

Housing Development Partners of San Diego

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

December 31, 2019 and 2018

Housing Development Partners of San Diego

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Independent Auditor's Report

To the Board of Directors
Housing Development Partners of San Diego

We have audited the accompanying consolidated financial statements of Housing Development Partners of San Diego, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Housing Development Partners of San Diego as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 27 to 46 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.



Sacramento, California
July 8, 2020

Housing Development Partners of San Diego

Consolidated Statements of Financial Position December 31, 2019 and 2018

Assets

	<u>2019</u>	<u>2018</u>
Current assets		
Cash and cash equivalents	\$ 11,303,232	\$ 8,619,371
Restricted deposits and funded reserves		
Restricted reserves	76,214	73,801
Tenant security deposits	491,060	427,808
Accounts receivable	539,878	677,420
Deposits	104,787	69,782
Prepaid ground lease	216,925	225,569
Prepaid expenses	162,179	132,123
	<u>12,894,275</u>	<u>10,225,874</u>
Total current assets		
Noncurrent assets		
Restricted deposits and funded reserves		
Restricted reserves	4,594,996	3,377,205
Escrow deposits	11,014,729	4,648,486
Tax credit fees, net	174,875	187,945
Deposits	69,861	51,232
Investment in partnerships	58,281	51,747
Prepaid ground leases, less current portion	3,214,433	3,422,714
Property, equipment and improvements, net	99,183,950	97,288,160
Predevelopment costs	627,854	132,699
	<u>118,938,979</u>	<u>109,160,188</u>
Total noncurrent assets		
Total assets	<u>\$ 131,833,254</u>	<u>\$ 119,386,062</u>

Housing Development Partners of San Diego

**Consolidated Statements of Financial Position
December 31, 2019 and 2018**

Liabilities and Net Assets

	2019	2018
Current liabilities		
Accounts payable and accrued expenses	\$ 618,091	\$ 2,679,834
Construction costs payable	836,425	2,318,702
Accrued interest payable	164,302	256,025
Ground lease payable	151,453	116,512
Mortgages and notes payable, current portion	777,516	519,198
Prepaid revenue	18,241	266,417
Related party payables	835,238	203,872
Tenant security deposits liability	478,552	412,224
	<hr/>	<hr/>
Total current liabilities	3,879,818	6,772,784
	<hr/>	<hr/>
Noncurrent liabilities		
Accrued interest payable	3,624,395	3,235,188
Deferred grant revenue	10,906,082	10,840,710
Mortgages and notes payable, less current portion	89,999,367	89,308,848
Related party payables, less current portion	-	587,999
	<hr/>	<hr/>
Total noncurrent liabilities	104,529,844	103,972,745
	<hr/>	<hr/>
Total liabilities	108,409,662	110,745,529
	<hr/>	<hr/>
Commitments and contingencies	-	-
	<hr/>	<hr/>
Net assets		
With donor restriction	-	-
Without donor restriction, controlling	(3,054,869)	(1,947,597)
Without donor restriction, noncontrolling	26,478,461	10,588,130
	<hr/>	<hr/>
Total net assets	23,423,592	8,640,533
	<hr/>	<hr/>
Total liabilities and net assets	\$ 131,833,254	\$ 119,386,062
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See Notes to Consolidated Financial Statements

Housing Development Partners of San Diego

Consolidated Statements of Activities Years Ended December 31, 2019 and 2018

	2019	2018
Revenue and support		
Rental income	\$ 11,530,303	\$ 10,002,258
Developer fees	1,125,058	1,299,483
Grant income	297,555	537,991
Interest income	96,196	50,918
Note forgiveness	23,000	23,000
Management fees	125,664	129,568
Miscellaneous income	29,293	90,578
Resident services	76,329	74,250
Share of income from partnerships	6,535	6,528
	<u>13,309,933</u>	<u>12,214,574</u>
Total revenue and support		
Expenses		
Program services	14,724,690	13,035,282
Management and general	1,947,609	1,908,720
	<u>16,672,299</u>	<u>14,944,002</u>
Total expenses		
Change in net assets - without donor restriction	<u>\$ (3,362,366)</u>	<u>\$ (2,729,428)</u>
Change in net assets, controlling	\$ (594,392)	\$ 764,571
Change in net assets, noncontrolling	<u>(2,767,974)</u>	<u>(3,493,999)</u>
Change in net assets - without donor restriction	<u>\$ (3,362,366)</u>	<u>\$ (2,729,428)</u>

See Notes to Consolidated Financial Statements

Housing Development Partners of San Diego

Consolidated Statements of Changes in Net Assets Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Controlling interest		
Without donor restriction, beginning	\$ (1,947,597)	\$ (2,712,168)
Payment of accrued interest on seller note	(512,880)	-
Change in net assets	<u>(594,392)</u>	<u>764,571</u>
Without donor restriction, controlling ending	<u><u>\$ (3,054,869)</u></u>	<u><u>\$ (1,947,597)</u></u>
Noncontrolling interest		
Without donor restriction, beginning	\$ 10,588,130	\$ 14,244,659
Contributions	18,830,403	10
Distributions	(122,098)	(132,296)
Syndication costs	(50,000)	(30,244)
Change in net assets	<u>(2,767,974)</u>	<u>(3,493,999)</u>
Without donor restriction, noncontrolling ending	<u><u>\$ 26,478,461</u></u>	<u><u>\$ 10,588,130</u></u>

Housing Development Partners of San Diego
Consolidated Statements of Functional Expenses
Year Ended December 31, 2019

	Program services	Management and general	Total
Salaries	\$ 1,043,580	\$ -	\$ 1,043,580
Payroll taxes	78,550	-	78,550
Employee benefits	212,410	-	212,410
Consultants	788,046	608,815	1,396,861
Rent	-	40,503	40,503
Office expenses	55,828	150,441	206,269
Training, travel and parking	16,771	31,462	48,233
Property and partnership management	-	567,916	567,916
Resident services	297,719	-	297,719
Relocation cost	166,561	-	166,561
Repairs and maintenance	1,325,472	8,277	1,333,749
Supplies	149,277	-	149,277
Utilities and telephone	1,169,642	35,818	1,205,460
Property tax and insurance	412,415	55,920	468,335
Interest	3,800,478	-	3,800,478
Legal and accounting	120,680	221,752	342,432
Bad debt expense	56,540	-	56,540
Ground lease expense	563,564	-	563,564
Advertising and marketing	626	-	626
Miscellaneous administrative expense	334,014	222,367	556,381
Depreciation and amortization	4,132,517	4,338	4,136,855
	<u>4,132,517</u>	<u>4,338</u>	<u>4,136,855</u>
Total functional expenses	<u>\$ 14,724,690</u>	<u>\$ 1,947,609</u>	<u>\$ 16,672,299</u>

Housing Development Partners of San Diego
Consolidated Statements of Functional Expenses
Year Ended December 31, 2018

	Program services	Management and general	Total
Salaries	\$ 1,262,247	\$ -	\$ 1,262,247
Payroll taxes	67,267	-	67,267
Employee benefits	225,015	-	225,015
Consultants	470,004	649,593	1,119,597
Rent	-	34,152	34,152
Office expenses	22,116	154,361	176,477
Training, travel and parking	6,978	32,936	39,914
Property and partnership management	-	547,837	547,837
Resident services	285,961	-	285,961
Relocation cost	1,132,477	-	1,132,477
Repairs and maintenance	1,032,808	2,584	1,035,392
Supplies	126,254	-	126,254
Utilities and telephone	1,146,788	49,514	1,196,302
Property tax and insurance	389,484	31,734	421,218
Interest	3,331,793	-	3,331,793
Legal and accounting	4,675	228,187	232,862
Bad debt expense	41,578	-	41,578
Ground lease expense	527,773	-	527,773
Advertising and marketing	4,987	21	5,008
Miscellaneous administrative expense	130,572	173,471	304,043
Depreciation and amortization	2,826,505	4,330	2,830,835
	<u>\$ 13,035,282</u>	<u>\$ 1,908,720</u>	<u>\$ 14,944,002</u>
Total functional expenses	<u>\$ 13,035,282</u>	<u>\$ 1,908,720</u>	<u>\$ 14,944,002</u>

Housing Development Partners of San Diego

Consolidated Statements of Cash Flows Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Changes in net assets without donor restrictions	\$ (3,362,366)	\$ (2,729,428)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	4,136,855	2,830,835
Amortization of debt issuance costs	75,591	74,695
Amortization of prepaid ground lease	216,925	232,518
Deferred grant revenue	(297,554)	(517,021)
Gain on investments	(6,534)	(1,102)
Note forgiveness	(23,000)	(23,000)
(Increase) decrease in		
Accounts receivable	137,542	(342,205)
Prepaid expenses	(30,056)	(72,947)
Deposits	(53,634)	72,168
Increase (decrease) in		
Accounts payable and accrued expenses	(91,821)	212,296
Ground lease payable	34,941	60,686
Prepaid revenue	(248,176)	224,517
Accrued interest payable	297,484	432,961
Tenant security deposits liability	66,328	79,702
	<u>852,525</u>	<u>534,675</u>
Net cash (used in) provided by operating activities		
Cash flows from investing activities		
Payment of construction costs payable	(4,289,854)	(1,389,047)
Tax credit fees paid	(7,482)	(91,505)
Predevelopment costs paid	(495,155)	-
Investment in property and equipment	(5,174,438)	(25,913,781)
	<u>(9,966,929)</u>	<u>(27,394,333)</u>
Net cash used in investing activities		

(Continued)

Housing Development Partners of San Diego

Consolidated Statements of Cash Flows Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from financing activities		
Principal payments on mortgages and notes payable	(23,274,340)	(556,698)
Proceeds from mortgages and notes payable	24,887,919	22,931,945
Related party payables	43,367	191,899
Receipt of deferred grant revenue	362,926	-
Debt issuance costs paid	(717,333)	(1,266,558)
Payment of accrued interest on seller note	(512,880)	-
Contributions	18,830,403	10
Distributions	(122,098)	(132,296)
Syndication costs paid	(50,000)	(30,244)
Net cash provided by financing activities	19,447,964	21,138,058
Increase (decrease) in cash, cash equivalents and restricted cash	10,333,560	(5,721,600)
Cash, cash equivalents and restricted cash, beginning	17,146,671	22,868,271
Cash, cash equivalents and restricted cash, ending	<u>\$ 27,480,231</u>	<u>\$ 17,146,671</u>
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amount capitalized of \$0 and \$288,538	<u>\$ 4,097,962</u>	<u>\$ 3,476,216</u>
Supplemental disclosure of noncash investing and financing activities		
Accounts payable included in property and equipment	<u>\$ -</u>	<u>\$ 2,036,975</u>
Construction costs payable included in property and equipment	<u>\$ 836,425</u>	<u>\$ 2,318,702</u>
Accounts payable included in (reduction of) tax credit fees	<u>\$ (1,230)</u>	<u>\$ 32,390</u>

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2019 and 2018

Note 1 - Corporation and nature of operations

The accompanying consolidated financial statements include Housing Development Partners of San Diego, a California nonprofit corporation ("HDP"), a component unit of the San Diego Housing Commission ("SDHC") and its Operating Entities, as listed on page 13, and collectively shall be referred to as 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. The management of SDHC has oversight responsibility for the component unit; therefore, the accounts of HDP have been included within the scope of the basic financial statements of SDHC.

