

<u>Account No.</u>			
	Reconciliation of net income (loss) to net cash provided by operating activities		
3250	Net income (loss)		<u>\$ 1,835,369</u>
	Adjustments to reconcile net income (loss) to net cash provided by operating activities		
6600	Depreciation		615,598
S1200-486	Amortization of debt issuance costs		24,554
	Changes in asset and liability accounts		
	(Increase) decrease in assets		
S1200-490	Tenant accounts receivable		(78,622)
S1200-500	Accounts receivable - other		44,869
S1200-520	Prepaid expenses		754
S1200-530	Tenant security deposits funded		(12,033)
	Increase (decrease) in liabilities		
S1200-540	Accounts payable		39,663
S1200-560	Accrued liabilities		(342)
S1200-570	Accrued interest payable		(1,589)
S1200-580	Tenant security deposits held in trust		12,033
S1200-590	Prepaid revenue		6,239
S1200-605	Entity/construction liability accounts (include detail)		
S1200-606	Accounts payable - entity	<u>\$ (5,388)</u>	(5,388)
S1200-600	Other adjustments (include detail)		
S1200-601	Bad debts	<u>60,679</u>	<u>60,679</u>
	Total adjustments		<u>706,415</u>
S1200-610	Net cash provided by operating activities		<u><u>\$ 2,541,784</u></u>

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

Supplementary Information
Year Ended June 30, 2021

Reserve for Replacements

<u>Account No.</u>		
1320P	Balance at June 30, 2020	\$ 711,543
1320DT	Total monthly deposits	15,000
1320INT	Interest income	262
1320WT	Approved withdrawals	<u>(72,571)</u>
1320	Balance at June 30, 2021	<u><u>\$ 654,234</u></u>

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

Supplementary Information
Period Ended December 31, 2020

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)	\$ 1,654,748
S1400-030	Accounts receivable - HUD	-
		<hr/>
S1400-050	Total cash	1,654,748
		<hr/>
S1400-060	Accrued mortgage interest payable	64,866
S1400-070	Delinquent mortgage principal payments	-
S1400-080	Delinquent deposits to reserve for replacements	-
S1400-090	Accounts payable (due within 30 days)	41,704
S1400-100	Loans and notes payable (due within 30 days)	-
S1400-110	Deficient tax, insurance or MIP escrow deposits	-
S1400-120	Accrued expenses (not escrowed)	-
S1400-130	Prepaid revenue (Account 2210)	64,586
S1400-140	Tenant security deposits liability (Account 2191)	199,589
S1400-150	Other current obligations (describe in detail)	
S1400-160	Accounts payable - entity	<u>\$ 164,920</u>
		<hr/>
		164,920
		<hr/>
S1400-180	Less total current obligations	535,665
		<hr/>
S1400-190	Surplus cash (deficiency)	<u><u>\$ 1,119,083</u></u>

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

Supplementary Information
Year Ended June 30, 2021

Computation of Surplus Cash

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1300-010	Cash (Accounts 1120, 1170 and 1191)	\$ 1,651,486
1135	Accounts receivable - HUD	<u>-</u>
S1300-040	Total cash	<u>1,651,486</u>
S1300-050	Accrued mortgage interest payable	64,064
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	199,494
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)	43,983
2210	Prepaid revenue (Account 2210)	57,911
2191	Tenant security deposits liability (Account 2191)	205,782
S1300-110	Other current obligations (describe in detail)	
S1300-120	Accounts payable - entity	<u>\$ 144,312</u>
		<u>144,312</u>
S1300-140	Less total current obligations	<u>715,546</u>
S1300-150	Surplus cash (deficiency)	<u>\$ 935,940</u>
S1300-200	Amount available for distribution during next fiscal period	<u>\$ 935,940</u>

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

Supplementary Information
Year Ended June 30, 2021

Changes in Fixed Asset Accounts

	Assets			
	Balance 6/30/20	Additions	Deletions	Balance 6/30/21
Land	\$ 3,682,655	\$ -	\$ -	\$ 3,682,655
Buildings	10,528,694	-	-	10,528,694
Maintenance equipment	131,760	-	-	131,760
	<u>\$ 14,343,109</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,343,109</u>
Accumulated depreciation	<u>\$ 3,991,125</u>	<u>\$ 615,598</u>	<u>\$ -</u>	<u>\$ 4,606,723</u>
Total net book value				<u>\$ 9,736,386</u>

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

Supplementary Information
Year Ended June 30, 2021

Detail of Accounts - Statement of Operations

Miscellaneous Other Revenue (Account No. 5990)

Interest rebate - Build America Bonds	\$ 256,544
Tenant key income	<u>50</u>
	<u><u>\$ 256,594</u></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><u>\$ 256,013</u></u>

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

To the Sole Member
Southern SDHC FHA LLC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southern SDHC FHA LLC, which comprise the balance sheet as of June 30, 2021 and the related statements of operations, member's equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 14, 2021.

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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southern SDHC FHA LLC's internal control. 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

CohnReznick LLP

Sacramento, California
September 14, 2021

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, 2021. Southern SDHC FHA LLC's major HUD program is the 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, 2021.

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 14, 2021

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

**Schedule of Findings, Questioned Costs and Recommendations
June 30, 2021**

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, 2021**

1. Audit Report, dated September 23, 2020, for the year ended June 30, 2020, 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, 2021

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

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

June 30, 2021

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

Emily Jacobs Date
E. Vice President of Real Estate

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

June 30, 2021

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

Emily Jacobs
E. Vice President of Real Estate

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, 2021, 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, 2021, 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 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 14, 2021 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 14, 2021

Taxpayer Identification Number:
22-1478099

Lead Auditor: Ahamadou Alainchar Bocar, CPA

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

Balance Sheet
June 30, 2021

Assets

Current assets	
Cash - operations	\$ 1,068,870
Tenant accounts receivable	42,787
Allowance for doubtful accounts	(1,668)
Accounts receivable - HUD	553
Accounts and notes receivable - operations	50,686
Prepaid expenses	<u>24,133</u>
Total current assets	<u>1,185,361</u>
Deposits held in trust - funded	
Tenant deposits	<u>156,261</u>
Restricted deposits and funded reserves	
Escrow deposits	46,175
Reserve for replacements	<u>493,644</u>
Total restricted deposits and funded reserves	<u>539,819</u>
Rental property	
Land	3,852,360
Buildings	9,084,098
Dwelling equipment	<u>103,065</u>
	13,039,523
Less accumulated depreciation	<u>(3,568,609)</u>
Total rental property	<u>9,470,914</u>
Total assets	<u><u>\$ 11,352,355</u></u>

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

Balance Sheet
June 30, 2021

Liabilities and Member's Equity (Deficit)

Current liabilities	
Accounts payable - operations	\$ 270,623
Accounts payable - entity	246,509
Accrued wages payable	27,243
Accrued management fee payable	16,754
Accrued interest payable - first mortgage	39,027
Mortgage payable - first mortgage (short-term)	333,643
Prepaid revenue	<u>30,421</u>
Total current liabilities	<u>964,220</u>
Deposits liability	
Tenant deposits held in trust (contra)	<u>156,260</u>
Long-term liabilities	
Mortgage payable - first mortgage, net	<u>12,220,122</u>
Total long-term liabilities	<u>12,220,122</u>
Total liabilities	<u>13,340,602</u>
Contingency	-
Member's equity (deficit)	<u>(1,988,247)</u>
Total liabilities and member's equity (deficit)	<u><u>\$ 11,352,355</u></u>

See Notes to Financial Statements.

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

Statement of Operations
Year Ended June 30, 2021

Rental revenue	
Rent revenue - gross potential	\$ 2,645,595
Tenant assistance payments	<u>1,421,681</u>
Total rental revenue	<u>4,067,276</u>
Vacancies	
Apartments	<u>(141,289)</u>
Total vacancies	<u>(141,289)</u>
Net rental revenue	<u>3,925,987</u>
Financial revenue	
Financial revenue - project operations	115
Revenue from investments - replacement reserve	<u>212</u>
Total financial revenue	<u>327</u>
Other revenue	
Laundry and vending	24,493
Tenant charges	<u>4,386</u>
Total other revenue	<u>28,879</u>
Total revenue	<u>3,955,193</u>

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

Statement of Operations
Year Ended June 30, 2021

Administrative expenses	
Other renting expenses	13,278
Office salaries	184,027
Office expenses	15,982
Management fee	196,513
Administrative rent free unit	24,612
Legal expense - project	12,770
Auditing expense	13,050
Bad debts	176,969
Miscellaneous administrative expenses	<u>43,799</u>
Total administrative expenses	<u>681,000</u>
Utilities expense	
Electricity	22,503
Water	223,896
Gas	38,737
Sewer	<u>145,221</u>
Total utilities expense	<u>430,357</u>
Operating and maintenance expenses	
Payroll	191,279
Supplies	55,361
Contracts	613,115
Garbage and trash removal	48,120
Security payroll/contract	58,267
Vehicle and maintenance equipment operation and repairs	<u>3,011</u>
Total operating and maintenance expenses	<u>969,153</u>

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

Statement of Operations
Year Ended June 30, 2021

Taxes and insurance	
Real estate taxes	17
Property and liability insurance	42,797
Workmen's compensation	25,710
Health insurance and other employee benefits	162,861
Miscellaneous taxes, licenses, permits and insurance	<u>6,800</u>
Total taxes and insurance	<u>238,185</u>
Financial expenses	
Interest on first mortgage payable	490,107
Mortgage insurance premium/service charge	<u>58,521</u>
Total financial expenses	<u>548,628</u>
Total cost of operations before depreciation	<u>2,867,323</u>
Income (loss) before depreciation	<u>1,087,870</u>
Depreciation	
Depreciation expense	<u>499,302</u>
Total depreciation	<u>499,302</u>
Total expenses	<u>3,366,625</u>
Net income (loss)	<u><u>\$ 588,568</u></u>

See Notes to Financial Statements.

