

Housing Development Partners of San Diego

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

December 31, 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 statement of financial position as of December 31, 2018, and the related consolidated statements of activities, changes in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 24 to 27 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 16, 2019

Housing Development Partners of San Diego

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

Assets

Current assets

Cash and cash equivalents	\$ 8,619,371
Restricted reserves and deposits	
Restricted reserves	73,801
Deposits	69,782
Tenant security deposits	427,808
Accounts receivable	677,420
Prepaid ground lease	225,569
Prepaid expenses	132,123

Total current assets	<u>10,225,874</u>
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Noncurrent assets

Restricted reserves and deposits	
Restricted reserves	3,377,205
Deposits	51,232
Tax credit fees, net	187,945
Escrow deposits	4,648,486
Investment in partnerships	51,747
Prepaid ground leases, less current portion	3,422,714
Property, equipment and improvements, net	97,420,859

Total noncurrent assets	<u>109,160,188</u>
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Total assets	<u><u>\$ 119,386,062</u></u>
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Housing Development Partners of San Diego

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

Liabilities and Net Assets

Current liabilities	
Accounts payable and accrued expenses	\$ 2,679,834
Construction costs payable	2,318,702
Accrued interest payable	256,025
Ground lease payable	116,512
Mortgages and notes payable, current portion	519,198
Prepaid revenue	266,417
Related party payables	203,872
Tenant security deposits liability	<u>412,224</u>
Total current liabilities	6,772,784
Noncurrent liabilities	
Accrued interest payable	3,235,188
Deferred grant revenue	10,840,710
Mortgages and notes payable, less current portion	89,308,848
Related party payables, less current portion	<u>587,999</u>
Total noncurrent liabilities	103,972,745
Total liabilities	<u>110,745,529</u>
Commitments and contingencies	<u>-</u>
Net assets	
Without donor restriction, controlling	(1,947,597)
Without donor restriction, noncontrolling	<u>10,588,130</u>
Total net assets	<u>8,640,533</u>
Total liabilities and net assets	<u><u>\$ 119,386,062</u></u>

Housing Development Partners of San Diego

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

Revenue and support	
Rental income	\$ 10,002,258
Developer fees	1,299,483
Grant income	537,991
Interest income	50,918
Note forgiveness	23,000
Management fees	129,568
Miscellaneous income	90,578
Resident services	74,250
Share of income from partnerships	<u>6,528</u>
Total revenue and support	<u>12,214,574</u>
Expenses	
Program services	13,035,282
Management and general	<u>1,908,720</u>
Total expenses	<u>14,944,002</u>
Change in net assets	<u>\$ (2,729,428)</u>
Change in net assets, controlling	\$ 764,571
Change in net assets, noncontrolling	<u>(3,493,999)</u>
Change in net assets	<u>\$ (2,729,428)</u>

Housing Development Partners of San Diego
Consolidated Statement of Changes in Net Assets
Year Ended December 31, 2018

Controlling interest

Without donor restriction, beginning	\$ (2,712,168)
Change in net assets	<u>764,571</u>

Without donor restriction, controlling ending	<u><u>\$ (1,947,597)</u></u>
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Noncontrolling interest

Without donor restriction, beginning	\$ 14,244,659
Contributions	10
Distributions	(132,296)
Syndication costs	(30,244)
Change in net assets	<u>(3,493,999)</u>

Without donor restriction, noncontrolling ending	<u><u>\$ 10,588,130</u></u>
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Housing Development Partners of San Diego

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2018**

	<u>Program services</u>	<u>Management and general</u>	<u>Total</u>
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	<u>2,826,505</u>	<u>4,330</u>	<u>2,830,835</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 Statement of Cash Flows
Year Ended December 31, 2018