HDP was organized for the purpose to provide low and moderate income persons, elderly persons, and handicapped persons with affordable housing by acquiring or developing publicly financed low and moderate income housing and renting such housing to these persons and facilities and services related to housing.

The Corporation shares staff and Board of Directors with SDHC. 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. Therefore, SDHC can exercise considerable influence over the Corporation.

HDP oversees the management of over 1,500 rental units throughout the City of San Diego including Dawson Avenue Senior Apartments, LP, Island Palms Apartments, LP and Studio 15 Housing Partners, LLC.

The Corporation receives significant funding from federal, state and local government subsidies in various forms, including low-income housing tax credits, low-interest rate loans, grants, and rent subsidies for qualifying very-low, low- and moderate-income tenants.

Note 2 - Significant accounting policies

Basis of presentation

The financial statements of the Corporation have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), which require the Corporation to report information regarding its financial position and activities according to the following net asset classifications:

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Corporation. These net assets may be used at the discretion of the Corporation's management and the board of directors.
- *Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities and changes in net assets.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2019 and 2018

Principles of consolidation

The accompanying consolidated financial statements of the Corporation include the accounts of HDP, and the Operating Entities listed below. These entities are included in the consolidation in accordance with GAAP, which require consolidation of all such entities which are deemed to be controlled by the Corporation. All material intercompany transactions have been eliminated in consolidation.

Operating Entity	Beneficial owner	Ownership %
Casa Colina, LP ("Casa Colina")	HDP	0.01%
HDP Mason Housing Corporation ("HDP Mason")	HDP	N/A
Logan Development Management LLC	HDP	79.00%
Logan Development II, LP ("Logan")	Logan Development Management LLC	0.01%
HDP Parker Kier, LLC	HDP	100.00%
HDP Churchill, LLC	HDP	100.00%
HDP Churchill, LP	HDP	99.99%
HDP Broadway LP ("Broadway")	HDP Broadway Management, LLC	0.01%
HDP Broadway Management, LLC	HDP	79.00%
HDP Island Village, LLC	HDP	100.00%
HDP Town & Country, LLC	HDP	100.00%
HDP Town & Country LP ("Town & Country")	HDP Town & Country, LLC	0.01%
HDP New Palace Management, LLC	HDP	79.00%
HDP New Palace, LP ("New Palace")	HDP New Palace Management, LLC	0.01%
HDP Village North, LLC ("Village North")	HDP	100.00%
HDP Quality Inn, LLC	HDP	100.00%
HDP West Park, LP	HDP	0.009%
HDP West Park Management, LLC	HDP	79.00%
HDP Mariner's Village Management, LLC	HDP	100.00%
HDP Mariner's Village LP	HDP	100.00%
HDP Casa Colina Management, LLC	HDP	100.00%
HDP ADU, LLC	HDP	100.00%

Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and the disclosures in the accompanying notes. Actual results could differ from those estimates. Estimates of future operations were made by management in the calculation of the amount of development fee revenue recognized under GAAP.

Cash and cash equivalents

The Corporation considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted reserves and deposits

Restricted reserves and deposits primarily consist of operating and replacement reserves and property tax and insurance escrows. Such reserves are required by various financing authorities, lenders or stipulations in the applicable partnership or operating agreements.

Accounts receivable

Accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. GAAP requires that the allowance

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2019 and 2018

method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Notes receivable

Notes receivable are reported net of an allowance for uncollectible amounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of notes receivable. As of December 31, 2019 and 2018, there is no allowance for doubtful accounts. All related party notes receivable have been eliminated in consolidation.

Due from affiliates

The advances due from affiliates are reported net of an allowance for doubtful accounts. As of December 31, 2019 and 2018, there is no allowance for doubtful accounts. All amounts due from affiliates have been eliminated in consolidation.

Investments in partnerships

Investments in partnerships include the co-general partner interest of the Corporation in certain tax credit partnerships which are not controlled by the Corporation. The Corporation accounts for its investments in such limited partnerships ("Investees") in accordance with the equity method of accounting, under which the investment is carried at cost and is adjusted for the Corporation's share of the Investees' results of operations and by cash distributions received. The Corporation regularly assess the carrying value of its investments in partnerships. If the carrying value exceeds the estimated value derived by management, the Corporation would reduce its investments by the amount by which the carrying amounts exceed the assessed value. During the years ended December 31, 2019 and 2018, the Corporation did not make any such adjustments. The Investees are variable interest entities whose activities are consolidated with the business activities of their controlling owners.

Property, equipment and improvements

Property, equipment and improvements are recorded at cost. Expenditures for maintenance and repairs are expensed as incurred, while major renewals and betterments are capitalized. Costs of properties constructed or rehabilitated include all direct costs of construction, as well as carrying costs during the construction period and indirect costs of construction, supervision and management. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of activities. Depreciation is computed using the straight-line method over the estimated useful lives ranging from 5 to 40 years.

It is the Corporation's policy to capitalize expenditures for property, equipment and improvements exceeding \$2,000.

Predevelopment costs

The Corporation incurs costs in connection with properties it is considering for development as well as costs associated with projects in the initial stages of development. These costs include such items as market studies, purchase options, environmental study costs, legal and accounting costs. Predevelopment costs are capitalized until such time as the project is no longer considered desirable or feasible, at which time the costs are expensed. Predevelopment costs related to projects that are ultimately developed are subsequently recorded as receivables to be repaid by the applicable projects. During the years ended December 31, 2019 and 2018, \$122,208 and \$3,514, respectively, of predevelopment costs were expensed and included in miscellaneous administrative expense on the consolidated statements of activities.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2019 and 2018

Impairment of long-lived assets

The Corporation reviews its property, equipment and improvements for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment losses have been recognized during the years ended December 31, 2019 and 2018.

Tax credit fees

Costs related to obtaining low-income housing tax credits are being amortized using the straight-line method over the mandatory 15-year compliance period.

Estimated annual amortization for each of the next five years following December 31, 2019 is \$19,240 per year for 2020-2022, \$17,873 for 2023 and \$16,507 for 2024.

Prepaid ground leases

The cost of ground leases are amortized over the terms of the agreements using the straight-line method.

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.

Noncontrolling interest in limited partnerships

The noncontrolling interest in the consolidated statements of financial position represent the aggregate balance of limited partners equity interest in the affiliate limited partnerships that are included in the consolidated financial statements.

Deferred grant revenue

Government grants related to the acquisition of assets are recognized initially as deferred grant revenue when there is reasonable assurance that the Corporation will comply with the conditions associated with the grants. Grant revenue is recognized in the consolidated statements of activities on a systematic basis over the useful life of the related asset. Deferred grant revenue totaled \$10,906,082 and \$10,840,710 for the years ended December 31, 2019 and 2018, respectively.

Revenue recognition

Revenue primarily consist of rental income, development fees, grants, interest income, management fees and share of income from partnerships.

Development fees and management fees are accounted for as contracts with customers. Under the guidance for contracts with customers, an entity is required to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, an entity may include variable considerations only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

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Notes to Consolidated Financial Statements December 31, 2019 and 2018

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

Portions of the rental income are in the form of subsidy payments from the U.S. Department of Housing and Urban Development ("HUD") under Section 8 of the National Housing Act and a Project Rental Assistance Contract. Tenants are subsidized based upon their level of income. Rent increases require HUD approval.

Laundry and cable income received in advance are deferred until earned.

Property management fee income is earned monthly based on the management agreement. Fees earned for consolidated entities are eliminated in the consolidation.

Development fees

Development fees earned are paid from the project's equity and debt proceeds at the completion of the construction of the project. These fees are recognized over the development period beginning when the project is assured of being constructed, as evidenced by the admission of an equity partner, as units are delivered or based on the external construction costs incurred as a percentage of the total external construction costs expected, and concluding with the application for final allocation of tax credits. Any portion of the development fee not expected to be paid using contributions from the equity partner, such as out of cash flow from operations represents variable consideration.

The project estimates whether it will be entitled to variable consideration under the terms of the development agreement and includes its estimate of variable consideration in the total development fee amount when it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur in accordance with the accounting guidance in *ASC Topic 606, Revenue from Contracts with Customers*, on constraining estimates of variable consideration, which typically includes the following factors:

- The susceptibility of the consideration amount to factors outside the project's influence, including insufficient equity and debt proceeds at the completion of the construction of the project.
- Whether the uncertainty about the consideration amount is not expected to be resolved for a long period of time.
- The Corporation's experience with similar types of agreements.
- Whether the Corporation expects to offer changes to payment terms.
- The range of possible consideration amounts.

The cumulative amount of development fees earned over the development agreement is updated at each reporting period based on the project's estimate of the variable consideration using available information at the reporting date. Any difference between the gross amount of the project's developer fee payable and the estimate of variable consideration to which the developer expects to be entitled is eliminated in consolidation.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Program services include all expenses relating to development, management of properties, and resident services. Supporting

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2019 and 2018

services consist of management and general expenses. All expenses are directly attributable to a specific function.

Income taxes

HDP and HDP Mason have applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax-exempt entity pursuant to Section 501 (c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. HDP and HDP Mason did not have any unrelated business income for the years ended December 31, 2019 and 2018. Due to their tax-exempt status, these entities are not subject to income taxes. These entities are required to file tax returns with the IRS and other taxing authorities. Accordingly, these consolidated financial statements do not reflect a provision for income taxes and these entities have no other tax positions which must be considered for disclosure.

The remaining Operating Entities are pass-through entities for income tax purposes and are not subject to income taxes. All items of taxable income, deductions and tax credits are passed through to and are reported by their owners on their respective income tax returns. The Operating Entities' federal tax status as pass-through entities is based on their legal status as a partnership or LLC. The Operating Entities are required to file tax returns with the Internal Revenue Service ("IRS") and other taxing authorities. Accordingly, these consolidated financial statements do not reflect a provision for income taxes and the entities have no other tax positions which must be considered for disclosure. Income tax returns filed by the entities are subject to examination by the IRS for a period of three years. While no income tax returns are currently being examined by the IRS, tax years since 2016 remain open.

Advertising

Advertising costs are expensed as incurred.

Syndication costs

Syndication costs are recorded as a direct reduction to noncontrolling interest when incurred.

Recent accounting pronouncements

In November 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash* ("ASU 2016-18") to address diversity in practice with respect to the cash flows presentation of changes in amounts described as restricted cash and cash equivalents. ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as "restricted cash" herein) when reconciling beginning and ending balances in its statements of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash, cash equivalents and restricted cash between the statements of financial position and the statements of cash flows. ASU 2016-18 was adopted retrospectively during the year ended December 31, 2019.