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

Statement of Member's Equity (Deficit)
Year Ended June 30, 2021

Member's equity (deficit) June 30, 2020	\$ (1,058,123)
Distributions	(1,577,379)
Contributions	58,687
Net income (loss)	<u>588,568</u>
Member's equity (deficit) June 30, 2021	<u><u>\$ (1,988,247)</u></u>

See Notes to Financial Statements.

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

Statement of Cash Flows
Year Ended June 30, 2021

Cash flows from operating activities	
Rental receipts	\$ 3,733,199
Interest receipts	327
Other operating receipts	<u>28,879</u>
Total receipts	<u>3,762,405</u>
Administrative expenses paid	(150,508)
Management fees paid	(195,944)
Utilities paid	(471,052)
Salaries and wages paid	(425,894)
Operating and maintenance paid	(422,902)
Real estate taxes paid	(17)
Property insurance paid	(42,797)
Miscellaneous taxes and insurance paid	(6,800)
Tenant security deposits received	5,317
Other operating expenses paid	(188,571)
Interest paid on first mortgage	(474,722)
Mortgage insurance premium paid	<u>(57,920)</u>
Total disbursements	<u>(2,431,810)</u>
Net cash provided by operating activities	<u>1,330,595</u>
Cash flows from investing activities	
Net withdrawals from mortgage escrows	983
Net withdrawals from reserve for replacements	96,721
Net purchases of fixed assets	<u>(5,385)</u>
Net cash provided by investing activities	<u>92,319</u>
Cash flows from financing activities	
Mortgage principal payments - first mortgage	(321,701)
Distribution to member	(1,577,379)
Contribution by member	<u>58,687</u>
Net cash used in financing activities	<u>(1,840,393)</u>
Net decrease in cash and restricted cash	(417,479)
Cash and restricted cash, beginning	<u>1,642,610</u>
Cash and restricted cash, end	<u><u>\$ 1,225,131</u></u>

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

Statement of Cash Flows
Year Ended June 30, 2021

Reconciliation of net income (loss) to net cash provided by operating activities	
Net income (loss)	<u>\$ 588,568</u>
Adjustments to reconcile net income (loss) to net cash provided by operating activities	
Depreciation	499,302
Amortization of debt issuance costs	16,364
Bad debts	176,969
Write off of miscellaneous fixed assets	157,442
Changes in asset and liability accounts	
(Increase) decrease in assets	
Tenant accounts receivable	(166,500)
Accounts receivable - other	(33,876)
Prepaid expenses	601
Increase (decrease) in liabilities	
Accounts payable	(59,001)
Accrued liabilities	8,248
Accrued interest payable	(979)
Tenant security deposits held in trust	5,317
Prepaid revenue	(1,123)
Entity/construction liability accounts (include detail)	
Accounts payable - entity	<u>139,263</u>
Total adjustments	<u>742,027</u>
Net cash provided by operating activities	<u><u>\$ 1,330,595</u></u>
Significant noncash investing and financing activities	
Miscellaneous fixed assets written off	<u><u>\$ 157,442</u></u>

See Notes to Financial Statements.

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

Notes to Financial Statements
June 30, 2021

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, 2021, the allowance for doubtful accounts is \$1,668.

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
Dwelling equipment	5 years

Impairment of long-lived assets

The Company reviews its investment in rental property for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the Projects are less than its carrying amount, management compares the carrying amount of the Projects to its fair value in order to determine whether an impairment loss has occurred. The amount of the

Central SDHC FHA LLC
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Notes to Financial Statements
June 30, 2021

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, 2021.

Debt issuance costs

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

Rental revenue

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

Income taxes

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

Advertising costs

Advertising and marketing costs are expensed as incurred.

Use of estimates

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

Note 3 - Restricted deposits and funded reserves

Escrow deposits

Under agreements with the mortgage lender and HUD, the Company is required to make monthly deposits to escrow accounts. Funds deposited are used to pay mortgage insurance premiums. As of June 30, 2021, the balance in the escrow deposits is \$46,175.

Reserve for replacements

The Company is required to make monthly deposits to a reserve for replacements account to fund future maintenance and replacement costs. Monthly payments of \$5,850 are required to be deposited with the mortgage lender. During the year ended June 30, 2021, the Company only made one monthly deposit of \$5,850 and the deposits were not required by the lender for the remainder of the year. As of June 30, 2021, the balance in the reserve for replacements is \$493,644.

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

Central SDHC FHA LLC
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Notes to Financial Statements
June 30, 2021

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, 2021, the outstanding principal and accrued interest is \$12,830,829 and \$39,027, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$277,064 as of June 30, 2021, 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 \$16,364 for the year ended June 30, 2021 and is included in interest on first mortgage payable on the statement of operations.

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

Aggregate annual maturities of the mortgage payable over each of the next five years and thereafter subsequent to June 30, 2021 are as follows:

2022	\$ 333,643
2023	346,026
2024	358,870
2025	372,190
2026	386,004
Thereafter	<u>11,034,096</u>
Subtotal	12,830,829
Less unamortized debt issuance costs	<u>(277,064)</u>
Total	<u><u>\$ 12,553,765</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, 2021, management fees of \$196,513 were incurred and charged to operations. As of June 30, 2021, management fees of \$16,754 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	\$ 1,068,870
Deposits held in trust - funded	<u>156,261</u>
Total cash and restricted cash shown in the statement of cash flows	<u><u>\$ 1,225,131</u></u>

Central SDHC FHA LLC
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Notes to Financial Statements
June 30, 2021

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, 2021, the Company recognized housing assistance payments amounting to \$1,421,681.

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, 2021, \$246,509 is due.

Note 9 - Concentration of credit risk

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

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

The Company believes that no significant concentration of credit risks exists with respect to these cash balances at June 30, 2021.

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

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

Notes to Financial Statements
June 30, 2021

material adverse effects to the Company's financial position, results of operations, and cash flows. As of June 30, 2021, the global pandemic is still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on the Project.

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 14, 2021, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information
Supporting Data Required by HUD

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

Supplementary Information

Balance Sheet Data
June 30, 2021

		<u>Assets</u>	
<u>Account No.</u>			
Current assets			
1120	Cash - operations		\$ 1,068,870
1130	Tenant accounts receivable	\$ 42,787	
1131	Allowance for doubtful accounts	(1,668)	
1130N	Net tenants accounts receivable		41,119
1135	Accounts receivable - HUD		553
1140	Accounts and notes receivable - operations		50,686
1200	Prepaid expenses		24,133
1100T	Total current assets		1,185,361
Deposits held in trust - funded			
1191	Tenant deposits		156,261
Restricted deposits and funded reserves			
1310	Escrow deposits	46,175	
1320	Reserve for replacements	493,644	
1300T	Total deposits		539,819
Rental property			
1410	Land	3,852,360	
1420	Buildings	9,084,098	
1470	Maintenance equipment	103,065	
1400T	Total fixed assets	13,039,523	
1495	Less accumulated depreciation	(3,568,609)	
1400N	Net fixed assets		9,470,914
1000T	Total assets		\$ 11,352,355

Central SDHC FHA LLC
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Supplementary Information

Balance Sheet Data
June 30, 2021

		<u>Liabilities and Members' Equity (Deficit)</u>	
<u>Account No.</u>			
Current liabilities			
2110	Accounts payable - operations	\$	270,623
2113	Accounts payable - entity		246,509
2120	Accrued wages payable		27,243
2123	Accrued management fee payable		16,754
2131	Accrued interest payable - first mortgage		39,027
2170	Mortgage payable - first mortgage (short-term)		333,643
2210	Prepaid revenue		<u>30,421</u>
2122T	Total current liabilities		964,220
Deposits liability			
2191	Tenant deposits held in trust (contra)		156,260
Long-term liabilities			
2320	Mortgage payable - first mortgage	<u>\$ 12,220,122</u>	
2300T	Total long-term liabilities		<u>12,220,122</u>
2000T	Total liabilities		13,340,602
3130	Members' equity (deficit)		<u>(1,988,247)</u>
2033T	Total liabilities and members' equity (deficit)		<u><u>\$ 11,352,355</u></u>

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

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2021

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 2,645,595	
5121	Tenant assistance payments	<u>1,421,681</u>	
5100T	Total rental revenue		\$ 4,067,276
Vacancies			
5220	Apartments	<u>(141,289)</u>	
5200T	Total vacancies		<u>(141,289)</u>
5152N	Net rental revenue		3,925,987
Financial revenue			
5410	Financial revenue - project operations	115	
5440	Revenue from investments - replacement reserve	<u>212</u>	
5400T	Total financial revenue		327
Other revenue			
5910	Laundry and vending	24,493	
5920	Tenant charges	<u>4,386</u>	
5900T	Total other revenue		<u>28,879</u>
5000T	Total revenue		<u>3,955,193</u>

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

Supplementary Information

**Statement of Operations Data
Year Ended June 30, 2021**

Account No.