Cash flows from operating activities	
Changes in net assets without donor restrictions	\$ (2,729,428)
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation and amortization	2,830,835
Amortization of debt issuance costs	74,695
Amortization of prepaid ground lease	232,518
Deferred grant revenue	(517,021)
Gain on investments	(1,102)
Note forgiveness	(23,000)
(Increase) decrease in	
Accounts receivable	(342,205)
Prepaid expenses	(72,947)
Deposits	72,168
Increase (decrease) in	
Accounts payable and accrued expenses	212,296
Ground lease payable	60,686
Prepaid revenue	224,517
Accrued interest payable	432,961
Tenant security deposits, net	<u>42,343</u>
Net cash provided by operating activities	<u>497,316</u>
Cash flows from investing activities	
Net withdrawals from reserves	8,542,355
Net deposits to mortgage escrows	(4,472,000)
Payment of construction costs payable	(1,389,047)
Tax credit fees paid	(91,505)
Investment in property and equipment	<u>(25,913,781)</u>
Net cash used in investing activities	<u>(23,323,978)</u>

Housing Development Partners of San Diego

Consolidated Statement of Cash Flows Year Ended December 31, 2018

Cash flows from financing activities	
Principal payments on mortgages and notes payable	(556,698)
Proceeds from mortgages and notes payable	22,931,945
Related party payables	191,899
Debt issuance costs paid	(1,266,558)
Contributions	10
Distributions	(132,296)
Syndication costs paid	<u>(30,244)</u>
Net cash provided by financing activities	<u>21,138,058</u>
Decrease in cash and cash equivalents	(1,688,604)
Cash and cash equivalents, beginning	<u>10,307,975</u>
Cash and cash equivalents, ending	<u><u>\$ 8,619,371</u></u>
Supplemental disclosure of cash flow information	
Cash paid for interest, net of amount capitalized of \$288,538	<u><u>\$ 3,476,216</u></u>
Supplemental disclosure of noncash investing and financing activities	
Accounts payable included in property and equipment	\$ 2,036,975
Construction costs payable included in property and equipment	\$ 2,318,702
Accounts payable included in tax credit fees	\$ 32,390

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2018

Note 1 - Organization 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 12, 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 the San Diego Housing Commission ("Commission"). The Corporation's by-laws state that two of the Corporation's board members are also Commission board members and a third Corporation board member is the Chief Executive Officer of the Commission. Therefore, the Commission 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 organization. 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.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2018

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.

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	99.99%
HDP West Park Management, 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.

Fair value

The carrying amount of The Corporation's cash and cash equivalents, receivables, payables and accrued expenses, approximate fair value due to the short-term nature of these instruments. The fair value of The Corporation's mortgages and notes payable is assessed by management based on analysis of underlying investments and historical trends. Impairment reserves are provided as necessary.

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.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2018

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 receivables 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 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, 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, 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 equity 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 year ended December 31, 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 statement 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.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 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 year ended December 31, 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 subsequent to December 31, 2018 is \$15,748 per year.

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 statement 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 statement of activities on a systematic basis over the useful life of the related asset. Deferred grant revenue totaled \$10,840,710 at December 31, 2018.

Revenue recognition

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.

Development fees are earned in connection with the construction and oversight of the development of properties. The total development fees anticipated to be paid from capital sources are recognized as revenue commencing with the closing of a project's construction loan based on the percentage

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2018

of completion method. The total development fee anticipated to be paid from future cash flow of the property ("deferred development fee") is recorded as an asset with a corresponding offset to deferred revenue. The deferred development fee is eliminated in consolidation and recognized when paid.

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.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Program services include all expenses relating to development, management of properties, and resident services. Supporting 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 year ended December 31, 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 2015 remain open.

Advertising

Advertising costs are expensed as incurred.

Syndication costs

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

Change in accounting principle

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2018

Note 3 - Restricted reserves and deposits

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, 2018, the net investment deficit in limited partnership and limited liability companies is \$786,060, which was eliminated in consolidation at December 31, 2018.