As a result of the adoption of ASU 2016-18 the following changes were made to the consolidated statements of cash flows for the year ended December 31, 2018:

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2019 and 2018

	As previously reported	As revised
Net cash provided by operating activities	\$ 497,316	\$ 534,675
Net cash used in investing activities	(23,323,978)	(27,394,333)
Net decrease in cash and cash equivalents	(1,688,604)	(5,721,600)
Cash, cash equivalents and restricted cash, beginning	10,307,975	22,868,271
Cash, cash equivalents and restricted cash, ending	8,619,371	17,146,671

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Corporation implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements on a retrospective basis. There is no effect on net assets in connection with the implementation of ASU 2018-08.

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), as amended by subsequent Accounting Standard Updates (collectively Codification Topic 606 "ASC 606"). The Corporation adopted ASC 606 as amended as management believes the standard improves the usefulness and understandability of the Corporation's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Corporation recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

As of January 1, 2019, the Corporation adopted Accounting Standards Update 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). In addition to other provisions, ASU 2016-01 eliminates certain disclosures of fair value of financial instruments for certain nonpublic entities that were applicable to the Corporation in prior years.

Note 3 - Restricted deposits and funded reserves

In accordance with the terms of loan agreements, regulatory agreements and partnership agreements, deposits are made into replacement reserve accounts, operating reserve accounts, tax and insurance escrow accounts and other accounts as required by the applicable agreements. Withdrawals from these accounts may require approval from designated parties.

Note 4 - Investment in partnerships

HDP consolidates its ownership interest in certain limited partnerships (see Note 1). As of December 31, 2019 and 2018, the net investment deficit in limited partnership and limited liability companies was \$1,575,761 and \$786,060, respectively, which was eliminated in consolidation for years ended December 31, 2019 and 2018.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2019 and 2018

The following is condensed financial information as of December 31, 2019 and 2018 for those entities which are recorded on the equity method included in investment in partnerships in the consolidated financial statements.

Investment in partnerships consist of the following at December 31, 2019:

Partnership name	Ownership interest	Total assets	Total liabilities	Partners' equity	Partnership investment
Dawson Avenue Senior Apartments, LP	0.01%	\$ 14,228,008	\$ 9,715,269	\$ 4,512,739	\$ 59,659
East Village West LP	0.04%	16,371,444	17,089,411	(717,967)	523
Studio 15 Housing Partners, L.P.	0.01%	26,470,135	31,952,746	(5,482,611)	(1,901)
					<u>\$ 58,281</u>

Investment in partnerships consist of the following at December 31, 2018:

Partnership name	Ownership interest	Total assets	Total liabilities	Partners' equity	Partnership investment
Dawson Avenue Senior Apartments, LP	0.01%	\$ 15,005,297	\$ 9,659,646	\$ 5,345,651	\$ 52,802
East Village West LP	0.04%	17,352,499	16,989,925	362,574	672
Studio 15 Housing Partners, L.P.	0.01%	27,724,466	31,470,267	(3,745,801)	(1,727)
					<u>\$ 51,747</u>

Note 5 - Property, equipment and improvements, net

Property, equipment and improvements consists of the following as of December 31, 2019 and 2018:

	2019	2018
Land	\$ 4,232,087	\$ 4,232,087
Buildings	95,163,390	90,361,648
Site improvements	6,252,467	3,781,180
Furniture and equipment	5,596,477	2,467,075
Construction in progress	5,186,402	9,572,778
Subtotal	116,430,823	110,414,768
Accumulated depreciation	(17,246,873)	(13,126,608)
Total	<u>\$ 99,183,950</u>	<u>\$ 97,288,160</u>

Depreciation expense totaled \$4,120,265 and \$2,807,752 for the years ended December 31, 2019 and 2018, respectively.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2019 and 2018

Note 6 - Mortgages and notes payable

Type of obligations	Interest Rate	Maturity Date	Balance 12/31/2019	Balance 12/31/2018	Due Within One Year
HDP Mason Housing Corporation:					
San Diego Housing Commission	3.00%	2068	\$ 2,365,283	\$ 2,365,283	\$ -
Civic San Diego	3.00%	2066	1,318,964	1,318,964	-
California Housing Finance Agency	3.00%	2066	1,180,727	1,180,727	-
San Diego Housing Commission	3.00%	2057	68,858	68,858	-
San Diego Housing Commission - Debt Forgiveness	0.00%	2023	69,000	92,000	23,000
Less: Unamortized debt issuance costs			(15,667)	(16,001)	-
Casa Colina, LP:					
Red Mortgage Capital, Inc.	5.68%	2039	2,661,746	2,736,458	79,068
San Diego Housing Commission	3.00%	2059	1,240,082	1,318,441	-
Less: Unamortized debt issuance costs			(250,474)	(263,543)	-
Logan Development II, LP:					
Housing Authority of the City of San Diego/serviced by JP Morgan Chase, N.A.	5.58%	2032	3,019,541	3,076,546	59,828
San Diego Housing Commission	6.00%	2050	1,400,000	1,400,000	-
Civic San Diego	3.00%	2050	150,000	150,000	-
Less: Unamortized debt issuance costs			(121,755)	(126,837)	-
HDP Broadway, LP:					
Housing Authority of the City of San Diego/serviced by Berkadia Commercial Mortgage	4.49%	2044	16,646,731	16,903,965	269,025
Less: Unamortized debt issuance costs			(273,791)	(284,743)	-
HDP Churchill, LP:					
San Diego Housing Commission	3.00%	2071	3,800,000	3,800,000	-
Civic San Diego	3.00%	2070	3,000,000	3,000,000	-
California Housing Finance Agency	3.00%	2070	1,800,000	1,800,000	-
San Diego Housing Commission	3.00%	2071	2,212,359	2,232,446	-
Less: Unamortized debt issuance costs			(56,047)	(57,134)	-
HDP New Palace, LP:					
Housing Authority of the City of San Diego/serviced by Citibank N.A. - Series B-1	4.42%	2050	4,900,164	4,910,000	60,561
Housing Authority of the City of San Diego/serviced by Citibank N.A. - Series B-2	Variable	2020	-	5,223,685	-
San Diego Housing Commission	4.00%	2073	3,100,000	2,945,000	-
California Housing Finance Agency	3.00%	2072	2,240,000	2,240,000	-
City of San Diego	3.00%	2072	1,943,177	-	-
Less: Unamortized debt issuance costs			(570,656)	(567,021)	-
HDP Town & Country, LP:					
Housing Authority of the City of San Diego/serviced by Citibank N.A. - Series E-1	4.54%	2054	15,492,421	15,600,000	174,905
Housing Authority of the City of San Diego/serviced by Citibank N.A. - Series E-2	Variable	2020	-	10,560,893	-
Less: Unamortized debt issuance costs			(636,668)	(635,774)	-
HDP Village North, LLC:					
Red Mortgage Capital, LLC	4.54%	2033	8,898,010	9,005,256	111,129
Less: Unamortized debt issuance costs			(144,270)	(149,423)	-
HDP Quality Inn, LLC:					
Citibank, N.A.	4.14%	2035	4,950,000	-	-
San Diego Housing Commission	4.00%	2075	4,631,579	-	-
California Housing Finance Agency	3.00%	2074	2,288,921	-	-
Less: Unamortized debt issuance costs			(315,880)	-	-
HDP West Park LP:					
Housing Authority of the City of San Diego/serviced by Banner Bank	Variable	2039	4,163,631	-	-
Less: Unamortized debt issuance costs			(379,103)	-	-
			<u>\$ 90,776,883</u>	<u>\$ 89,828,046</u>	<u>\$ 777,516</u>

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2019 and 2018

The annual maturities of long-term debt for each of the next five years and thereafter subsequent to December 31, 2019 are as follows:

2020	\$	777,516
2021		3,635,000
2022		978,214
2023		1,000,813
2024		1,047,061
Thereafter		<u>86,102,590</u>
Total mortgages and notes payable		93,541,194
Less: unamortized debt issuance costs		<u>(2,764,311)</u>
Total mortgages and notes payable	\$	<u>90,776,883</u>

Interest capitalized into project development costs and property, equipment and improvements totaled \$0 and \$288,538 for the years ended December 31, 2019 and 2018, respectively.

The liability of the Corporation under the mortgages and notes is limited to the underlying value of the real estate collateral plus other amounts deposited with the lenders.

Note 7 - Ground leases

Ground leases consist of the following at December 31, 2019:

Entity	Lease commencement	Term	Ground lease expense	Prepaid Ground Lease		Ground lease payable
				Short-term	Long-term	
Casa Colina, LP	2004	65 years	\$ 32,400	\$ 10,798	\$ 518,291	\$ 406
HDP Parker Kier, LLC	2013	10 years	18,200	-	-	18,200
HDP Broadway, LP	2014	65 years	383,461	206,127	2,696,142	3,344
HDP Churchill, LP	2015	65 years	37,136	-	-	37,136
HDP West Park, LP	2017	65 years	-	-	-	-
HDP Village North, LLC	2017	65 years	56,393	-	-	56,393
HDP Quality Inn, LLC	2017	65 years	35,974	-	-	35,974
			<u>\$ 563,564</u>	<u>\$ 216,925</u>	<u>\$ 3,214,433</u>	<u>\$ 151,453</u>

Ground leases consist of the following at December 31, 2018:

Entity	Lease commencement	Term	Ground lease expense	Prepaid Ground Lease		Ground lease payable
				Short-term	Long-term	
Casa Colina, LP	2004	65 years	\$ 32,272	\$ 10,798	\$ 529,089	\$ 997
HDP Parker Kier, LLC	2013	10 years	17,801	-	-	17,801
HDP Broadway, LP	2014	65 years	383,461	214,771	2,893,625	3,475
HDP Churchill, LP	2015	65 years	36,844	-	-	36,844
HDP West Park, LP	2017	65 years	-	-	-	-
HDP Village North, LLC	2017	65 years	57,395	-	-	57,395
HDP Quality Inn, LLC	2017	65 years	-	-	-	-
			<u>\$ 527,773</u>	<u>\$ 225,569</u>	<u>\$ 3,422,714</u>	<u>\$ 116,512</u>

Note 8 - Related party transactions

Related party transactions consist of staff charges payable to SDHC and Partners' fees for Casa Colina, Logan, Broadway, Town & Country and Village North. Related party transactions are non-

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2019 and 2018

interest bearing and due upon demand. Related party payables totaled \$835,238 and \$791,871 for the years ended December 31, 2019 and 2018, respectively.

Note 9 - Statements of cash flows

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts in the statements of cash flows.

	2019	2018
Cash and cash equivalents	\$ 11,303,232	\$ 8,619,371
Tenant security deposits	491,060	427,808
Restricted reserves	4,671,210	3,451,006
Escrow deposits	11,014,729	4,648,486
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	<u>\$ 27,480,231</u>	<u>\$ 17,146,671</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 projects and reserves as required by regulatory authorities and the partnership/operating agreements.