Administrative expenses

6250	Other renting expenses	13,278
6310	Office salaries	184,027
6311	Office expenses	15,982
6320	Management fee	196,513
6331	Administrative rent free unit	24,612
6340	Legal expense - project	12,770
6350	Auditing expense	13,050
6370	Bad debts	176,969
6390	Miscellaneous administrative expenses	43,799

6263T	Total administrative expenses	681,000
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Utilities expense

6450	Electricity	22,503
6451	Water	223,896
6452	Gas	38,737
6453	Sewer	145,221

6400T	Total utilities expense	430,357
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Operating and maintenance expenses

6510	Payroll	191,279
6515	Supplies	55,361
6520	Contracts	613,115
6525	Garbage and trash removal	48,120
6530	Security payroll/contract	58,267
6570	Vehicle and maintenance equipment operation and repairs	3,011

6500T	Total operating and maintenance expenses	969,153
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Central SDHC FHA LLC
HUD Project No.: 129-11054

Supplementary Information

Statement of Operations Data
Year Ended June 30, 2021

<u>Account No.</u>			
Taxes and insurance			
6710	Real estate taxes	17	
6720	Property and liability insurance	42,797	
6722	Workmen's compensation	25,710	
6723	Health insurance and other employee benefits	162,861	
6790	Miscellaneous taxes, licenses, permits and insurance	<u>6,800</u>	
6700T	Total taxes and insurance		238,185
Financial expenses			
6820	Interest on first mortgage payable	490,107	
6850	Mortgage insurance premium/service charge	<u>58,521</u>	
6800T	Total financial expenses		<u>548,628</u>
6000T	Total cost of operations before depreciation		<u>2,867,323</u>
5060T	Income (loss) before depreciation		<u>1,087,870</u>
Depreciation			
6600	Depreciation expense	<u>499,302</u>	
	Total depreciation		<u>499,302</u>
5060N	Operating income (loss)		<u>588,568</u>
	Total expenses		<u>3,366,625</u>
3250	Net income (loss)		<u><u>\$ 588,568</u></u>

Central SDHC FHA LLC
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Supplementary Information

Statement of Operations Data
Year Ended June 30, 2021

<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>\$ 321,701</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>\$ 5,850</u>
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations.
	<u>\$ 102,783</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, 2021

<u>Account No.</u>		<u>Total</u>
S1100-010	Member's equity (deficit) June 30, 2020	\$ (1,058,123)
S1200-420	Distributions	(1,577,379)
S1200-430	Contributions	58,687
3250	Net income (loss)	<u>588,568</u>
3130	Member's equity (deficit) June 30, 2021	<u><u>\$ (1,988,247)</u></u>

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

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2021

<u>Account No.</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 3,733,199
S1200-020	Interest receipts	327
S1200-030	Other operating receipts	<u>28,879</u>
S1200-040	Total receipts	<u>3,762,405</u>
S1200-050	Administrative expenses paid	(150,508)
S1200-070	Management fees paid	(195,944)
S1200-090	Utilities paid	(471,052)
S1200-100	Salaries and wages paid	(425,894)
S1200-110	Operating and maintenance paid	(422,902)
S1200-120	Real estate taxes paid	(17)
S1200-140	Property insurance paid	(42,797)
S1200-150	Miscellaneous taxes and insurance paid	(6,800)
S1200-170	Other operating expenses paid	(188,571)
S1200-180	Interest paid on first mortgage	(474,722)
S1200-210	Mortgage insurance premium paid	<u>(57,920)</u>
S1200-230	Total disbursements	<u>(2,437,127)</u>
S1200-240	Net cash provided by operating activities	<u>1,325,278</u>
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	983
S1200-250	Net withdrawals from reserve for replacements	96,721
S1200-330	Net purchases of fixed assets	<u>(5,385)</u>
S1200-350	Net cash provided by investing activities	<u>92,319</u>
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	(321,701)
S1200-420	Distributions to members	(1,577,379)
S1200-430	Contributions by members	<u>58,687</u>
S1200-460	Net cash used in financing activities	<u>(1,840,393)</u>
S1200-470	Net decrease in cash	(422,796)
S1200-480	Cash, beginning	<u>1,491,666</u>
S1200T	Cash, end	<u><u>\$ 1,068,870</u></u>

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

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2021

<u>Account No.</u>			
	Reconciliation of net income (loss) to net cash provided by operating activities		
3250	Net income (loss)	<u>\$ 588,568</u>	
	Adjustments to reconcile net income (loss) to net cash provided by operating activities		
6600	Depreciation		499,302
S1200-486	Amortization of debt issuance costs		16,364
	Changes in asset and liability accounts		
	(Increase) decrease in assets		
S1200-490	Tenant accounts receivable		(166,500)
S1200-500	Accounts receivable - other		(33,876)
S1200-520	Prepaid expenses		601
S1200-530	Tenant security deposits funded		(5,317)
	Increase (decrease) in liabilities		
S1200-540	Accounts payable		(59,001)
S1200-560	Accrued liabilities		8,248
S1200-570	Accrued interest payable		(979)
S1200-580	Tenant security deposits held in trust		5,317
S1200-590	Prepaid revenue		(1,123)
S1200-605	Entity/construction liability accounts (include detail)		
S1200-606	Accounts payable - entity	<u>\$ 139,263</u>	
			139,263
S1200-600	Other adjustments (include detail)		
S1200-601	Bad debts	176,969	
S1200-601	Write off of miscellaneous fixed assets	<u>157,442</u>	
			<u>334,411</u>
	Total adjustments		<u>736,710</u>
S1200-610	Net cash provided by operating activities	<u>\$ 1,325,278</u>	
S1200-620	Comments		
	Miscellaneous fixed assets written off	<u>\$ 157,442</u>	

Central SDHC FHA LLC
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Supplementary Information
Year Ended June 30, 2021

Reserve for Replacements

<u>Account No.</u>		
1320P	Balance at June 30, 2020	\$ 590,365
1320DT	Total monthly deposits	5,850
1320INT	Interest income	212
1320OWT	Other withdrawals	
1320OW-010	Approved withdrawals	<u>(102,783)</u>
1320	Balance at June 30, 2021	<u><u>\$ 493,644</u></u>

Central SDHC FHA LLC
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Supplementary Information
Period Ended December 31, 2020

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)	\$ 1,135,199
S1400-030	Accounts receivable - HUD	<u>798</u>
S1400-050	Total cash	<u>1,135,997</u>
S1400-060	Accrued mortgage interest payable	39,521
S1400-070	Delinquent mortgage principal payments	-
S1400-080	Delinquent deposits to reserve for replacements	-
S1400-090	Accounts payable (due within 30 days)	96,774
S1400-100	Loans and notes payable (due within 30 days)	-
S1400-110	Deficient tax, insurance or MIP escrow deposits	-
S1400-120	Accrued expenses (not escrowed)	-
S1400-130	Prepaid revenue (Account 2210)	41,116
S1400-140	Tenant security deposits liability (Account 2191)	<u>150,639</u>
S1400-180	Less total current obligations	<u>328,050</u>
S1400-190	Surplus cash (deficiency)	<u>\$ 807,947</u>

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

Supplementary Information
Year Ended June 30, 2021

Computation of Surplus Cash

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1300-010	Cash (Accounts 1120, 1170 and 1191)	\$ 1,225,131
1135	Accounts receivable - HUD	<u>553</u>
S1300-040	Total cash	<u>1,225,684</u>
S1300-050	Accrued mortgage interest payable	39,027
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	270,623
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)	43,997
2210	Prepaid revenue (Account 2210)	30,421
2191	Tenant security deposits liability (Account 2191)	156,260
S1300-110	Other current obligations (describe in detail)	
S1300-120	Accounts payable - entity	<u>\$ 246,509</u>
		<u>246,509</u>
S1300-140	Less total current obligations	<u>786,837</u>
S1300-150	Surplus cash (deficiency)	<u><u>\$ 438,847</u></u>

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

Supplementary Information
Year Ended June 30, 2021

Changes in Fixed Asset Accounts

	Assets			
	Balance 6/30/20	Additions	Deletions	Balance 6/30/21
Land	\$ 3,852,360	\$ -	\$ -	\$ 3,852,360
Buildings	9,078,713	5,385	-	9,084,098
Maintenance	103,065	-	-	103,065
Miscellaneous fixed assets	157,442	-	157,442	-
	<u>\$ 13,191,580</u>	<u>\$ 5,385</u>	<u>\$ 157,442</u>	<u>\$ 13,039,523</u>
Accumulated depreciation	<u>\$ 3,069,307</u>	<u>\$ 499,302</u>	<u>\$ -</u>	<u>\$ 3,568,609</u>
Total net book value				<u>\$ 9,470,914</u>

Fixed Asset Detail

Additions to Buildings Account

<u>Item and quantity</u>	<u>Amount</u>
Building improvements	<u>\$ 5,385</u>

Deductions from Miscellaneous Fixed Assets Account

<u>Item and quantity</u>	<u>Amount</u>
Building improvements work in progress written off	<u>\$ 157,442</u>

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

Supplementary Information
Year Ended June 30, 2021

Detail of Accounts - Balance Sheet

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

Insurance settlement receivable	<u><u>\$ 50,686</u></u>
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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><u>\$ 195,944</u></u>

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

To the Sole Member
Central SDHC FHA LLC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Central SDHC FHA LLC, which comprise the balance sheet as of June 30, 2021, and the related statements of operations, member's equity (deficit) and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 14, 2021.

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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central SDHC FHA LLC's internal control. 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

CohnReznick LLP

Sacramento, California
September 14, 2021

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, 2021. 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, 2021.