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

Partnership name	Ownership interest	Total assets	Total liabilities	Partners' equity	Partnership investment
Dawson Avenue Senior Apartments, LP	0.01%	\$ 15,005,297	\$ 9,415,719	\$ 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>

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2018

Note 5 - Property, equipment and improvements, net

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

Land	\$ 4,232,087
Buildings	90,361,648
Site improvements	3,781,180
Furniture and equipment	2,467,075
Construction in progress	<u>9,705,477</u>
Subtotal	110,547,467
Accumulated depreciation	<u>(13,126,608)</u>
Total	<u><u>\$ 97,420,859</u></u>

Depreciation expense for the year ended December 31, 2018 totaled \$2,807,752.

Note 6 - Ground leases

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>

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2018

Note 7 - Mortgages and notes payable

Type of obligations	Interest Rate	Maturity Date	Balance 1/1/2018	Additions	Payments	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	115,000	-	23,000	92,000	23,000
Less: Unamortized debt issuance costs			(16,334)	333	-	(16,001)	-
Casa Colina, LP:							
Red Mortgage Capital, Inc.	5.68%	2039	2,807,054	-	70,596	2,736,458	74,712
San Diego Housing Commission	3.00%	2059	1,409,961	-	91,520	1,318,441	-
Less: Unamortized debt issuance costs			(276,612)	13,069	-	(263,543)	-
Logan Development II, LP:							
Housing Authority of the City of San Diego/serviced by JP Morgan Chase, N.A.	5.58%	2032	3,130,423	-	53,877	3,076,546	57,005
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			(132,138)	5,301	-	(126,837)	-
HDP Broadway, LP:							
Housing Authority of the City of San Diego/serviced by Berkadia Commercial Mortgage	4.49%	2044	17,149,926	-	245,961	16,903,965	257,235
Less: Unamortized debt issuance costs			(295,695)	10,952	-	(284,743)	-
HDP Churchill, LP:							
San Diego Housing Commission	3.00%	2071	3,712,612	87,388	-	3,800,000	-
Civic San Diego	3.00%	2070	2,964,250	35,750	-	3,000,000	-
California Housing Finance Agency	3.00%	2070	1,800,000	-	-	1,800,000	-
San Diego Housing Commission	3.00%	2071	2,124,812	107,634	-	2,232,446	-
Less: Unamortized debt issuance costs			(58,221)	1,087	-	(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	2,106,750	2,803,250	-	4,910,000	-
Housing Authority of the City of San Diego/serviced by Citibank N.A. - Series B-2	Variable	2020	-	5,223,685	-	5,223,685	-
San Diego Housing Commission	4.00%	2073	2,945,000	-	-	2,945,000	-
California Housing Finance Agency	3.00%	2072	2,240,000	-	-	2,240,000	-
Less: Unamortized debt issuance costs			(129,613)	18,291	455,699	(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	11,486,655	4,113,345	-	15,600,000	-
Housing Authority of the City of San Diego/serviced by Citibank N.A. - Series E-2	Variable	2020	-	10,560,893	-	10,560,893	-
Less: Unamortized debt issuance costs			-	20,509	656,283	(635,774)	-
HDP Village North, LLC:							
Red Mortgage Capital, LLC	4.54%	2033	9,100,000	-	94,744	9,005,256	107,246
Less: Unamortized debt issuance costs			-	5,153	154,576	(149,423)	-
			<u>\$ 68,667,662</u>	<u>\$ 23,006,640</u>	<u>\$ 1,846,256</u>	<u>\$ 89,828,046</u>	<u>\$ 519,198</u>

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2018

The annual maturities of long-term debt for each of the next five years and thereafter subsequent to December 31, 2018 are as follows:

2019	\$	519,198
2020		16,468,385
2021		828,469
2022		869,627
2023		889,418
Thereafter		<u>72,353,425</u>

Total mortgages and notes payable	91,928,522
Less: unamortized debt issuance costs	<u>(2,100,476)</u>
Total mortgages and notes payable	<u>\$ 89,828,046</u>

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

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 8 - Related party transactions

Related party transactions consist of staff charges payable to the Commission, amounts due to an affiliate related to the Town & Country construction contract and Partner's fees for Casa Colina, Logan, Broadway, Town & Country and Village North. Related party transactions are non-interest bearing and due upon demand. As of December 31, 2018, related party payables totaled \$791,871.