Note 10 - Net assets

As of December 31, 2019, the Corporation's net assets totaled \$23,423,592, of which \$4,671,210 is for reserve commitments and consist of required deposits to replacement and operating reserves pursuant to regulatory and loan agreements. Of the total amount, \$2,989,303 is held by the Corporation and \$1,681,907 is in lender held accounts. The regulatory and loan agreements dictate timing and use of the reserves.

Note 11 - Guaranties

In its role as general partner of the various partnerships, HDP is liable for recourse liabilities. These partnerships have been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42. In connection with their general partnership interests, certain guarantees have been made to the partnerships, including the following:

Development deficit and repurchase guarantees

The Corporation is obligated to pay any development cost deficits or, at the option of the investor limited partner, to purchase the interest of the investor limited partner if the project is not completed or if permanent financing has not been obtained by specific dates. This obligation typically terminates upon funding of permanent project financing. As of December 31, 2019 and 2018, no amounts were due under this guaranty.

Construction loan repayment and completion guarantees

The Corporation has provided repayment guarantees for construction loans as well as unlimited construction completion guarantees in favor of certain lenders for the development and lease-up of the project, should the project not receive expected permanent financing, or should the cost of the development exceed permanent financing received. There are no significant delays or cost overruns in current development projects. As of December 31, 2019 and 2018, no amounts were due under this guaranty.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2019 and 2018

Operating deficit guaranty

The Corporation is obligated to make non-interest bearing loans to cover operating cash shortfalls which are repayable through available cash flow if the projects operating reserves were depleted. The guarantees are on a per project basis for various lengths of time, as defined in the limited partnership agreements. As of December 31, 2019 and 2018, no amounts were due under this guaranty.

The following are the projects which are under the operating deficit guaranty and the maximum amount of the guaranty as of December 31, 2019:

	<u>Amount</u>	<u>Expiration</u>
HDP Broadway, LP	\$ 1,500,000	2020
HDP New Palace, LP	600,000	2025
HDP Town & Country, LP	1,000,000	2024
HDP West Park, LP	<u>207,592</u>	2025
Total operating deficit guaranty	<u><u>\$ 3,307,592</u></u>	

Recapture guaranty

In the event of a recapture of tax credits previously received by the investor limited partners/members, the Corporation shall be obligated to reimburse the investor limited partner or investment member for any recaptured credits plus any associated penalties, interest or additional taxes due. The Corporation shall not be liable for a recapture event caused by a change in law or actions of the investor or special limited partner. As of December 31, 2019 and 2018, no amounts were due under this guaranty.

Note 12 - Concentration of credit risk

The Corporation maintains cash with various financial institutions. All reserves are held in the Corporations' name. At times, these balances may exceed the federal insurance limits; however, the Corporation has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2019.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2019 and 2018

Note 13 - Availability and liquidity

The following represents the Corporation's financial assets at December 31, 2019 and 2018:

	2019	2018
Cash and cash equivalents	\$ 11,303,232	\$ 8,619,371
Receivables	539,878	677,420
Reserves	76,214	73,801
Other current assets	974,951	855,282
Total current financial assets	12,894,275	10,225,874
Less amounts not available to be used within one year		
Current liabilities	3,879,818	6,772,784
Committed reserves	76,214	73,801
Other Board commitments	-	1,364,450
Financial assets available to meet general expenditures over the next 12 months	\$ 8,938,243	\$ 2,014,839

The Corporation's financial assets are intended to be sufficient to meet its general expenditures, liabilities and other obligations as they become due. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit, or used as part of income generating programs.

Note 14 - Commitments and contingencies

Rental assistance contracts

Eight of the properties owned by the Corporation have entered into rental assistance contracts with HUD or SDHC. The contracts have various terms and require the affiliate projects to operate as a low-income housing property and to obtain approval of all rent increases from HUD or SDHC.

Low-income housing tax credits

The low-income housing tax credits received by the Corporation are contingent on their ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility and/or unit gross rent, or to correct noncompliance within a specified time period, could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the limited partner.

Litigation

The Corporation 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 the Corporation.

Economic concentrations

The Corporation owns, operates and invests in rental property located in San Diego, California whose 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.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2019 and 2018

Note 15 - Subsequent events

Events that occur after the statement of financial position date but before the consolidated 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 financial position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date, require disclosure in the accompanying notes. Management evaluated all activity of the Corporation through July 8, 2020, the date the consolidated financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to consolidated financial statements, except as noted below:

- On January 28, 2020 HDP Mariner's Village, LP acquired Mariner's Village from SDHC for \$46,800,000. The transaction consisted of acquisition of the building and a leasehold interest in the land financed by a \$29,800,000 seller carryback note from SDHC and a \$39,000,000 loan from Citibank.
- 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 Corporation's financial position, results of operations, and cash flows. The Corporation is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Corporation's operations continue for an extended period of time the Corporation may have to seek alternative measures to finance its operations.

Supplementary Information

Housing Development Partners of San Diego

**Consolidating Statement of Financial Position
December 31, 2019**

	Housing Development Partners of San Diego	HDP Mason Housing Corporation	HDP New Palace, LP	Logan Dev II, LP	Casa Colina, LP	HDP Churchill, LP	HDP Parker Kier, LLC
<u>Assets</u>							
Current assets							
Cash and cash equivalents	\$ 7,215,189	\$ 25,150	\$ 470,217	\$ 270,186	\$ 193,612	\$ 296,240	\$ 134,639
Restricted deposits and funded reserves							
Restricted reserves	-	-	-	-	-	-	-
Tenant security deposits	-	9,036	24,580	28,391	23,774	66,886	18,032
Accounts receivable	164,167	64	48,152	728	79,420	19,204	2,642
Deposits	104,787	-	-	-	-	-	-
Prepaid ground lease	-	-	-	-	10,798	-	-
Prepaid expenses	5,649	4,021	-	6,774	17,660	16,578	5,159
Related party advances	579,018	-	-	-	-	-	-
Total current assets	<u>8,068,810</u>	<u>38,271</u>	<u>542,949</u>	<u>306,079</u>	<u>325,264</u>	<u>398,908</u>	<u>160,472</u>
Noncurrent assets							
Restricted reserves and funded reserves							
Restricted reserves	-	78,072	307,149	439,232	502,099	332,474	58,317
Escrow deposits	-	-	634,496	6,104	20,340	-	-
Tax credit fees, net	-	-	36,333	9,565	-	-	-
Deposits	-	4,578	13,710	6,000	-	6,000	14,485
Developer fees receivable	6,793,823	-	-	-	-	-	-
Interest receivable	354,647	-	-	-	-	-	-
Investment in partnerships	54,810	-	-	-	-	-	-
Notes receivable	15,153,545	-	-	-	-	-	-
Prepaid ground leases, less current portion	-	-	-	-	518,291	-	-
Property and equipment, net	12,283	4,813,314	16,648,077	6,975,278	3,022,662	17,860,719	-
Predevelopment costs	669,729	-	-	-	-	-	-
Total noncurrent assets	<u>23,038,837</u>	<u>4,895,964</u>	<u>17,639,765</u>	<u>7,436,179</u>	<u>4,063,392</u>	<u>18,199,193</u>	<u>72,802</u>
Total assets	<u>\$ 31,107,647</u>	<u>\$ 4,934,235</u>	<u>\$ 18,182,714</u>	<u>\$ 7,742,258</u>	<u>\$ 4,388,656</u>	<u>\$ 18,598,101</u>	<u>\$ 233,274</u>

Housing Development Partners of San Diego

**Consolidating Statement of Financial Position
December 31, 2019**

	HDP Broadway, LP	HDP Town & Country, LP	HDP West Park LP	HDP Village North, LLC	HDP Quality Inn, LLC	Other Consolidated Companies	Elimination	Consolidated Total
<u>Assets</u>								
Current assets								
Cash and cash equivalents	\$ 586,156	\$ 325,083	\$ 146,121	\$ 1,202,964	\$ 382,062	\$ 55,613	\$ -	\$ 11,303,232
Restricted deposits and funded reserves								
Restricted reserves	-	-	-	76,214	-	-	-	76,214
Tenant security deposits	47,993	106,181	30,973	63,607	71,607	-	-	491,060
Accounts receivable	10,393	203,338	921	32,284	265	67,727	(89,427)	539,878
Deposits	-	-	-	-	-	-	-	104,787
Prepaid ground lease	206,127	-	-	-	-	-	-	216,925
Prepaid expenses	21,567	19,144	4,228	52,040	9,359	-	-	162,179
Related party advances	-	-	57	-	-	-	(579,075)	-
Total current assets	<u>872,236</u>	<u>653,746</u>	<u>182,300</u>	<u>1,427,109</u>	<u>463,293</u>	<u>123,340</u>	<u>(668,502)</u>	<u>12,894,275</u>
Noncurrent assets								
Restricted reserves and funded reserves								
Restricted reserves	1,399,881	491,916	301	703,559	281,996	-	-	4,594,996
Escrow deposits	74,328	278,900	1,610	97,253	9,901,698	-	-	11,014,729
Tax credit fees, net	47,263	74,232	7,482	-	-	-	-	174,875
Deposits	-	13,609	-	11,479	-	-	-	69,861
Developer fees receivable	-	-	-	-	-	-	(6,793,823)	-
Interest receivable	-	-	-	-	-	-	(354,647)	-
Investment in partnerships	-	-	-	-	-	(106,742)	110,213	58,281
Notes receivable	-	-	-	-	-	-	(15,153,545)	-
Prepaid ground leases, less current portion	2,696,142	-	-	-	-	-	-	3,214,433
Property and equipment, net	27,693,370	28,501,348	10,293,656	8,852,566	1,625,273	-	(27,114,596)	99,183,950
Predevelopment costs	-	-	-	-	-	-	(41,875)	627,854
Total noncurrent assets	<u>31,910,984</u>	<u>29,360,005</u>	<u>10,303,049</u>	<u>9,664,857</u>	<u>11,808,967</u>	<u>(106,742)</u>	<u>(49,348,273)</u>	<u>118,938,979</u>
Total assets	<u>\$ 32,783,220</u>	<u>\$ 30,013,751</u>	<u>\$ 10,485,349</u>	<u>\$ 11,091,966</u>	<u>\$ 12,272,260</u>	<u>\$ 16,598</u>	<u>\$ (50,016,775)</u>	<u>\$ 131,833,254</u>