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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 14, 2021

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

**Schedule of Findings, Questioned Costs and Recommendations
June 30, 2021**

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, 2021**

1. Audit Report, dated September 23, 2020, for the year ended June 30, 2020, 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

Attachment 9

San Diego Housing Commission

A Component Unit of the City of San Diego

Popular Annual Financial Report

Fiscal Year Ended June 30, 2021

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 Jennifer Campbell, District 2
 Council President Pro Tem Stephen Whitburn, District 3
 Joe LaCava, District 1
 Monica Montgomery Steppe, District 4
 Marni von Wilbert, District 5
 Chris Cate, District 6
 Raul Campillo, District 7
 Vivian Moreno, District 8
 Sean Elo-Rivera, District 9

SDHC Board of Commissioners*

Chair of the Board Stefanie Benvenuto
 Vice Chair Ryan Clumpner
 Margaret Davis
 Johanna Hester
 Kellee Hubbard
 Eugene “Mitch” Mitchell

SDHC President & CEO

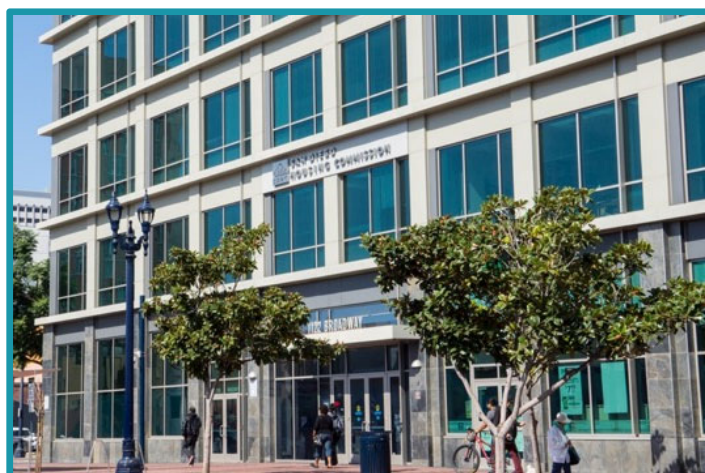
Richard C. Gentry

Visit SDHC’s website: www.SDHC.org

* As of June 30, 2021

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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, 2021, 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 2021 (July 1, 2020 – June 30, 2021). The Comprehensive Annual Financial Report (Annual Report) is the source of the data for this summary report. The Annual Report is a more detailed financial report audited by CohnReznick, LLP and fully conforms to Generally Accepted Accounting Principles (GAAP). The Annual Report 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.

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.



SDHC Board of Commissioners

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 Vision Everyone in the City of San Diego has a home they can afford.

SDHC Mission Statement The San Diego Housing Commission (SDHC) fosters social and economic stability for vulnerable populations in the City of San Diego through quality affordable housing, opportunities for financial self-reliance and homelessness solutions.

Purpose Help individuals, families and the San Diego community thrive.

SDHC Strategic Plan Fiscal Years 2022- 2024

SDHC's Strategic Plan for Fiscal Years (FY) 2022 - 2024 serves as a roadmap for SDHC, guiding the agency's decisions, initiatives and day-to-day efforts for the next three years. At the same time, SDHC has the flexibility to adapt this Strategic Plan as needed to address changing circumstances around the agency.

The SDHC Board of Commissioners approved this three-year Strategic Plan on July 9, 2021.

The Plan includes five strategic priorities, which include metrics to monitor progress:

- Increasing and preserving housing solutions
- Helping families increase opportunities for self-sufficiency and quality of life
- Investing in our team
- Advancing homelessness solutions – supporting the City of San Diego Community Action Plan on Homelessness
- Advocacy, Communication, Public Engagement



SDHC obtained input from City Councilmembers, SDHC Board members, a variety of other critical community partners and SDHC staff. The Strategic Plan provides the vision, mission, purpose, core values and strategic priorities for the agency for the years to come. The COVID-19 pandemic affected the timing for the creation and completion of the Strategic Plan, but it also reinforced the importance of the bold, broader new vision for SDHC: Everyone in the City of San Diego has a home they can afford.

The Strategic Plan also reflects SDHC's commitment to equity and inclusivity. The following statement is an important part of this guiding document for the agency:

At SDHC, we are about people. SDHC embraces diverse approaches and points of view to improve our programs, projects and policies.

- *We believe in delivering programs and services in innovative and inclusive ways*
- *We are committed to advancing equity and inclusion both internally and externally.*

SDHC Fiscal Year 2021 Accomplishments

The principles of SDHC's previous Strategic Plan for 2016 – 2020 continued to guide SDHC during Fiscal Year 2021, as the agency developed the new Strategic Plan.

1. Maximize resources through operational efficiencies and technological innovations

SDHC developed a system performance data dashboard in support of the foundational strategy "Implement a Systems-Level Approach to Homelessness Planning" that is part of the City of San Diego Community Action Plan on Homelessness. SDHC staff worked on the development of this dashboard throughout Fiscal Year 2021. The dashboard became available to the public on SDHC's website, www.sdhc.org, in September 2021. Providing information about the performance of homelessness programs as a system, compared with industry-standard, best-practice metrics, is the goal of the dashboard.

In addition, during Fiscal Year 2021, SDHC created an online tool to provide property-specific information for households looking for affordable housing, as well as overview data about affordable housing for the public and policymakers. This Affordable Housing Dashboard launched September 13, 2021, on SDHC's website, www.sdhc.org.

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 – In Fiscal Year 2021, 529 affordable units closed financing (Affordable Housing Fund- and Bond- funded), for a total of 3,118 affordable units over the five years since the inception of the 2016 Strategic Plan.

Property Renovation - In Fiscal Year 2021, SDHC completed approximately \$7.8 million in capital improvements at 38 of the 150 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 plumbing upgrades, elevator modernization, foundation repairs, roofs, windows, cabinets and countertops, appliances, flooring, exterior repairs and painting across the portfolio.



HOUSING FIRST - SAN DIEGO

As of June 30, 2021, SDHC's homelessness action plan, HOUSING FIRST - SAN DIEGO, which launched on November 12, 2014, had created more than 9,100 housing solutions in less than seven years for individuals and families at risk of or experiencing homelessness in the City of San Diego, with an additional 608 housing units approved and pending completion. 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.

COVID-19 Response: Operation Shelter to Home

In April 2020, a collaborative effort among the City of San Diego, SDHC, the Regional Task Force on Homelessness (RTFH), County of San Diego, City shelter providers and other agencies launched Operation Shelter to Home (OSTH) to mitigate the impact of COVID-19 on people experiencing homelessness in San Diego. It included a temporary emergency shelter at the San Diego Convention Center. Over the course of less than 12 months, 1,422 individuals and 43 families secured permanent or longer-term housing through Operation Shelter to Home.

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. For example, the Consolidated Appropriations Bill of 2021, passed by Congress and signed into law in late December 2020, included important changes to the Veterans Affairs Supportive Housing (VASH) voucher program that SDHC advocated throughout the year. This legislation will help public housing authorities nationwide, including SDHC, to maximize use of VASH vouchers to help veterans experiencing homelessness.

Oversight and Administration of Emergency Rental Assistance Programs

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.

COVID-19 Emergency Rental Assistance Program

In the first half of Fiscal Year 2021, SDHC administered the City of San Diego COVID-19 Emergency Rental Assistance Program (ERAP), which helped families with low income in the City of San Diego who experienced financial hardship due to the COVID-19 pandemic. ERAP provided one-time payments of up to \$4,000 per qualifying household to help pay past-due and/or upcoming rent to assist with preventing housing displacement. At the conclusion of ERAP, SDHC had disbursed more than \$13.7 million in federal funds, helping more than 3,700 low-income households pay their rent. Every qualifying household that applied for ERAP received assistance.

COVID-19 Housing Stability Assistance Program

In the latter part of Fiscal Year 2021, SDHC began administering the City of San Diego COVID-19 Housing Stability Assistance Program (HSAP), which helps pay rent and utilities for households with low income that experience financial hardship due to or during the COVID-19 pandemic. HSAP was initially funded \$42,333,563 (the City of San Diego's direct allocation from the U.S. Department of the Treasury under the federal Coronavirus Relief Fund.) SDHC began making payments for qualifying applicants in late April 2021. HSAP has continued to receive additional federal and state funding, and, through September 2021, SDHC has disbursed more than \$99.6 million in assistance payments to help more than 11,300 qualifying households.



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, 2020. 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 11 consecutive years (fiscal years ended 2010-2020). 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

2020

Christopher P. Morrell
Executive Director/CEO

Comprehensive Annual Financial Report Awards

SDHC's Comprehensive Annual Financial Report (Annual Report) for the fiscal years ended 2008-2020, 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 Annual Report, whose contents conform to program standards. Such Annual Report 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 Annual Report continues to conform to the Certificate of Achievement program requirements, and SDHC will be submitting its Annual Report for the Fiscal Year 2021 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 2021, SDHC received 83 percent of its revenue from HUD and the US Treasury, most of which was awarded to SDHC for Moving to Work (MTW) initiatives and for COVID-19 related assistance programs, respectively. 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 2021 and will have a balanced budget in fiscal year 2022.

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 2021 MTW Plan on September 28, 2020. HUD's fiscal year runs from October to September. SDHC's fiscal year 2022 MTW Plan was submitted to HUD on April 7, 2021 and was approved on August 2, 2021. 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 2021, the financial impact of the COVID-19 pandemic has continued to be felt both worldwide and in the United States. While vaccines have become available to help reduce the adverse health effects of COVID-19, throughout the United States, businesses in all financial sectors continue to feel its negative impact as variants emerge and threaten the resumption of business.

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.