Note 9 - Net assets

The Corporation's net assets totaled \$8,640,533 as of December 31, 2018, of which \$3,451,007 is for reserve commitments and consist of required deposits to replacement and operating reserves pursuant to regulatory and loan agreements. Of the total amount, \$1,986,848 is held by the Corporation and \$1,464,159 is in lender held accounts. The regulatory and loan agreements dictate timing and use of the reserves. In addition, the Board of Directors has committed funds in the amount of \$1,364,450 related to the predevelopment of the Quality Inn and West Park projects.

Although these funds are defined as without donor restrictions under the applicable accounting standards, these funds are Board committed to Quality Inn and West Park projects and not available for discretionary use.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2018

Note 10 - 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, 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, 2018, no amounts were due under this guaranty.

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. The guarantees are for various lengths of time, as defined in the limited partnership agreements. As of December 31, 2018, no amounts were due under this guaranty.

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, 2018, no amounts were due under this guaranty.

Note 11 - 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, 2018.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2018

Note 12 - Availability and liquidity

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

Cash and cash equivalents	\$ 8,619,371
Receivables	677,420
Reserves	73,801
Other current assets	<u>855,282</u>
Total current financial assets	10,225,874
Less amounts not available to be used within one year	
Current liabilities	6,772,784
Committed reserves	73,801
Other Board commitments	<u>1,364,450</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,014,839</u>

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 13 - Commitments and contingencies

Rental assistance contracts

Eight of the properties owned by the Corporation have entered into rental assistance contracts with HUD or the Commission. 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 the Commission.

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

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2018

geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

Note 14 - 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 16, 2019, 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 April 17, 2019, HDP sold West Park Inn located at 1830 4th Avenue, San Diego to HDP West Park, LP for \$5,220,000, financed by a seller carry back note.
- On May 21, 2019, the construction loan for HDP Town and Country, LP rehabilitation with Citibank was paid down to \$15,600,000 and converted to permanent financing.