Housing Development Partners of San Diego

**Consolidating Statement of Financial Position
December 31, 2019**

	Housing Development Partners of San Diego	HDP Mason Housing Corporation	HDP New Palace, LP	Logan Dev II, LP	Casa Colina, LP	HDP Churchill, LP	HDP Parker Kier, LLC
<u>Liabilities and Net Assets</u>							
Current liabilities							
Accounts payable and accrued expenses	\$ 173,001	\$ 14,451	\$ 30,045	\$ 26,167	\$ 38,337	\$ 42,617	\$ 21,967
Construction costs payable	-	-	41,997	-	-	-	-
Accrued interest payable	-	-	18,049	14,509	34,671	-	-
Ground lease payable	-	-	-	-	406	37,136	18,200
Mortgages and notes payable, current	-	23,000	60,561	59,828	79,068	-	-
Prepaid revenue	-	30	63	-	-	533	552
Related party payables, current	375,413	37,307	798,298	24,739	23,297	12,819	11,309
Tenant security deposits liability	-	8,050	24,275	28,361	22,042	65,500	18,362
Total current liabilities	548,414	82,838	973,288	153,604	197,821	158,605	70,390
Noncurrent liabilities							
Accrued interest payable	-	1,153,785	292,762	1,520,570	-	659,090	-
Deferred grant revenue	-	-	-	-	-	8,675,099	-
Deferred revenue - subground lease	5,220,000	-	-	-	-	-	-
Investment in partnerships	1,465,548	-	-	-	-	-	-
Mortgages and notes payable, less current portion	-	4,964,166	11,552,124	4,587,142	3,572,286	10,756,312	-
Related party payable, less current portion	4,967,823	246,659	1,075,425	-	-	64,690	-
Total noncurrent liabilities	11,653,371	6,364,610	12,920,311	6,107,712	3,572,286	20,155,191	-
Total liabilities	12,201,785	6,447,448	13,893,599	6,261,316	3,770,107	20,313,796	70,390
<u>Net Assets</u>							
With donor restriction	-	-	-	-	-	-	-
Without donor restriction, controlling	18,905,862	(1,513,213)	(699,025)	(66)	(8)	(939,470)	162,884
Without donor restriction, noncontrolling	-	-	4,988,140	1,481,008	618,557	(776,225)	-
Total net assets	18,905,862	(1,513,213)	4,289,115	1,480,942	618,549	(1,715,695)	162,884
Total liabilities and net assets	\$ 31,107,647	\$ 4,934,235	\$ 18,182,714	\$ 7,742,258	\$ 4,388,656	\$ 18,598,101	\$ 233,274

Housing Development Partners of San Diego

**Consolidating Statement of Financial Position
December 31, 2019**

	HDP Broadway, LP	HDP Town & Country, LP	HDP West Park LP	HDP Village North, LLC	HDP Quality Inn, LLC	Other Consolidated Companies	Elimination	Consolidated Total
<u>Liabilities and Net Assets</u>								
Current liabilities								
Accounts payable and accrued expenses	\$ 48,161	\$ 47,298	\$ 93,001	\$ 36,526	\$ 33,669	\$ 12,851	\$ -	\$ 618,091
Construction costs payable	-	-	785,917	-	8,511	-	-	836,425
Accrued interest payable	228,876	-	-	34,786	-	-	(166,589)	164,302
Ground lease payable	3,344	-	-	56,393	35,974	-	-	151,453
Mortgages and notes payable, current	269,025	174,905	-	111,129	-	-	-	777,516
Prepaid revenue	923	11,390	224	4,516	10	-	-	18,241
Related party payables, current	21,483	10,945	298,668	1,380	126,824	28,540	(935,784)	835,238
Tenant security deposits liability	46,948	101,162	30,155	63,607	70,090	-	-	478,552
Total current liabilities	618,760	345,700	1,207,965	308,337	275,078	41,391	(1,102,373)	3,879,818
Noncurrent liabilities								
Accrued interest payable	-	-	-	-	2,821	-	(4,633)	3,624,395
Deferred grant revenue	-	-	-	2,232,905	362,926	-	(364,848)	10,906,082
Deferred revenue - subground lease	-	-	-	-	-	-	(5,220,000)	-
Investment in partnerships	-	-	-	-	-	-	(1,465,548)	-
Mortgages and notes payable, less current portion	24,102,814	14,680,848	3,784,528	8,642,611	11,554,620	-	(8,198,084)	89,999,367
Related party payable, less current portion	-	4,488,825	715,632	-	-	-	(11,559,054)	-
Total noncurrent liabilities	24,102,814	19,169,673	4,500,160	10,875,516	11,920,367	-	(26,812,167)	104,529,844
Total liabilities	24,721,574	19,515,373	5,708,125	11,183,853	12,195,445	41,391	(27,914,540)	108,409,662
<u>Net Assets</u>								
With donor restriction	-	-	-	-	-	-	-	-
Without donor restriction, controlling	(423)	(1,033,641)	4,212,149	(91,887)	76,815	(32,611)	(22,102,235)	(3,054,869)
Without donor restriction, noncontrolling	8,062,069	11,532,019	565,075	-	-	7,818	-	26,478,461
Total net assets	8,061,646	10,498,378	4,777,224	(91,887)	76,815	(24,793)	(22,102,235)	23,423,592
Total liabilities and net assets	\$ 32,783,220	\$ 30,013,751	\$ 10,485,349	\$ 11,091,966	\$ 12,272,260	\$ 16,598	\$ (50,016,775)	\$ 131,833,254

Housing Development Partners of San Diego

**Consolidating Statement of Financial Position
December 31, 2018**

	Housing Development Partners of San Diego	HDP Mason Housing Corporation	HDP New Palace, LP	Logan Dev II, LP	Casa Colina, LP	HDP Churchill, LP	HDP Parker Kier, LLC
<u>Assets</u>							
Current assets							
Cash and cash equivalents	\$ 4,922,095	\$ 34,093	\$ 466,174	\$ 224,324	\$ 249,985	\$ 303,552	\$ 124,227
Restricted reserves and deposits							
Restricted reserves	-	-	-	-	-	-	-
Deposits	4,787	-	-	-	-	-	-
Tenant security deposits	-	9,687	22,077	26,243	23,740	64,558	18,717
Accounts receivable	290,143	1,233	16,367	2,519	70,602	16,342	1,051
Prepaid ground lease	-	-	-	-	10,798	-	-
Prepaid expenses	17,404	4,422	-	6,401	17,210	12,235	4,877
Related party advances	1,952,752	-	-	-	-	-	-
Total current assets	<u>7,187,181</u>	<u>49,435</u>	<u>504,618</u>	<u>259,487</u>	<u>372,335</u>	<u>396,687</u>	<u>148,872</u>
Noncurrent assets							
Restricted reserves and deposits							
Restricted reserves	-	92,026	96,010	421,823	466,526	290,316	50,146
Deposits	-	3,677	15,039	6,000	-	6,000	3,000
Tax credit fees, net	-	-	39,128	12,298	-	-	-
Developer fees receivable	6,861,002	-	-	-	-	-	-
Escrow deposits	-	-	-	6,807	15,044	-	-
Interest receivable	248,779	-	-	-	-	-	-
Investment in partnerships	51,674	-	-	-	-	-	-
Notes receivable	10,263,567	-	-	-	-	-	-
Prepaid ground leases, less current portion	-	-	-	-	529,089	-	-
Property and equipment, net	16,621	4,933,811	17,147,999	7,198,196	3,126,406	18,436,523	-
Predevelopment costs	132,699	-	-	-	-	-	-
Total noncurrent assets	<u>17,574,342</u>	<u>5,029,514</u>	<u>17,298,176</u>	<u>7,645,124</u>	<u>4,137,065</u>	<u>18,732,839</u>	<u>53,146</u>
Total assets	<u>\$ 24,761,523</u>	<u>\$ 5,078,949</u>	<u>\$ 17,802,794</u>	<u>\$ 7,904,611</u>	<u>\$ 4,509,400</u>	<u>\$ 19,129,526</u>	<u>\$ 202,018</u>

Housing Development Partners of San Diego

**Consolidating Statement of Financial Position
December 31, 2018**

	HDP Broadway, LP	HDP Town & Country, LP	HDP West Park LP	HDP Village North, LLC	Other Consolidated Companies	Elimination	Consolidated Total
<u>Assets</u>							
Current assets							
Cash and cash equivalents	\$ 615,592	\$ 563,988	\$ 370,374	\$ 548,771	\$ 196,196	\$ -	\$ 8,619,371
Restricted reserves and deposits							
Restricted reserves	-	-	-	73,801	-	-	73,801
Deposits	-	1,200	58,000	3,886	1,909	-	69,782
Tenant security deposits	47,979	104,481	100	65,126	45,100	-	427,808
Accounts receivable	3,168	289,350	8,375	8,858	66,575	(97,163)	677,420
Prepaid ground lease	214,771	-	-	-	-	-	225,569
Prepaid expenses	16,346	16,887	-	36,196	145	-	132,123
Related party advances	-	-	57	-	-	(1,952,809)	-
Total current assets	<u>897,856</u>	<u>975,906</u>	<u>436,906</u>	<u>736,638</u>	<u>309,925</u>	<u>(2,049,972)</u>	<u>10,225,874</u>
Noncurrent assets							
Restricted reserves and deposits							
Restricted reserves	1,495,911	-	301	463,846	300	-	3,377,205
Deposits	-	109	5,403	-	12,004	-	51,232
Tax credit fees, net	55,252	81,267	-	-	-	-	187,945
Developer fees receivable	-	-	-	-	-	(6,861,002)	-
Escrow deposits	56,100	-	-	4,570,535	-	-	4,648,486
Interest receivable	-	-	-	-	-	(248,779)	-
Investment in partnerships	-	-	-	-	73	-	51,747
Notes receivable	-	-	-	-	-	(10,263,567)	-
Prepaid ground leases, less current portion	2,893,625	-	-	-	-	-	3,422,714
Property and equipment, net	28,405,462	29,391,753	982,507	9,438,578	533,146	(22,322,842)	97,288,160
Predevelopment costs	-	-	-	-	-	-	132,699
Total noncurrent assets	<u>32,906,350</u>	<u>29,473,129</u>	<u>988,211</u>	<u>14,472,959</u>	<u>545,523</u>	<u>(39,696,190)</u>	<u>109,160,188</u>
Total assets	<u>\$ 33,804,206</u>	<u>\$ 30,449,035</u>	<u>\$ 1,425,117</u>	<u>\$ 15,209,597</u>	<u>\$ 855,448</u>	<u>\$ (41,746,162)</u>	<u>\$ 119,386,062</u>