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, 2021 the unemployment rate in San Diego County was 6.9 percent in July 2021, down from a revised 7 percent in June 2021, and below the year-ago estimate

Chief Financial Officer's Message



of 12.3 percent. This compares with an unadjusted unemployment rate of 7.9 percent for California and 5.7 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 2021 this year for sheltered San Diegans only. Due to health and safety concerns related to the pandemic, the count of unsheltered individuals was not completed. This year's count of sheltered homeless persons identified 4,143 sheltered in San Diego. This number is slightly up from last year's count of 3,667. U.S. Department of Housing and Urban Development (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 report can be found here: https://www.rtfhsd.org/wp-content/uploads/2021-PIT-Report_final.pdf

SDHC continues to focus on its mission to foster social and economic stability for vulnerable populations in the City of San Diego through quality affordable housing, opportunities for financial self-reliance and homelessness solutions.

Through the execution of SDHC's 2022 budget of \$604 million, SDHC will continue to demonstrate the prudent and responsible management of its financial resources all with a high quality of service, while helping vulnerable San Diegans acquire or maintain affordable housing, obtain or maintain financial self-reliance, and provide access to homelessness solutions.

Tracey McDermott
Senior Vice President and Chief Financial Officer



Blanca
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 2021, SDHC's assets exceeded liabilities by \$803.8 million, an increase of 20 percent from Fiscal Year 2020.

Total assets increased by \$163.5 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 increased \$110.5 million primarily due to the acquisition of three properties – Valley Vista, Kearny Vista and Hillcrest Inn Apartments.

Total liabilities increased by \$30.0 million, or 18 percent. This is primarily due to an increase in notes payable related to the loans obtained to acquire the Valley Vista and Kearny Vista hotel properties mentioned above. This was offset by a decrease in unearned revenue primarily related to the recognition of the deferred gain from the sale of Mariner's Village of \$32.1 million in fiscal year 2020.

SDHC's total net position increased 20 percent, or \$133.5 million, in Fiscal Year 2021.

Net investment in capital assets increased \$68.5 million to \$167.4 million primarily related to the purchase of the hotel properties previously mentioned.

Unrestricted net position increased \$59.1 million to \$411.6 million. Although these funds are defined as unrestricted under the applicable accounting standards, these funds are not necessarily indicative of funds available for discretionary use.

Restricted net position increased \$5.8 million to \$224.8 million primarily due to an increase in overall notes receivable programmatic reserves.

	June 30, 2021	June 30, 2020	Change %
ASSETS			
Current and other assets	\$ 696,449	\$ 643,413	8%
Capital assets net of depreciation	307,534	197,048	56%
Total assets	\$1,003,983	\$ 840,461	19%
LIABILITIES			
Current liabilities	\$ 58,736	\$ 74,433	-21%
Notes payable and non-current liabilities	141,438	95,682	48%
Total liabilities	\$ 200,174	\$ 170,115	18%
NET POSITION			
Net investment in capital assets	\$ 167,437	\$ 98,905	69%
Restricted	224,768	218,949	3%
Unrestricted	411,604	352,492	17%
Total net position	803,809	670,346	20%
Total liabilities and net position	\$1,003,983	\$ 840,461	19%

Key Terms

Here are some definitions of accounting terms that will assist you throughout the financial section of the PAFR and Annual Reports:

Assets: What is owned by SDHC.

Liabilities: What SDHC owes.

Net position: The difference between SDHC's assets and liabilities. It is the net worth of SDHC.

Current and other assets: Cash, restricted cash and equivalents, investments, prepaid items, and accounts receivable.

Capital assets, net of depreciation: Land, building, building improvements, equipment, construction in progress, and depreciation.

Current liabilities: Accounts payable, accrued payroll, compensated absences, notes payable, and unearned income.

Notes payable and non-current liabilities: Long-term notes payable obligations due in the future years.

Net investment in capital assets: Capital assets less accumulated depreciation and any outstanding debt related to acquiring these assets.

Restricted: Funds subject to various external restrictions.

Unrestricted: Balance of net position not included in net investment in capital assets or restricted.



Statement of Revenue, Expenses and Change in Net Position

The abbreviated Statement of Revenue, Expenses and Change in Net Position (in thousands) accounts for all of SDHC's revenue and expenses 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 \$133.5 million represents an increase of \$114.6 million (607 percent), from the change in net position in the Fiscal Year 2020 and is mainly due to an increase non-operating revenue (net) of \$147.5 million, offset by an increase in operating expenses of \$70.8 million. Additionally, the change in net position includes \$33.2 million related to SDHC's recognition of the gain on transfer of properties to its discrete component unit, Housing Development Partners (HDP).

Operating revenues increased by \$6.0 million in Fiscal Year 2021 primarily related to increase bond administrative fees. Operating expenses increased by \$70.8 million in Fiscal Year 2021. This increase is primarily due to an increase in housing assistance payments of \$61.8 million, including \$34.9 million related to the City of San Diego's COVID-19 Emergency Rental Assistance Program and COVID-19 Housing Stability Assistance Program as well as \$26.9 million related to Section 8 Housing Choice Voucher and Mainstream voucher programs.

Non-operating income and expense (net) increased by \$147.5 million in Fiscal Year 2021 primarily due to an increase in grant revenue of \$151.2 million related to MTW and other federal programs such as Community Development Block Grant (CDBG), Emergency Solutions Grant (ESG), CARES Act and the Coronavirus Appropriations Act of December 2020.

	June 30, 2021	June 30, 2020	Change %
Operating revenues			
Dwelling rental income	\$ 32,472	\$ 30,693	6%
Land lease and other rental income	3,884	3,351	16%
Fee revenue	6,755	4,479	51%
Other revenue	8,398	6,960	21%
Total Operating revenues	51,509	45,483	13%
Operating expenses	350,597	279,796	25%
Deficit before depreciation and other non-operating income and expenses	(299,088)	(234,313)	28%
Depreciation	9,470	8,132	16%
Deficit before other non-operating income and expense	(308,558)	(242,445)	27%
Other non-operating income and expenses, net	408,857	261,314	56%
Income (loss) before capital transactions	100,299	18,869	432%
Transfer of properties to component unit	33,164	-	100%
Change in net position	\$ 133,463	\$ 18,869	607%
Net position:			
Beginning of year	670,346	651,477	3%
End of year	\$ 803,809	\$ 670,346	20%

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. Additionally includes transfer of property to component unit (if applicable).

Investments



SDHC utilizes the services of an experienced financial advisor to aid in making investment decisions. The advisor provides guidance on creating a diversified portfolio and a secure investment mix. The advisor's ongoing role is to provide staff with sound investment opportunities that will maximize liquidity and yield without sacrificing principal value and safety of the investment securities. The fair value of cash and investments on June 30, 2021, was \$200.8 million, an increase of 17.6 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, bonds, government agency securities and demand deposit accounts are kept with commercial banking institutions.

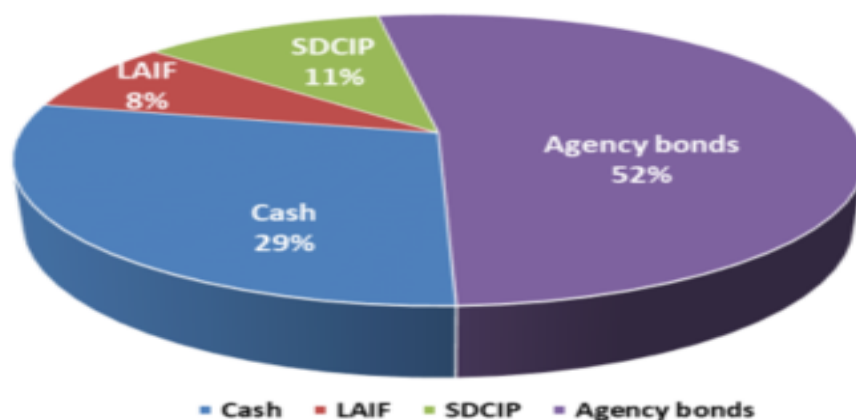
Investment Risk Factors

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			
	6/30/2021	6/30/2020	Variance
Cash	\$57.94	\$37.28	\$20.66
LAIF	15.92	15.78	0.14
SDCIP	22.18	21.91	0.27
Agency Bonds	104.77	93.35	11.42
Certificates of Deposit	-	2.48	(2.48)
Total	\$200.81	\$170.80	\$30.01

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/>

SDHC's Portfolio Distribution



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 2021, SDHC had approximately \$307.5 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.

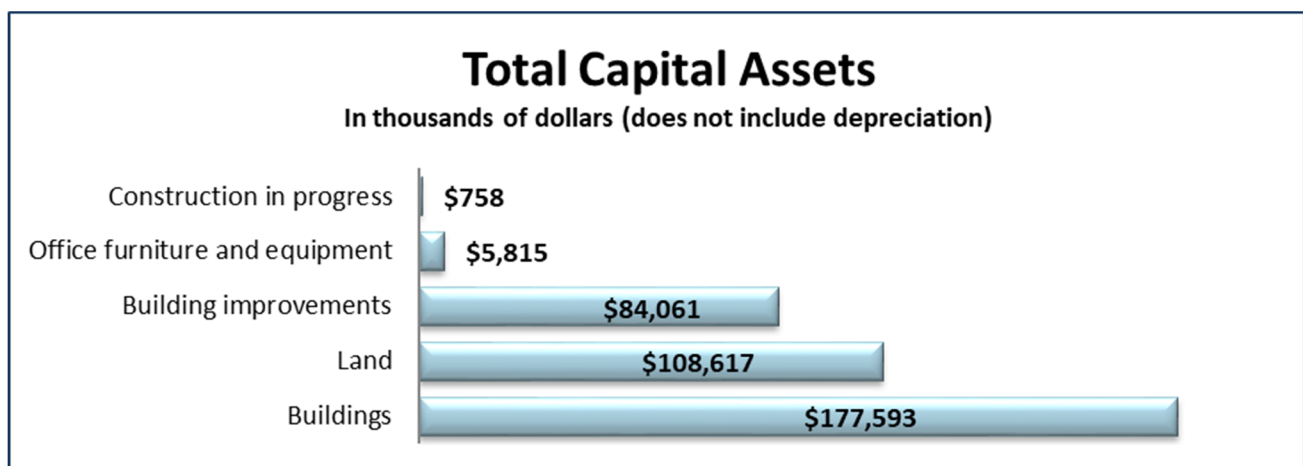
In Fiscal Year 2021, SDHC acquired Hillcrest Inn Apartments, Valley Vista and Kearny Vista resulting in additions to land and building of \$32.0 million and \$83.5 million respectively. In addition, five of the single-family homes in SDHC's portfolio were transferred to its discrete component unit, HDP.