Supplementary Information

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	HDP Broadway, LP	HDP Town & Country, LP	HDP West Park LP	HDP Village North, LLC	Other Consolidated Companies	Elimination	Consolidated Total
Assets														
Current assets														
Cash and cash equivalents	\$ 4,922,095	\$ 34,093	\$ 466,174	\$ 224,324	\$ 249,985	\$ 303,552	\$ 124,227	\$ 615,592	\$ 563,988	\$ 370,374	\$ 548,771	\$ 196,196	\$ -	\$ 8,619,371
Restricted reserves and deposits														
Restricted reserves	-	-	-	-	-	-	-	-	-	-	73,801	-	-	73,801
Deposits	4,787	-	-	-	-	-	-	-	1,200	58,000	3,886	1,909	-	69,782
Tenant security deposits	-	9,687	22,077	26,243	23,740	64,558	18,717	47,979	104,481	100	65,126	45,100	-	427,808
Accounts receivable	290,143	1,233	16,367	2,519	70,602	16,342	1,051	3,168	289,350	8,375	8,858	66,575	(97,163)	677,420
Prepaid ground lease	-	-	-	-	10,798	-	-	214,771	-	-	-	-	-	225,569
Prepaid expenses	17,404	4,422	-	6,401	17,210	12,235	4,877	16,346	16,887	-	36,196	145	-	132,123
Related party advances	1,952,752	-	-	-	-	-	-	-	-	57	-	-	(1,952,809)	-
Total current assets	7,187,181	49,435	504,618	259,487	372,335	396,687	148,872	897,856	975,906	436,906	736,638	309,925	(2,049,972)	10,225,874
Noncurrent assets														
Restricted reserves and deposits														
Restricted reserves	-	92,026	96,010	421,823	466,526	290,316	50,146	1,495,911	-	301	463,846	300	-	3,377,205
Deposits	-	3,677	15,039	6,000	-	6,000	3,000	-	109	5,403	-	12,004	-	51,232
Tax credit fees, net	-	-	39,128	12,298	-	-	-	55,252	81,267	-	-	-	-	187,945
Developer fees receivable	6,861,002	-	-	-	-	-	-	-	-	-	-	-	(6,861,002)	-
Escrow deposits	-	-	-	6,807	15,044	-	-	56,100	-	-	4,570,535	-	-	4,648,486
Interest receivable	248,779	-	-	-	-	-	-	-	-	-	-	-	(248,779)	-
Investment in partnerships	51,674	-	-	-	-	-	-	-	-	-	-	73	-	51,747
Note receivable	10,263,567	-	-	-	-	-	-	-	-	-	-	-	(10,263,567)	-
Prepaid ground leases, less current portion	-	-	-	-	529,089	-	-	2,893,625	-	-	-	-	-	3,422,714
Property and equipment, net	149,320	4,933,811	17,147,999	7,198,196	3,126,406	18,436,523	-	28,405,462	29,391,753	982,507	9,438,578	533,146	(22,322,842)	97,420,859
Total noncurrent assets	17,574,342	5,029,514	17,298,176	7,645,124	4,137,065	18,732,839	53,146	32,906,350	29,473,129	988,211	14,472,959	545,523	(39,696,190)	109,160,188
Total assets	\$ 24,761,523	\$ 5,078,949	\$ 17,802,794	\$ 7,904,611	\$ 4,509,400	\$ 19,129,526	\$ 202,018	\$ 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 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	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	\$ 155,866	\$ 26,644	\$ 40,797	\$ 23,257	\$ 28,155	\$ 38,704	\$ 19,558	\$ 56,247	\$ 110,103	\$ 105,581	\$ 2,018,217	\$ 56,705	\$ -	\$ 2,679,834
Construction costs payable	-	-	753,632	-	-	-	-	-	847,160	-	717,910	-	-	2,318,702