Housing Development Partners of San Diego

**Consolidating Statement of Financial Position
December 31, 2018**

	Housing Development Partners of San Diego	HDP Mason Housing Corporation	HDP New Palace, LP	Logan Dev II, LP	Casa Colina, LP	HDP Churchill, LP	HDP Parker Kier, LLC
<u>Liabilities and Net Assets</u>							
Current liabilities							
Accounts payable and accrued expenses	\$ 155,866	\$ 26,644	\$ 40,797	\$ 23,257	\$ 28,155	\$ 38,704	\$ 19,558
Construction costs payable	-	-	753,632	-	-	-	-
Accrued interest payable	-	-	35,780	14,783	43,716	-	-
Ground lease payable	-	-	-	-	997	36,844	17,801
Mortgages and notes payable, current	-	23,000	-	57,005	74,712	-	-
Prepaid revenue	-	25	33	328	-	5,684	436
Related party payables, current	78,910	850	834,033	24,394	23,115	11,409	10,670
Tenant security deposits liability	-	8,600	20,791	26,243	21,915	63,000	17,744
Total current liabilities	234,776	59,119	1,685,066	146,010	192,610	155,641	66,209
Noncurrent liabilities							
Accrued interest payable	-	1,005,770	228,350	1,504,702	-	502,092	-
Deferred grant revenue	-	-	-	-	-	8,920,282	-
Investment in partnerships	786,060	-	-	-	-	-	-
Mortgages and notes payable, less current portion	-	4,986,832	14,751,664	4,703,958	3,716,643	10,775,312	-
Related party payable, less current portion	4,929,295	316,635	1,036,897	-	-	127,262	-
Total noncurrent liabilities	5,715,355	6,309,237	16,016,911	6,208,660	3,716,643	20,324,948	-
Total liabilities	5,950,131	6,368,356	17,701,977	6,354,670	3,909,253	20,480,589	66,209
<u>Net Assets</u>							
Without donor restriction, controlling	18,811,392	(1,289,407)	(531,346)	(59)	(10)	(939,434)	135,809
Without donor restriction, noncontrolling	-	-	632,163	1,550,000	600,157	(411,629)	-
Total net assets	18,811,392	(1,289,407)	100,817	1,549,941	600,147	(1,351,063)	135,809
Total liabilities and net assets	\$ 24,761,523	\$ 5,078,949	\$ 17,802,794	\$ 7,904,611	\$ 4,509,400	\$ 19,129,526	\$ 202,018

Housing Development Partners of San Diego

**Consolidating Statement of Financial Position
December 31, 2018**

	HDP Broadway, LP	HDP Town & Country, LP	HDP West Park LP	HDP Village North, LLC	Other Consolidated Companies	Elimination	Consolidated Total
<u>Liabilities and Net Assets</u>							
Current liabilities							
Accounts payable and accrued expenses	\$ 56,247	\$ 110,103	\$ 105,581	\$ 2,018,217	\$ 56,705	\$ -	\$ 2,679,834
Construction costs payable	-	847,160	-	717,910	-	-	2,318,702
Accrued interest payable	262,573	98,497	-	-	-	(199,324)	256,025
Ground lease payable	3,475	-	-	57,395	-	-	116,512
Mortgages and notes payable, current	257,235	-	-	107,246	-	-	519,198
Prepaid revenue	24	12,174	233,086	14,588	39	-	266,417
Related party payables, current	21,397	10,000	1,141,264	779,756	697,821	(3,429,747)	203,872
Tenant security deposits liability	45,859	100,831	-	65,676	41,565	-	412,224
Total current liabilities	646,810	1,178,765	1,479,931	3,760,788	796,130	(3,629,071)	6,772,784
Noncurrent liabilities							
Accrued interest payable	-	-	-	-	-	(5,726)	3,235,188
Deferred grant revenue	-	-	-	2,285,276	-	(364,848)	10,840,710
Investment in partnerships	-	-	-	-	-	(786,060)	-
Mortgages and notes payable, less current portion	24,496,299	25,525,119	-	8,748,587	-	(8,395,566)	89,308,848
Related party payable, less current portion	-	4,715,695	-	-	-	(10,537,785)	587,999
Total noncurrent liabilities	24,496,299	30,240,814	-	11,033,863	-	(20,089,985)	103,972,745
Total liabilities	25,143,109	31,419,579	1,479,931	14,794,651	796,130	(23,719,056)	110,745,529
<u>Net Assets</u>							
Without donor restriction, controlling	(363)	(520,723)	(54,814)	414,946	53,518	(18,027,106)	(1,947,597)
Without donor restriction, noncontrolling	8,661,460	(449,821)	-	-	5,800	-	10,588,130
Total net assets	8,661,097	(970,544)	(54,814)	414,946	59,318	(18,027,106)	8,640,533
Total liabilities and net assets	\$ 33,804,206	\$ 30,449,035	\$ 1,425,117	\$ 15,209,597	\$ 855,448	\$ (41,746,162)	\$ 119,386,062

Housing Development Partners of San Diego

**Consolidating Statement of Activities
Year Ended December 31, 2019**

	Housing Development Partners of San Diego	HDP Mason Housing Corporation	HDP New Palace, LP	Logan Dev II, LP	Casa Colina, LP	HDP Churchill, LP	HDP Parker Kier, LLC
Revenue and support							
Rental income	\$ -	\$ 216,922	\$ 842,025	\$ 802,967	\$ 960,365	\$ 870,689	\$ 404,781
Developer fees	1,643,605	-	-	-	-	-	-
Grant income	-	-	-	-	-	245,184	-
Interest income	734,238	762	197	3,504	2,156	5,561	409
Note forgiveness	-	23,000	-	-	-	-	-
Management fees	125,664	-	-	-	-	-	-
Miscellaneous income	2,571	1,643	7,000	-	-	-	20
Resident services	-	-	-	-	76,329	-	-
Share of income from partnerships	(588,037)	-	-	-	-	-	-
Total revenue and support	1,918,041	242,327	849,222	806,471	1,038,850	1,121,434	405,210
Expenses							
Program services							
Salaries	-	25,730	89,995	67,604	84,070	123,419	82,437
Payroll taxes	-	2,348	6,788	2,729	10,616	5,699	3,388
Employee benefits	-	2,648	22,522	12,474	23,797	27,899	19,588
Consultants	671,714	(454)	73,419	-	1,298	-	-
Office expenses	27,742	1,708	-	4,752	-	8,604	3,873
Training, travel and parking	-	216	480	476	2,121	627	269
Resident services	-	1,906	18,000	1,320	81,344	3,205	1,124
Relocation cost	-	-	50,968	-	-	-	-
Repairs and maintenance	-	36,975	107,639	41,746	85,414	147,908	68,069
Supplies	-	27,179	6,077	13,431	16,276	8,190	5,821
Utilities and telephone	-	39,399	84,766	111,562	72,627	95,635	67,451
Property tax and insurance	71	8,717	41,717	13,068	36,782	24,039	8,667
Interest	-	148,348	635,780	279,801	206,823	325,714	-
Legal and accounting	61,601	1,598	28,834	(108)	-	-	152
Bad debt expense	21,754	63	1,572	731	198	(2,244)	(717)
Ground lease expense	-	-	-	-	32,400	37,136	18,200
Advertising and marketing	-	-	-	-	-	-	-
Miscellaneous administrative expense	122,208	4,959	50,674	14,618	17,689	18,360	2,850
Depreciation and amortization	-	120,497	474,133	222,918	103,744	575,803	-
Total program services	905,090	421,837	1,693,364	787,122	775,199	1,399,994	281,172

Housing Development Partners of San Diego

**Consolidating Statement of Activities
Year Ended December 31, 2019**

	HDP Broadway, LP	HDP Town & Country, LP	HDP West Park LP	HDP Village North, LLC	HDP Quality Inn, LLC	Other Consolidated Companies	Elimination	Consolidated Total
Revenue and support								
Rental income	\$ 2,977,003	\$ 2,075,859	\$ 325,238	\$ 1,256,503	\$ 797,951	\$ -	\$ -	\$ 11,530,303
Developer fees	-	-	-	-	-	-	(518,547)	1,125,058
Grant income	-	-	-	52,371	-	-	-	297,555
Interest income	9,416	2,442	111	374	830	7	(663,811)	96,196
Note forgiveness	-	-	-	-	-	-	-	23,000
Management fees	-	-	-	-	-	89,427	(89,427)	125,664
Miscellaneous income	8,862	8,587	300	310	-	14,054	(14,054)	29,293
Resident services	-	-	-	-	-	-	-	76,329
Share of income from partnerships	-	-	-	-	-	(106,914)	701,486	6,535
Total revenue and support	2,995,281	2,086,888	325,649	1,309,558	798,781	(3,426)	(584,353)	13,309,933
Expenses								
Program services								
Salaries	169,312	185,304	61,402	35,705	118,602	-	-	1,043,580
Payroll taxes	14,869	7,159	5,752	7,373	11,829	-	-	78,550
Employee benefits	31,903	22,614	13,067	15,126	20,772	-	-	212,410
Consultants	18,240	22,105	(306)	994	1,036	-	-	788,046
Office expenses	-	8,684	-	465	-	-	-	55,828
Training, travel and parking	1,831	4,096	470	5,370	815	-	-	16,771
Resident services	51,503	54,906	9,362	75,049	-	-	-	297,719
Relocation cost	-	29,936	72,107	-	13,550	-	-	166,561
Repairs and maintenance	341,191	189,775	61,917	98,401	146,437	-	-	1,325,472
Supplies	28,324	11,078	13,544	58	19,299	-	-	149,277
Utilities and telephone	282,119	226,428	32,305	55,826	101,524	-	-	1,169,642
Property tax and insurance	81,067	52,216	26,021	42,021	78,029	-	-	412,415
Interest	1,068,902	929,768	47,507	467,117	75,342	-	(384,624)	3,800,478
Legal and accounting	7,877	9,655	915	1,398	6,402	2,356	-	120,680
Bad debt expense	2,046	20,847	15,701	7,741	2,903	-	(14,054)	56,541
Ground lease expense	383,461	-	-	56,393	35,974	-	-	563,564
Advertising and marketing	175	3	35	304	109	-	-	626
Miscellaneous administrative expense	24,573	45,701	17,709	13,594	1,078	-	-	334,013
Depreciation and amortization	893,756	896,210	92,594	824,768	11,998	-	(83,904)	4,132,517
Total program services	3,401,149	2,716,485	470,102	1,707,703	645,699	2,356	(482,582)	14,724,690

Housing Development Partners of San Diego

**Consolidating Statement of Activities
Year Ended December 31, 2019**

	Housing Development Partners of San Diego	HDP Mason Housing Corporation	HDP New Palace, LP	Logan Dev II, LP	Casa Colina, LP	HDP Churchill, LP	HDP Parker Kier, LLC
Management and general							
Consultants	533,431	12,524	12,824	7,644	7,723	11,875	9,545
Rent	40,503	-	-	-	-	-	-
Office expenses	41,216	3,279	14,890	3,125	9,870	2,384	2,516
Training, travel and parking	28,787	2,675	-	-	-	-	-
Property and partnership management	-	10,608	63,326	59,271	80,845	54,140	30,808
Repairs and maintenance	1,318	-	-	-	-	-	-
Utilities and telephone	8,870	1,334	-	4,262	4,510	2,787	3,080
Property tax and insurance	7,945	1,576	4,956	2,996	1,385	1,738	2,497
Legal and accounting	36,603	12,300	16,395	11,050	21,348	13,148	3,100
Miscellaneous administrative expense	215,470	-	1,314	-	1,802	-	-
Depreciation and amortization	4,338	-	-	-	-	-	-
Total management and general	<u>918,481</u>	<u>44,296</u>	<u>113,705</u>	<u>88,348</u>	<u>127,483</u>	<u>86,072</u>	<u>51,546</u>
Total expenses	<u>1,823,571</u>	<u>466,133</u>	<u>1,807,069</u>	<u>875,470</u>	<u>902,682</u>	<u>1,486,066</u>	<u>332,718</u>
Change in net assets	<u>\$ 94,470</u>	<u>\$ (223,806)</u>	<u>\$ (957,847)</u>	<u>\$ (68,999)</u>	<u>\$ 136,168</u>	<u>\$ (364,632)</u>	<u>\$ 72,492</u>
Change in net assets controlling	\$ 94,470	\$ (223,806)	\$ (96)	\$ (7)	\$ 14	\$ (36)	\$ 72,492
Change in net assets noncontrolling	-	-	(957,751)	(68,992)	136,154	(364,596)	-
Change in net assets	<u>\$ 94,470</u>	<u>\$ (223,806)</u>	<u>\$ (957,847)</u>	<u>\$ (68,999)</u>	<u>\$ 136,168</u>	<u>\$ (364,632)</u>	<u>\$ 72,492</u>