In addition, multi-year renovations at Hotel Sandford were completed as well as comprehensive renovations of the single-family portfolio are included in the increase to building improvements.

Depreciation expense for the Fiscal Year ended June 30, 2021, was \$9.5 million.



Kearny Vista
SDHC-owned Affordable Rental Housing





As of June 30, 2021, SDHC owns 150 properties with 2,401 housing rental units, 189 of those properties are federal public housing units that SDHC operates in the City of San Diego.

In Fiscal Year 2021, SDHC completed the following affordable housing property acquisitions:

- Hillcrest Inn Apartments, 47 housing units for low-income and middle-income families.
- Kearny Vista Apartments, 144 housing units for individuals who experienced homelessness.
- Valley Vista Apartments, 192 housing units for individuals who experienced homelessness.

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

In Fiscal Year 2021, SDHC completed the following affordable housing partnership developments throughout the City of San Diego:

- Stylus, 201 affordable rental units for San Diegans with low income
- Wesley Terrace, 159 affordable rental units for low-income seniors
- Mission Terrace Apartments, 76 affordable rental units for San Diegans with low income
- Hillside Views Apartments, 297 affordable rental units for San Diegans with low income
- Benson Place, 82 affordable rental units for San Diegans experiencing homelessness



Benson Place

82 Affordable rental apartments
for San Diegans who have experienced
homelessness



Stylus Apartments

201 Affordable Apartments
for San Diegans with low income

As of June 30, 2021, SHDC has committed \$34.9 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 1,714 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), Casa Colina (74 affordable units and one manager unit), Quality Inn (91 affordable units and one manager's unit), West Park Inn (46 affordable units and one manager's unit), and San Diego Square (154 affordable units and two manager's units).

Additionally, included in the total, is SDHC's January 2020 transfer of Mariner's Village (170 affordable units and two manager units) and SDHC's December 2020 transfer of five single family properties for a pilot program in building accessory dwelling units, sometimes referred to as "granny flats" or ADUs.

The abbreviated financial statements are for the period ending December 31, 2020, and are presented in thousands of dollars.

HDP – Discretely Presented Component Units December 31, 2020

ASSETS	
Current and other assets	\$ 33,670
Capital assets net of depreciation	126,931
Total assets	<u>160,601</u>
LIABILITIES	
Current liabilities	6,296
Notes Payable and non-current liabilities	182,003
Total liabilities	<u>188,299</u>
NET POSITION	
Restricted	25,063
Unrestricted	(52,761)
Total liabilities and net position	<u>\$160,601</u>
OPERATING REVENUES	
Dwelling rental income	\$ 14,539
Other revenue	2,345
Total Operating revenues	<u>16,884</u>
OPERATING EXPENSES	
Income before depreciation and other non-operating income and expenses	<u>10,863</u>
Depreciation	6,021
Deficit before other non-operating income and expense	<u>4,768</u>
Other non-operating income and expenses, net	1,253
Change in net position before capital transactions	<u>(5,880)</u>
Capital contributions, net	(4,627)
Transfer of property to component unit	865
Change in net position	<u>(33,164)</u>
Net position:	
Beginning of year	9,228
End of year	<u>\$ (27,698)</u>

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.

The City's homelessness programs also include:

- Day Center Facility for Homeless Adults;
- Homeless Transitional Storage Center;
- Four interim housing programs (Connections Housing Downtown, a one-stop housing and services center for single adults experiencing homelessness; Interim Housing Program for Families, which provides short-term housing and services to help families experiencing homelessness stabilize their lives; the Interim Housing Program for Adults operated out of the Paul Mirable Center on the Father Joe's Villages main campus; and the new Bishop Interim Shelter Program, which also provides shelter beds for single adults);
- A rapid rehousing program; and
- The City's Serial Inebriate Program (SIP) transitional housing program



City of San Diego Bridge Shelter

In Fiscal Year 2021, SDHC also supported more than 138 transitional housing beds, operated by three providers at different locations in the City, with City of San Diego Inclusionary Housing Funds and Housing Trust Funds.

With Federal Emergency Solutions Grant (ESG) and Continuum of Care funds, SDHC partnered with several local nonprofit agencies to provide Rapid Rehousing services. The ESG grant also funds the City's Security Deposit Plus program, which provides financial move-in assistance for persons experiencing homelessness.

On October 16, 2020, the SDHC Board of Commissioners approved a recommendation to the City Council and Housing Authority for SDHC to directly operate a Homelessness Response Center. The City of San Diego's Homelessness Response Center (HRC) provides a broad range of services to help individuals and families experiencing homelessness on their path to permanent or longer-term housing, including housing-focused system navigators. All HRC services are focused on meeting the unique needs of each customer being served. SDHC operates and administers the HRC, in collaboration with the City of San Diego, People Assisting the Homeless (PATH), RTFH, and homelessness service providers.

In Fiscal Year 2021, SDHC also received approval from the City Council to maintain three Rapid Rehousing (RRH) Programs, with funding from Homeless Housing, Assistance and Prevention (HHAP) Program and American Rescue Plan Act (ARPA) Funds. The RRH programs launched in July 2019 and contained funds to serve 120 high-need households experiencing homelessness throughout the program term (both families and individuals).

In November 2020, SDHC purchased two hotel properties using State of California HomeKey funds and created 332 units of permanent housing with supportive services for individuals who previously experienced homelessness. The two properties, Kearny Vista Apartments and Valley Vista Apartments, offer affordable housing units, paired with case management and robust supportive services, to persons experiencing homelessness.



SDHC is one of only 39 original “Moving to Work” (MTW) agencies out of approximately 3,350 public housing authorities nationwide. In 2021, HUD announced the addition of 41 public housing authorities as new MTW agencies.

MTW status provides flexibility and allows SDHC to determine the most effective housing assistance programs for households with low income or experiencing homelessness in the City of San Diego

At the close of Fiscal Year 2021, SDHC had committed a total of more than 4,700 rental assistance subsidies for families and individuals experiencing homelessness dating back to 2002. This includes 1,235 Veterans Affairs Supportive Housing (VASH) vouchers.

SDHC also committed 214 federal Project-Based Housing Vouchers (PBVs) to affordable housing developments in Fiscal Year 2021. These vouchers are known as affordable housing PBVs. They provide rental assistance to households with low income in the City of San Diego.

Additional MTW Programs

SDHC's MTW operating budget in Fiscal Year 2021 was \$191,865,040. Examples of MTW initiatives that SDHC has implemented are the expansion of the Choice Communities Initiative, updates to rental assistance payment standards, Path to Success, the SDHC Achievement Academy, and HOUSING FIRST – SAN DIEGO homelessness initiatives, such as Guardian Scholars, the Monarch School Project, SDHC Moving Home Rapid Rehousing and SDHC Moving On Rental Assistance.

Choice Communities. SDHC's Choice Communities initiative 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 April 1, 2021, SDHC updated the payment

standards that are used to determine the amount of rental assistance each family receives.

In Fiscal Year 2021, 1,421 families moved to Enterprise or Choice communities. In addition, 775 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 2021, 252 families participated in this Security Deposit Loan Program, and SDHC loaned a total of more than \$411,820 through this program

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 2021, more than 2,300 SDHC Achievement Academy participants attended 217 workshops addressing various topics, such as financial education, life skills, workforce readiness, computer literacy and job recruitments. The average hourly wage participants earned was \$16.80.

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.