Accrued interest payable	-	-	35,780	14,783	43,716	-	-	262,573	98,497	-	-	-	(199,324)	256,025
Ground lease payable	-	-	-	-	997	36,844	17,801	3,475	-	-	57,395	-	-	116,512
Mortgages and notes payable, current	-	23,000	-	57,005	74,712	-	-	257,235	-	-	107,246	-	-	519,198
Prepaid revenue	-	25	33	328	-	5,684	436	24	12,174	233,086	14,588	39	-	266,417
Related party payables, current	78,910	850	834,033	24,394	23,115	11,409	10,670	21,397	10,000	1,141,264	779,756	697,821	(3,429,747)	203,872
Tenant security deposits liability	-	8,600	20,791	26,243	21,915	63,000	17,744	45,859	100,831	-	65,676	41,565	-	412,224
Total current liabilities	<u>234,776</u>	<u>59,119</u>	<u>1,685,066</u>	<u>146,010</u>	<u>192,610</u>	<u>155,641</u>	<u>66,209</u>	<u>646,810</u>	<u>1,178,765</u>	<u>1,479,931</u>	<u>3,760,788</u>	<u>796,130</u>	<u>(3,629,071)</u>	<u>6,772,784</u>
Noncurrent liabilities														
Accrued interest payable	-	1,005,770	228,350	1,504,702	-	502,092	-	-	-	-	-	-	(5,726)	3,235,188
Deferred grant revenue	-	-	-	-	-	8,920,282	-	-	-	-	2,285,276	-	(364,848)	10,840,710
Investment in partnerships	786,060	-	-	-	-	-	-	-	-	-	-	-	(786,060)	-
Mortgages and notes payable, less current portion	-	4,986,832	14,751,664	4,703,958	3,716,643	10,775,312	-	24,496,299	25,525,119	-	8,748,587	-	(8,395,566)	89,308,848
Related party payable, less current portion	<u>4,929,295</u>	<u>316,635</u>	<u>1,036,897</u>	<u>-</u>	<u>-</u>	<u>127,262</u>	<u>-</u>	<u>-</u>	<u>4,715,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,537,785)</u>	<u>587,999</u>
Total noncurrent liabilities	<u>5,715,355</u>	<u>6,309,237</u>	<u>16,016,911</u>	<u>6,208,660</u>	<u>3,716,643</u>	<u>20,324,948</u>	<u>-</u>	<u>24,496,299</u>	<u>30,240,814</u>	<u>-</u>	<u>11,033,863</u>	<u>-</u>	<u>(20,089,985)</u>	<u>103,972,745</u>
Total liabilities	<u>5,950,131</u>	<u>6,368,356</u>	<u>17,701,977</u>	<u>6,354,670</u>	<u>3,909,253</u>	<u>20,480,589</u>	<u>66,209</u>	<u>25,143,109</u>	<u>31,419,579</u>	<u>1,479,931</u>	<u>14,794,651</u>	<u>796,130</u>	<u>(23,719,056)</u>	<u>110,745,529</u>
Net assets														
Without donor restriction, controlling	18,811,392	(1,289,407)	(531,346)	(59)	(10)	(939,434)	135,809	(363)	(520,723)	(54,814)	414,946	53,518	(18,027,106)	(1,947,597)
Without donor restriction, noncontrolling	<u>-</u>	<u>-</u>	<u>632,163</u>	<u>1,550,000</u>	<u>600,157</u>	<u>(411,629)</u>	<u>-</u>	<u>8,661,460</u>	<u>(449,821)</u>	<u>-</u>	<u>-</u>	<u>5,800</u>	<u>-</u>	<u>10,588,130</u>
Total net assets	<u>18,811,392</u>	<u>(1,289,407)</u>	<u>100,817</u>	<u>1,549,941</u>	<u>600,147</u>	<u>(1,351,063)</u>	<u>135,809</u>	<u>8,661,097</u>	<u>(970,544)</u>	<u>(54,814)</u>	<u>414,946</u>	<u>59,318</u>	<u>(18,027,106)</u>	<u>8,640,533</u>
Total liabilities and net 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>	<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>