Housing Development Partners of San Diego

**Consolidating Statement of Activities
Year Ended December 31, 2019**

	HDP Broadway, LP	HDP Town & Country, LP	HDP West Park LP	HDP Village North, LLC	HDP Quality Inn, LLC	Other Consolidated Companies	Elimination	Consolidated Total
Management and general								
Consultants	9,208	1,513	1,829	699	-	-	-	608,815
Rent	-	-	-	-	-	-	-	40,503
Office expenses	19,892	7,952	14,081	13,710	16,166	1,360	-	150,441
Training, travel and parking	-	-	-	-	-	-	-	31,462
Property and partnership management	128,463	85,422	33,375	61,778	49,307	-	(89,427)	567,916
Repairs and maintenance	-	2,412	-	4,547	-	-	-	8,277
Utilities and telephone	-	2,777	3,426	4,772	-	-	-	35,818
Property tax and insurance	3,617	500	2,993	13,391	4,755	7,571	-	55,920
Legal and accounting	30,503	34,525	6,139	9,791	12,278	14,572	-	221,752
Miscellaneous administrative expense	1,900	-	524	-	1,357	-	-	222,367
Depreciation and amortization	-	-	-	-	-	-	-	4,338
Total management and general	<u>193,583</u>	<u>135,101</u>	<u>62,367</u>	<u>108,688</u>	<u>83,863</u>	<u>23,503</u>	<u>(89,427)</u>	<u>1,947,609</u>
Total expenses	<u>3,594,732</u>	<u>2,851,586</u>	<u>532,469</u>	<u>1,816,391</u>	<u>729,562</u>	<u>25,859</u>	<u>(572,009)</u>	<u>16,672,299</u>
Change in net assets	<u>\$ (599,451)</u>	<u>\$ (764,698)</u>	<u>\$ (206,820)</u>	<u>\$ (506,833)</u>	<u>\$ 69,219</u>	<u>\$ (29,285)</u>	<u>\$ (12,344)</u>	<u>\$ (3,362,366)</u>
Change in net assets controlling	\$ (60)	\$ (38)	\$ (51,720)	\$ (506,833)	\$ 69,219	\$ (35,647)	\$ (12,344)	\$ (594,392)
Change in net assets noncontrolling	<u>(599,391)</u>	<u>(764,660)</u>	<u>(155,100)</u>	<u>-</u>	<u>-</u>	<u>6,362</u>	<u>-</u>	<u>(2,767,974)</u>
Change in net assets	<u>\$ (599,451)</u>	<u>\$ (764,698)</u>	<u>\$ (206,820)</u>	<u>\$ (506,833)</u>	<u>\$ 69,219</u>	<u>\$ (29,285)</u>	<u>\$ (12,344)</u>	<u>\$ (3,362,366)</u>

Housing Development Partners of San Diego

**Consolidating Statement of Activities
Year Ended December 31, 2018**

	Housing Development Partners of San Diego	HDP Mason Housing Corporation	HDP New Palace, LP	Logan Dev II, LP	Casa Colina, LP	HDP Churchill, LP	HDP Parker Kier, LLC
Revenue and support							
Rental income	\$ -	\$ 206,478	\$ 781,436	\$ 766,242	\$ 962,714	\$ 854,848	\$ 399,187
Developer fees	2,330,936	-	-	-	-	-	-
Grant income	30,000	970	-	-	-	244,706	-
Interest income	422,414	498	57	1,179	1,587	4,083	58
Note forgiveness	-	23,000	-	-	-	-	-
Management fees	143,622	-	-	-	-	-	-
Miscellaneous income	21	10,690	-	-	12	540	635
Resident services	-	-	-	-	74,250	-	-
Share of income from partnerships	93,533	-	-	-	-	-	-
Total revenue and support	3,020,526	241,636	781,493	767,421	1,038,563	1,104,177	399,880
Expenses							
Program services							
Salaries	-	24,831	124,377	70,730	79,521	124,107	81,233
Payroll taxes	-	2,694	6,702	3,289	9,729	6,342	3,412
Employee benefits	-	6,164	21,567	14,368	21,795	28,509	19,695
Consultants	429,499	-	3,780	-	12,784	-	-
Office expenses	-	104	-	2,568	-	6,382	1,829
Training, travel and parking	-	641	140	1,081	1,937	1,431	-
Resident services	-	1,069	17,629	1,326	83,563	1,529	583
Relocation cost	-	-	-	-	-	-	-
Repairs and maintenance	-	34,166	39,959	52,011	53,272	127,634	64,342
Supplies	-	12,871	6,083	24,642	18,605	5,752	9,451
Utilities and telephone	-	39,602	94,984	103,115	73,941	95,498	61,029
Property tax and insurance	-	4,372	32,711	13,412	36,205	24,270	8,207
Interest	-	148,142	369,422	291,879	210,990	325,213	-
Legal and accounting	-	1,985	-	-	-	-	1,819
Bad debt expense	-	7,808	627	1,573	219	4,695	3,795
Ground lease expense	-	-	-	-	32,272	36,844	17,801
Grant expense	30,000	-	-	-	-	-	-
Advertising and marketing	-	-	582	-	240	-	-
Miscellaneous administrative expense	3,668	4,959	8,023	8,539	19,470	18,360	2,290
Depreciation and amortization	-	120,497	258,678	236,556	103,911	621,505	2,164
Total program services	463,167	409,905	985,264	825,089	758,454	1,428,071	277,650

Housing Development Partners of San Diego

**Consolidating Statement of Activities
Year Ended December 31, 2018**

	HDP Broadway, LP	HDP Town & Country, LP	HDP West Park LP	HDP Village North, LLC	Other Consolidated Companies	Elimination	Consolidated Total
Revenue and support							
Rental income	\$ 2,852,988	\$ 1,751,358	\$ 23,115	\$ 1,299,818	\$ 104,074	\$ -	\$ 10,002,258
Developer fees	-	-	-	-	-	(1,031,453)	1,299,483
Grant income	-	10,000	91,904	-	204,956	(44,545)	537,991
Interest income	8,052	74	3	184	11	(387,282)	50,918
Note forgiveness	-	-	-	-	-	-	23,000
Management fees	-	-	-	-	83,109	(97,163)	129,568
Miscellaneous income	7,269	4,963	65,924	(288)	812	-	90,578
Resident services	-	-	-	-	-	-	74,250
Share of income from partnerships	-	-	-	-	(446)	(86,559)	6,528
Total revenue and support	<u>2,868,309</u>	<u>1,766,395</u>	<u>180,946</u>	<u>1,299,714</u>	<u>392,516</u>	<u>(1,647,002)</u>	<u>12,214,574</u>
Expenses							
Program services							
Salaries	151,877	444,451	33,151	44,616	83,355	-	1,262,249
Payroll taxes	14,685	12,674	913	1,677	5,150	-	67,267
Employee benefits	37,657	20,220	6,497	33,115	15,429	-	225,016
Consultants	18,613	2,700	186	-	2,441	-	470,003
Office expenses	-	7,035	-	4,198	-	-	22,116
Training, travel and parking	1,327	356	-	-	63	-	6,976
Resident services	53,691	56,889	1,147	68,535	-	-	285,961
Relocation cost	-	1,132,477	-	-	-	-	1,132,477
Repairs and maintenance	291,020	179,373	95,683	58,413	36,937	-	1,032,810
Supplies	16,679	14,546	6,112	731	10,783	-	126,255
Utilities and telephone	269,225	242,605	24,164	88,771	53,853	-	1,146,787
Property tax and insurance	64,547	141,224	7,607	37,671	19,260	-	389,486
Interest	1,090,935	843,209	-	386,622	-	(334,617)	3,331,795
Legal and accounting	-	853	-	18	-	-	4,675
Bad debt expense	1,517	17,476	2,822	1,046	-	-	41,578
Ground lease expense	383,461	-	-	57,395	-	-	527,773
Grant expense	-	-	-	-	-	(30,000)	-
Advertising and marketing	757	2,441	254	-	713	-	4,987
Miscellaneous administrative expense	28,085	7,984	6,224	22,964	-	-	130,566
Depreciation and amortization	916,258	566,936	-	-	-	-	2,826,505
Total program services	<u>3,340,334</u>	<u>3,693,449</u>	<u>184,760</u>	<u>805,772</u>	<u>227,984</u>	<u>(364,617)</u>	<u>13,035,282</u>

Housing Development Partners of San Diego

**Consolidating Statement of Activities
Year Ended December 31, 2018**

	Housing Development Partners of San Diego	HDP Mason Housing Corporation	HDP New Palace, LP	Logan Dev II, LP	Casa Colina, LP	HDP Churchill, LP	HDP Parker Kier, LLC
Management and general							
Consultants	532,269	12,578	11,910	8,188	7,893	11,175	8,033
Rent	34,152	-	-	-	-	-	-
Office expenses	51,227	2,882	13,238	4,882	6,455	2,914	3,799
Training, travel and parking	29,893	1,845	484	-	-	-	-
Property and partnership management	-	10,404	59,532	58,038	77,991	53,421	30,808
Repairs and maintenance	1,122	-	-	-	-	-	-
Utilities and telephone	11,353	2,554	-	3,503	4,874	3,965	4,195
Property tax and insurance	6,673	2,345	838	2,457	1,220	807	2,813
Legal and accounting	42,474	8,550	26,046	11,543	12,844	15,494	3,125
Advertising and marketing	-	-	-	-	-	-	-
Miscellaneous administrative expense	166,720	-	1,370	-	1,973	-	-
Depreciation and amortization	4,330	-	-	-	-	-	-
Total management and general	<u>880,213</u>	<u>41,158</u>	<u>113,418</u>	<u>88,611</u>	<u>113,250</u>	<u>87,776</u>	<u>52,773</u>
Total expenses	<u>1,343,380</u>	<u>451,063</u>	<u>1,098,682</u>	<u>913,700</u>	<u>871,704</u>	<u>1,515,847</u>	<u>330,423</u>
Change in net assets	<u>\$ 1,677,146</u>	<u>\$ (209,427)</u>	<u>\$ (317,189)</u>	<u>\$ (146,279)</u>	<u>\$ 166,859</u>	<u>\$ (411,670)</u>	<u>\$ 69,457</u>
Change in net assets controlling	\$ 1,677,146	\$ (209,427)	\$ (32)	\$ (15)	\$ 17	\$ (41)	\$ 69,457
Change in net assets noncontrolling	<u>-</u>	<u>-</u>	<u>(317,157)</u>	<u>(146,264)</u>	<u>166,842</u>	<u>(411,629)</u>	<u>-</u>
Change in net assets	<u>\$ 1,677,146</u>	<u>\$ (209,427)</u>	<u>\$ (317,189)</u>	<u>\$ (146,279)</u>	<u>\$ 166,859</u>	<u>\$ (411,670)</u>	<u>\$ 69,457</u>