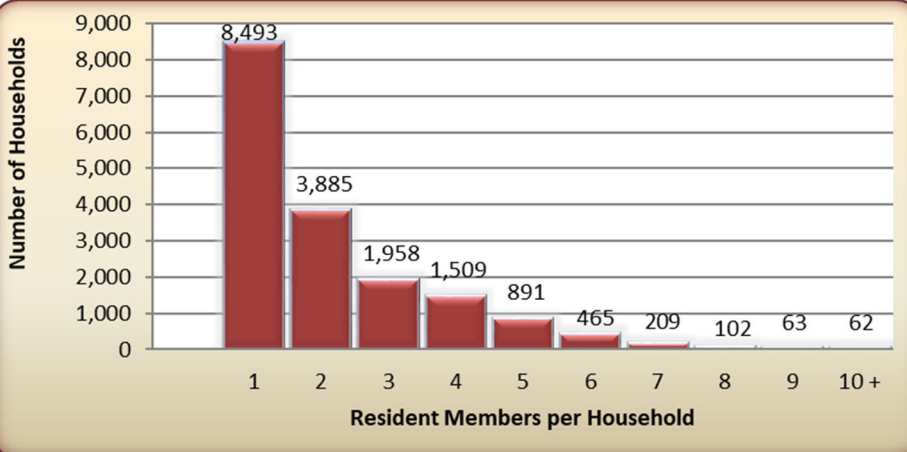
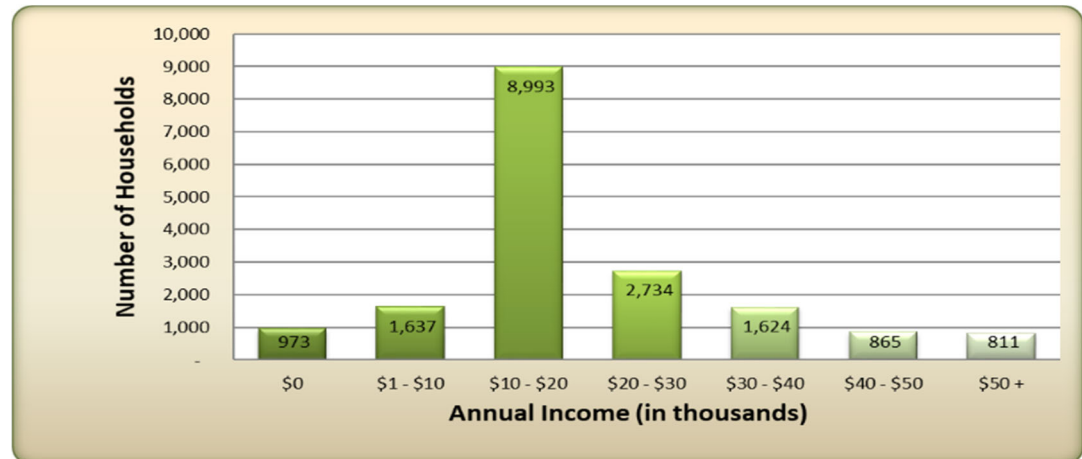
Demographics of the HCV Program



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 16,000 low-income families in the City of San Diego. The number of rental assistance households fluctuates throughout the year, as participating families are able to move on and leave the program at different times, enabling SDHC to bring new families into the program from the waiting list.

Income per HCV Household

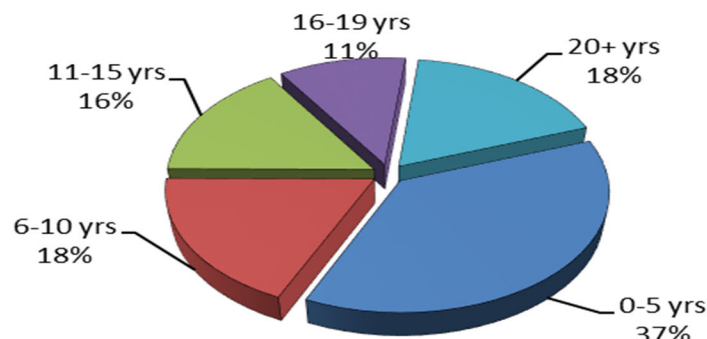
- 66% of HCV recipients' income is less than \$19,999



Resident Members per Household

- Nearly 8,500 households have a single-member
- 22% have two members
- 11% have three members

Years of Residency in HCV Program





SAN DIEGO

HOUSING

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1122 Broadway, Suite 300, San Diego, CA 92101

www.sdhc.org

Hotel Sandford
A Project of the San Diego Housing Commission

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

June 30, 2021

Hotel Sandford
A Project of the San Diego Housing Commission

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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 Hotel Sandford (the "Project") owned by the San Diego Housing Commission ("SDHC"), which comprise the statement of net position as of June 30, 2021, 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.

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 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 Hotel Sandford as of June 30, 2021, and the changes in its financial position and its cash flows for the year 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, 2021 and the changes in its financial position and its cash flows for the year 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 16 to 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 October 14, 2021, 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
October 14, 2021

Hotel Sandford
A Project of the San Diego Housing Commission

Statement of Net Position
June 30, 2021

Assets

Current assets	
Cash and cash equivalents	\$ 94,361
Tenants' accounts receivable, net	64,592
Accounts receivable - other	<u>10,030</u>
Total current assets	<u>168,983</u>
Noncurrent assets	
Restricted deposits and funded reserves	
Replacement reserve	<u>262,473</u>
Total restricted deposits and funded reserves	<u>262,473</u>
Capital assets, not being depreciated	
Land	<u>3,372,388</u>
Total capital assets not being depreciated	3,372,388
Capital assets, being depreciated	
Buildings	3,608,903
Building improvements	<u>8,696,857</u>
Total capital assets being depreciated	12,305,760
Less accumulated depreciation	<u>(3,806,546)</u>
Total capital assets	<u>11,871,602</u>
Total noncurrent assets	<u>12,134,075</u>
Total assets	<u><u>\$ 12,303,058</u></u>

Hotel Sandford
A Project of the San Diego Housing Commission

Statement of Net Position
June 30, 2021

Liabilities and Net Position

Current liabilities	
Accounts payable - operations	\$ 281,753
Accrued expenses	<u>70,066</u>
Total current liabilities	<u>351,819</u>
Deposits and prepaid liability	
Tenants' security deposits liability	31,727
Prepaid rent	<u>19,341</u>
Total deposits and prepaid liability	<u>51,068</u>
Long-term liabilities	
Mortgage payable - first mortgage	5,843,137
Accrued interest - first mortgage	<u>597,653</u>
Total long-term liabilities	<u>6,440,790</u>
Total liabilities	<u>6,843,677</u>
Contingency	-
Net Position	
Net investment in capital assets	6,028,465
Restricted for replacement reserve	262,473
Unrestricted	<u>(831,557)</u>
Total net position	<u>5,459,381</u>
Total liabilities and net position	<u><u>\$ 12,303,058</u></u>

See Notes to Financial Statements.

Hotel Sandford
A Project of the San Diego Housing Commission

Statement of Revenue, Expenses and Changes in Net Position
Year Ended June 30, 2021

Operating revenue	
Rental income	\$ 1,233,990
Vacancies and concessions	(86,389)
Other operating income	<u>17,816</u>
Total operating revenue	<u>1,165,417</u>
Operating expenses	
Salaries and employee benefits	242,488
Repairs and maintenance	972,800
Utilities	220,812
Real estate taxes	8
Property insurance	28,883
Miscellaneous operating expenses	<u>227,832</u>
Total operating expenses	<u>1,692,823</u>
Net operating loss	<u>(527,406)</u>
Nonoperating revenue (expense)	
Interest expense - first mortgage	(58,431)
Miscellaneous other income (expense)	(122,587)
Depreciation	<u>(517,035)</u>
Total nonoperating revenue (expense)	<u>(698,053)</u>
Change in net position before capital contributions	(1,225,459)
Contributions	<u>816,859</u>
Change in net position	(408,600)
Net position	
Beginning of year	<u>5,867,981</u>
End of year	<u><u>\$ 5,459,381</u></u>

See Notes to Financial Statements.

Hotel Sandford
A Project of the San Diego Housing Commission

Statement of Cash Flows
Year Ended June 30, 2021

Cash flows from operating activities	
Cash received from tenants and operations	\$ 1,151,683
Cash payments to suppliers for operations	(2,297,541)
Cash payments for general and administrative expenses	<u>(393,020)</u>
Net cash used in operating activities	<u>(1,538,878)</u>
Cash flows from capital and related financing activities	
Cash payments for capital assets	<u>(244,789)</u>
Net cash used in capital and related financing activities	<u>(244,789)</u>
Cash flows from noncapital financing activities	
Contributions	<u>816,859</u>
Net cash provided by noncapital financing activities	<u>816,859</u>
Net decrease in cash and cash equivalents	(966,808)
Cash and cash equivalents, beginning	<u>1,323,642</u>
Cash and cash equivalents, end	<u><u>\$ 356,834</u></u>
Financial statement presentation	
Cash and cash equivalents	\$ 94,361
Restricted deposits - replacement reserve	<u>262,473</u>
Total cash and cash equivalents	<u><u>\$ 356,834</u></u>

Hotel Sanford
A Project of the San Diego Housing Commission

Statement of Cash Flows
Year Ended June 30, 2021

Reconciliation of net operating loss to net cash used in operating activities	
Net operating loss	\$ (527,406)
Adjustments to reconcile net operating loss to net cash used in operating activities	
Miscellaneous other income (expense)	(122,587)
Changes in	
Tenants' accounts receivable	(27,360)
Accounts receivable - other	5,079
Accounts payable - operations	(823,827)
Accrued expenses	(52,270)
Tenant security deposits	946
Prepaid rent	8,547
	<hr/>
Net cash used in operating activities	<u><u>\$ (1,538,878)</u></u>

See Notes to Financial Statements.

Hotel Sandford
A Project of the San Diego Housing Commission

Notes to Financial Statements
June 30, 2021

Note 1 - The financial reporting entity

Hotel Sandford is a housing development Project of the San Diego Housing Commission ("SDHC"). The Project consists of a 130-unit single room occupancy hotel project (the "Project") located in San Diego, California. The purpose of the Project is the rehabilitation, operation, and leasing of the Project property to low and very low income households. SDHC entered into an owner participation agreement and permanent loan agreement with the Successor Agency to the Redevelopment Agency of the City of San Diego.

Note 2 - Significant accounting policies

Basic financial statements

The basic financial statements (i.e. the statement of net position, the statement of revenue, expenses and changes in net position and the statement 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, revenue is recognized in the year in which they are earned while expenses are recognized in the year in which the liability is incurred.

The Project distinguishes operating revenues and expenses from non-operating items. Operating revenues 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 tenants. Operating expenses 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's 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, 2021, the reconciled balance of SDHC general cash account is \$46,431,892, of which \$94,361 belongs to the Project.