Housing Development Partners of San Diego

**Consolidating Statement of Activities
Year Ended December 31, 2018**

	HDP Broadway, LP	HDP Town & Country, LP	HDP West Park LP	HDP Village North, LLC	Other Consolidated Companies	Elimination	Consolidated Total
Management and general							
Consultants	10,883	46,500	-	167	-	-	649,596
Rent	-	-	-	-	-	-	34,152
Office expenses	20,774	14,185	5,568	5,055	23,382	-	154,361
Training, travel and parking	32	-	23	658	-	-	32,935
Property and partnership management	123,123	83,080	24,000	65,309	59,294	(97,163)	547,837
Repairs and maintenance	-	1,293	-	170	-	-	2,585
Utilities and telephone	-	7,850	3,426	7,794	-	-	49,514
Property tax and insurance	3,053	1,754	1,329	874	7,572	-	31,735
Legal and accounting	66,652	10,975	11,570	5,024	13,891	-	228,188
Advertising and marketing	-	-	-	21	-	-	21
Miscellaneous administrative expense	2,165	-	393	-	845	-	173,466
Depreciation and amortization	-	-	-	-	-	-	4,330
Total management and general	<u>226,682</u>	<u>165,637</u>	<u>46,309</u>	<u>85,072</u>	<u>104,984</u>	<u>(97,163)</u>	<u>1,908,720</u>
Total expenses	<u>3,567,016</u>	<u>3,859,086</u>	<u>231,069</u>	<u>890,844</u>	<u>332,968</u>	<u>(461,780)</u>	<u>14,944,002</u>
Change in net assets	<u>\$ (698,707)</u>	<u>\$ (2,092,691)</u>	<u>\$ (50,123)</u>	<u>\$ 408,870</u>	<u>\$ 59,548</u>	<u>\$ (1,185,222)</u>	<u>\$ (2,729,428)</u>
Change in net assets controlling	\$ (70)	\$ (105)	\$ (50,123)	\$ 408,870	\$ 54,116	\$ (1,185,222)	\$ 764,571
Change in net assets noncontrolling	<u>(698,637)</u>	<u>(2,092,586)</u>	<u>-</u>	<u>-</u>	<u>5,432</u>	<u>-</u>	<u>(3,493,999)</u>
Change in net assets	<u>\$ (698,707)</u>	<u>\$ (2,092,691)</u>	<u>\$ (50,123)</u>	<u>\$ 408,870</u>	<u>\$ 59,548</u>	<u>\$ (1,185,222)</u>	<u>\$ (2,729,428)</u>

Housing Development Partners of San Diego

**Consolidating Statement of Changes in Net Assets
Year Ended December 31, 2019**

	Housing Development Partners of San Diego	HDP Mason Housing Corporation	HDP New Palace, LP	Logan Dev II, LP	Casa Colina, LP	HDP Churchill, LP	HDP Parker Kier, LLC
Controlling interest							
Unrestricted net assets, beginning	\$ 18,811,392	\$ (1,289,407)	\$ (531,346)	\$ (59)	\$ (10)	\$ (939,434)	\$ 135,809
Excess over carryover basis	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-
Distributions	-	-	-	-	(12)	-	(45,417)
Payments of accrued interest on seller note	-	-	(97,615)	-	-	-	-
Seller note payable	-	-	(69,968)	-	-	-	-
Change in unrestricted net assets	94,470	(223,806)	(96)	(7)	14	(36)	72,492
Unrestricted net assets, controlling interest, ending	<u>\$ 18,905,862</u>	<u>\$ (1,513,213)</u>	<u>\$ (699,025)</u>	<u>\$ (66)</u>	<u>\$ (8)</u>	<u>\$ (939,470)</u>	<u>\$ 162,884</u>
Noncontrolling interest							
Unrestricted net assets, beginning	\$ -	\$ -	\$ 632,163	\$ 1,550,000	\$ 600,157	\$ (411,629)	\$ -
Contributions	-	-	5,313,728	-	-	-	-
Distributions	-	-	-	-	(117,754)	-	-
Syndication costs	-	-	-	-	-	-	-
Change in unrestricted net assets	-	-	(957,751)	(68,992)	136,154	(364,596)	-
Unrestricted net assets, noncontrolling interest, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,988,140</u>	<u>\$ 1,481,008</u>	<u>\$ 618,557</u>	<u>\$ (776,225)</u>	<u>\$ -</u>

Housing Development Partners of San Diego

**Consolidating Statement of Changes in Net Assets
Year Ended December 31, 2019**

	HDP Broadway, LP	HDP Town & Country, LP	HDP West Park LP	HDP Village North, LLC	HDP Quality Inn, LLC	Other Consolidated Companies	Elimination	Consolidated Total
Controlling interest								
Unrestricted net assets, beginning	\$ (363)	\$ (520,723)	\$ (54,814)	\$ 414,946	\$ 7,596	\$ 45,922	\$ (18,027,106)	\$ (1,947,597)
Excess over carryover basis	-	-	(901,417)	-	-	-	901,417	-
Contributions	-	-	100	-	-	-	(100)	-
Distributions	-	-	-	-	-	(42,886)	88,315	-
Payments of accrued interest on seller note	-	(512,880)	-	-	-	-	97,615	(512,880)
Seller note payable	-	-	5,220,000	-	-	-	(5,150,032)	-
Change in unrestricted net assets	(60)	(38)	(51,720)	(506,833)	69,219	(35,647)	(12,344)	(594,392)
Unrestricted net assets, controlling interest, ending	<u>\$ (423)</u>	<u>\$ (1,033,641)</u>	<u>\$ 4,212,149</u>	<u>\$ (91,887)</u>	<u>\$ 76,815</u>	<u>\$ (32,611)</u>	<u>\$ (22,102,235)</u>	<u>\$ (3,054,869)</u>
Noncontrolling interest								
Unrestricted net assets, beginning	\$ 8,661,460	\$ (449,821)	\$ -	\$ -	\$ -	\$ 5,800	\$ -	\$ 10,588,130
Contributions	-	12,746,500	770,175	-	-	-	-	18,830,403
Distributions	-	-	-	-	-	(4,344)	-	(122,098)
Syndication costs	-	-	(50,000)	-	-	-	-	(50,000)
Change in unrestricted net assets	(599,391)	(764,660)	(155,100)	-	-	6,362	-	(2,767,974)
Unrestricted net assets, noncontrolling interest, ending	<u>\$ 8,062,069</u>	<u>\$ 11,532,019</u>	<u>\$ 565,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,818</u>	<u>\$ -</u>	<u>\$ 26,478,461</u>

Housing Development Partners of San Diego

**Consolidating Statement of Changes in Net Assets
Year Ended December 31, 2018**

	Housing Development Partners of San Diego	HDP Mason Housing Corporation	HDP New Palace, LP	Logan Dev II, LP	Casa Colina, LP	HDP Churchill, LP	HDP Parker Kier, LLC
Controlling interest							
Unrestricted net assets, beginning	\$ 17,134,246	\$ (1,079,980)	\$ (4)	\$ (44)	\$ (16)	\$ (939,393)	\$ 120,915
Excess over carryover basis	-	-	(531,310)	-	-	-	-
Contributions	-	-	-	-	-	-	-
Distributions	-	-	-	-	(11)	-	(54,563)
Change in unrestricted net assets	<u>1,677,146</u>	<u>(209,427)</u>	<u>(32)</u>	<u>(15)</u>	<u>17</u>	<u>(41)</u>	<u>69,457</u>
Unrestricted net assets, controlling interest, ending	<u>\$ 18,811,392</u>	<u>\$ (1,289,407)</u>	<u>\$ (531,346)</u>	<u>\$ (59)</u>	<u>\$ (10)</u>	<u>\$ (939,434)</u>	<u>\$ 135,809</u>
Noncontrolling interest							
Unrestricted net assets, beginning	\$ -	\$ -	\$ 949,310	\$ 1,696,264	\$ 546,542	\$ -	\$ -
Contributions	-	-	10	-	-	-	-
Distributions	-	-	-	-	(113,227)	-	-
Syndication costs	-	-	-	-	-	-	-
Change in unrestricted net assets	<u>-</u>	<u>-</u>	<u>(317,157)</u>	<u>(146,264)</u>	<u>166,842</u>	<u>(411,629)</u>	<u>-</u>
Unrestricted net assets, noncontrolling interest, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 632,163</u>	<u>\$ 1,550,000</u>	<u>\$ 600,157</u>	<u>\$ (411,629)</u>	<u>\$ -</u>

Housing Development Partners of San Diego

**Consolidating Statement of Changes in Net Assets
Year Ended December 31, 2018**

	HDP Broadway, LP	HDP Town & Country, LP	HDP West Park LP	HDP Village North, LLC	Other Consolidated Companies	Elimination	Consolidated Total
Controlling interest							
Unrestricted net assets, beginning	\$ (293)	\$ (520,618)	\$ (4,691)	\$ 6,076	\$ 123,171	\$ (17,551,537)	\$ (2,712,168)
Excess over carryover basis	-	-	-	-	-	531,310	-
Contributions	-	-	-	-	79	(79)	-
Distributions	-	-	-	-	(123,848)	178,422	-
Change in unrestricted net assets	(70)	(105)	(50,123)	408,870	54,116	(1,185,222)	764,571
Unrestricted net assets, controlling interest, ending	<u>\$ (363)</u>	<u>\$ (520,723)</u>	<u>\$ (54,814)</u>	<u>\$ 414,946</u>	<u>\$ 53,518</u>	<u>\$ (18,027,106)</u>	<u>\$ (1,947,597)</u>
Noncontrolling interest							
Unrestricted net assets, beginning	\$ 9,360,097	\$ 1,673,009	\$ -	\$ -	\$ 19,437	\$ -	\$ 14,244,659
Contributions	-	-	-	-	-	-	10
Distributions	-	-	-	-	(19,069)	-	(132,296)
Syndication costs	-	(30,244)	-	-	-	-	(30,244)
Change in unrestricted net assets	(698,637)	(2,092,586)	-	-	5,432	-	(3,493,999)
Unrestricted net assets, noncontrolling interest, ending	<u>\$ 8,661,460</u>	<u>\$ (449,821)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,800</u>	<u>\$ -</u>	<u>\$ 10,588,130</u>



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