Tenants' accounts receivable, net

Tenants' accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenants accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2021, the allowance for doubtful accounts is \$20,444.

Hotel Sandford
A Project of the San Diego Housing Commission

Notes to Financial Statements
June 30, 2021

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

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

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

Fair value

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

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

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

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

Investment in capital assets

Capital assets are stated at cost or estimated historical cost. Contributed capital assets are recorded at acquisition value at the time received. The capitalization threshold for all capital assets is \$5,000.

Hotel Sandford
A Project of the San Diego Housing Commission

Notes to Financial Statements
June 30, 2021

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:

Buildings	40 years
Building improvements	15 years

The cost of normal maintenance and repair that do not add to the value of the asset or materially extend the life 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, 2021, there has been no impairment of the capital assets.

Rental income

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

Commercial rental income is recognized on the straight-line basis over the term of the related leases. Lease income recognized in excess of the amounts due are recorded as deferred lease receivable. All leases between the Project and the tenants of the property are operating leases.

Net position

In the statement 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.

Hotel Sandford
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Notes to Financial Statements
June 30, 2021

Note 3 - Restricted deposits and funded reserves

Replacement reserve

The Project maintains a replacement reserve held in a separate account by SDHC. The Project is required to make deposits to the reserve based on available cash flow. A detailed schedule of the replacement reserve activity for the year ended June 30, 2021 is set forth below:

Balance, July 1	\$ 262,473
Balance, June 30	<u>\$ 262,473</u>

Note 4 - Capital assets

The summary of changes in capital assets for the year ended June 30, 2021 is as follows:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets, not being depreciated				
Land	\$ 3,372,388	\$ -	\$ -	\$ 3,372,388
Construction in progress	<u>2,260,505</u>	<u>-</u>	<u>(2,260,505)</u>	<u>-</u>
Total capital assets not being depreciated	<u>\$ 5,632,893</u>	<u>\$ -</u>	<u>\$ (2,260,505)</u>	<u>\$ 3,372,388</u>
Capital assets, being depreciated				
Buildings	\$ 3,608,903	\$ -	\$ -	\$ 3,608,903
Building improvements	<u>6,191,563</u>	<u>244,789</u>	<u>2,260,505</u>	<u>8,696,857</u>
Total capital assets being depreciated	<u>9,800,466</u>	<u>244,789</u>	<u>2,260,505</u>	<u>12,305,760</u>
Less accumulated depreciation for				
Buildings	(928,651)	(90,346)	-	(1,018,997)
Building improvements	<u>(2,360,860)</u>	<u>(426,689)</u>	<u>-</u>	<u>(2,787,549)</u>
Total accumulated depreciation	<u>(3,289,511)</u>	<u>(517,035)</u>	<u>-</u>	<u>(3,806,546)</u>
Total capital assets being depreciated, net	<u>\$ 6,510,955</u>	<u>\$ (272,246)</u>	<u>\$ 2,260,505</u>	<u>\$ 8,499,214</u>
Total capital assets, net	<u>\$ 12,143,848</u>	<u>\$ (272,246)</u>	<u>\$ -</u>	<u>\$ 11,871,602</u>

Depreciation expense for the year ended June 30, 2021 was \$517,035.

Note 5 - Related party transactions

Annual monitoring fee

The owner participation agreement provides for payment to SDHC for services provided in managing the affairs for the Project. The Project shall pay a fee in the amount of \$7,050, increasing annually at the rate of the annual increase to the Consumer Price Index. The fee is cumulative and does not accrue interest on any unpaid amount. For the year ended June 30, 2021, \$8,350 was incurred and is included in miscellaneous operating expense on the statement of revenue, expenses and changes in net position.

Hotel Sandford
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Notes to Financial Statements
June 30, 2021

Note 6 - Mortgage payable

SDHC entered into a mortgage payable dated March 8, 2010 to the City of San Diego in the maximum amount of \$6,095,000; secured by a subordinate deed of trust on the Project; bearing 1% simple interest; payable annually from available cash flow; and maturing 55 years from the date of closing. The mortgage will be forgiven at the end of the 55-year period. As of June 30, 2021, outstanding principal and accrued interest was \$5,843,137 and \$597,653, respectively. During the year ended June 30, 2021, interest of \$58,431 was incurred.

Note 7 - Lease commitments

The Project accounts for all lease arrangements as operating leases. Under this method, rentals are recorded as income as they become due. The Project owns 7,663 square feet of first floor retail space. The first floor is leased to Associated Barber College of San Diego, BB's Delicatessen, a Bartending College and Alvarez Construction. The leases are for the terms ranging from two to five years. For the year ended June 30, 2021, the Project recognized commercial lease income of \$123,015 from the leases.

Aggregate future collections of minimum lease payments are as follows:

2022	\$	124,169
2023		127,894
2024		32,301
2025		19,587
2026		4,933
		<hr/>
Total	\$	<u>308,884</u>

Note 8 - Management fee

SDHC allocates overhead fees for management services rendered to the Project consistent with allocation percentage charged for operating expenses. During the year ended June 30, 2021, no management fees were incurred and the overhead allocation was \$122,587.

Note 9 - Construction contract

SDHC entered into a construction contract with LDCo. Inc., an unrelated party, in the amount of \$2,505,294, as adjusted by change orders, for the rehabilitation of the Project. As of June 30, 2021, the entire amount of the contract has been completed and capitalized as a cost of the Project. As of June 30, 2021, \$0 remains payable.

Note 10 - Concentration of credit risk

The Project maintains its cash balances 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. Bank balances are fully insured and/or collateralized with securities held by the pledging financial institutions in SDHC's, the Project's sole owner, name as discussed below.

Hotel Sandford
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Notes to Financial Statements
June 30, 2021

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.

SDHC believes that no significant concentration of credit risks exists with respect to the cash balances of the Project at June 30, 2021.

Note 11 - Economic concentrations

The Project is a 130-unit rental housing project located in San Diego, California. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

The Project receives rental subsidy in the form of tenant vouchers. For the year ended June 30, 2021, the Project received subsidy payments of \$216,961, which was applied as partial rent for low-income tenants.

Note 12 - 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. As of June 30, 2021, the global pandemic is still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on the Project.

Note 13 - 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 October 14, 2021, 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

Hotel Sandford
A Project of the San Diego Housing Commission

Schedule of Certain Revenue and Expenses
Year Ended June 30, 2021

Rental income	
Rent revenue	\$ 1,050,141
Miscellaneous rent revenue	22,153
Commercial rent revenue	<u>161,696</u>
Total rental income	<u><u>\$ 1,233,990</u></u>
Vacancies and concessions	
Apartments vacancies	\$ 47,708
Commercial vacancies	10,510
Rental concessions	<u>28,171</u>
Total vacancies and concessions	<u><u>\$ 86,389</u></u>
Other operating income	
Laundry and vending	\$ 9,093
Tenant charges	4,578
Application fees	635
Miscellaneous other income	<u>3,510</u>
Total other operating income	<u><u>\$ 17,816</u></u>
Salaries and employee benefits	
Salaries - administrative	\$ 84,556
Salaries - maintenance	83,273
Health insurance and other benefits	63,627
Workmen's compensation insurance	<u>11,032</u>
Total salaries and employee benefits	<u><u>\$ 242,488</u></u>
Repairs and maintenance	
Fire protection	\$ 1,582
Security services/contract	166,858
Supplies	44,087
HVAC expense	4,449
Painting, decorating and cleaning	89,370
Repairs and maintenance - other than contracts	338,533
Repairs and maintenance - contracts	272,798
Elevator	22,116
Carpeting	16,346
Miscellaneous maintenance expenses	<u>16,661</u>
Total repairs and maintenance	<u><u>\$ 972,800</u></u>

Hotel Sandford
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Schedule of Certain Revenue and Expenses
Year Ended June 30, 2021

Utilities	
Electricity	\$ 74,465
Water	28,833
Sewer	25,390
Trash removal	16,400
Gas	28,473
Cable	47,251
	<hr/>
Total utilities	<u>\$ 220,812</u>
Miscellaneous operating expenses	
Office supplies and expense	\$ 5,104
Training and travel	1,054
Telephone and answering service	17,102
Bad debt expense	42,315
Bad debt expense - commercial leases	1,153
Lease expense	613
Miscellaneous administrative	14,239
Compliance monitoring fee	8,350
Legal	5,496
Other professional fees	58,556
Resident activities	73,850
	<hr/>
Total miscellaneous operating expenses	<u>\$ 227,832</u>
Miscellaneous other expense	
SRO SDHC overhead allocation	\$ (106,281)
Commercial SDHC overhead allocation	(16,306)
	<hr/>
Total miscellaneous other expense	<u>\$ (122,587)</u>

See Independent Auditor's Report.

Hotel Sandford
A Project of the San Diego Housing Commission

Computation of SRO Residual Receipts
Year Ended June 30, 2021

SRO revenue	
Gross revenue	\$ 1,165,417
Less retail income	<u>(123,015)</u>
Total SRO revenue	1,042,402
SRO operating expenses	1,692,823
SRO SDHC overhead allocation	<u>106,345</u>
SRO residual receipts (deficit)	<u><u>\$ (756,766)</u></u>

See Independent Auditor's Report.

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 Hotel Sandford (the "Project") owned by the San Diego Housing Commission, which comprise the statement of net position as of June 30, 2021, 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 October 14, 2021 which included an emphasis of matter paragraph as indicated on page 3.

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 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 a 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 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 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 the Project's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Sacramento, California
October 14, 2021



Independent Member of Nexia International

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