See Independent Auditor's Report.

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	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	\$ -	\$ 206,478	\$ 781,436	\$ 766,242	\$ 962,714	\$ 854,848	\$ 399,187	\$ 2,852,988	\$ 1,751,358	\$ 23,115	\$ 1,299,818	\$ 104,074	\$ -	\$ 10,002,258
Developer fees	2,330,936	-	-	-	-	-	-	-	-	-	-	-	(1,031,453)	1,299,483
Grant income	30,000	970	-	-	-	244,706	-	-	10,000	91,904	-	204,956	(44,545)	537,991
Interest income	422,414	498	57	1,179	1,587	4,083	58	8,052	74	3	184	11	(387,282)	50,918
Note forgiveness	-	23,000	-	-	-	-	-	-	-	-	-	-	-	23,000
Management fees	143,622	-	-	-	-	-	-	-	-	-	-	83,109	(97,163)	129,568
Miscellaneous income	21	10,690	-	-	12	540	635	7,269	4,963	65,924	(288)	812	-	90,578
Resident services	-	-	-	-	74,250	-	-	-	-	-	-	-	-	74,250
Share of income from partnerships	93,533	-	-	-	-	-	-	-	-	-	-	(446)	(86,559)	6,528
Total revenue and support	3,020,526	241,636	781,493	767,421	1,038,563	1,104,177	399,880	2,868,309	1,766,395	180,946	1,299,714	392,516	(1,647,002)	12,214,574
Expenses														
Program services														
Salaries	-	24,831	124,377	70,730	79,521	124,107	81,233	151,877	444,451	33,151	44,616	83,355	-	1,262,249
Payroll taxes	-	2,694	6,702	3,289	9,729	6,342	3,412	14,685	12,674	913	1,677	5,150	-	67,267
Employee benefits	-	6,164	21,567	14,368	21,795	28,509	19,695	37,657	20,220	6,497	33,115	15,429	-	225,016
Consultants	429,499	-	3,780	-	12,784	-	-	18,613	2,700	186	-	2,441	-	470,003
Office expenses	-	104	-	2,568	-	6,382	1,829	-	7,035	-	4,198	-	-	22,116
Training, travel and parking	-	641	140	1,081	1,937	1,431	-	1,327	356	-	-	63	-	6,976
Resident services	-	1,069	17,629	1,326	83,563	1,529	583	53,691	56,889	1,147	68,535	-	-	285,961
Relocation cost	-	-	-	-	-	-	-	-	1,132,477	-	-	-	-	1,132,477
Repairs and maintenance	-	34,166	39,959	52,011	53,272	127,634	64,342	291,020	179,373	95,683	58,413	36,937	-	1,032,810
Supplies	-	12,871	6,083	24,642	18,605	5,752	9,451	16,679	14,546	6,112	731	10,783	-	126,255
Utilities and telephone	-	39,602	94,984	103,115	73,941	95,498	61,029	269,225	242,605	24,164	88,771	53,853	-	1,146,787
Property tax and insurance	-	4,372	32,711	13,412	36,205	24,270	8,207	64,547	141,224	7,607	37,671	19,260	-	389,486
Interest	-	148,142	369,422	291,879	210,990	325,213	-	1,090,935	843,209	-	386,622	-	(334,617)	3,331,795
Legal and accounting	-	1,985	-	-	-	-	1,819	-	853	-	18	-	-	4,675
Bad debt expense	-	7,808	627	1,573	219	4,695	3,795	1,517	17,476	2,822	1,046	-	-	41,578
Ground lease expense	-	-	-	-	32,272	36,844	17,801	383,461	-	-	57,395	-	-	527,773
Grant expense	30,000	-	-	-	-	-	-	-	-	-	-	-	(30,000)	-
Advertising and marketing	-	-	582	-	240	-	-	757	2,441	254	-	713	-	4,987
Miscellaneous administrative expense	3,668	4,959	8,023	8,539	19,470	18,360	2,290	28,085	7,984	6,224	22,964	-	-	130,566
Depreciation and amortization	-	120,497	258,678	236,556	103,911	621,505	2,164	916,258	566,936	-	-	-	-	2,826,505
Total program services	463,167	409,905	985,264	825,089	758,454	1,428,071	277,650	3,340,334	3,693,449	184,760	805,772	227,984	(364,617)	13,035,282
Management and general														
Consultants	532,269	12,578	11,910	8,188	7,893	11,175	8,033	10,883	46,500	-	167	-	-	649,596
Rent	34,152	-	-	-	-	-	-	-	-	-	-	-	-	34,152
Office expenses	51,227	2,882	13,238	4,882	6,455	2,914	3,799	20,774	14,185	5,568	5,055	23,382	-	154,361
Training, travel and parking	29,893	1,845	484	-	-	-	-	32	-	23	658	-	-	32,935
Property and partnership management	-	10,404	59,532	58,038	77,991	53,421	30,808	123,123	83,080	24,000	65,309	59,294	(97,163)	547,837
Repairs and maintenance	1,122	-	-	-	-	-	-	-	1,293	-	170	-	-	2,585
Utilities and telephone	11,353	2,554	-	3,503	4,874	3,965	4,195	-	7,850	3,426	7,794	-	-	49,514
Property tax and insurance	6,673	2,345	838	2,457	1,220	807	2,813	3,053	1,754	1,329	874	7,572	-	31,735
Legal and accounting	42,474	8,550	26,046	11,543	12,844	15,494	3,125	66,652	10,975	11,570	5,024	13,891	-	228,188
Advertising and marketing	-	-	-	-	-	-	-	-	-	-	21	-	-	21
Miscellaneous administrative expense	166,720	-	1,370	-	1,973	-	-	2,165	-	393	-	845	-	173,466
Depreciation and amortization	4,330	-	-	-	-	-	-	-	-	-	-	-	-	4,330
Total management and general	880,213	41,158	113,418	88,611	113,250	87,776	52,773	226,682	165,637	46,309	85,072	104,984	(97,163)	1,908,720
Total expenses	1,343,380	451,063	1,098,682	913,700	871,704	1,515,847	330,423	3,567,016	3,859,086	231,069	890,844	332,968	(461,780)	14,944,002
Change in net assets	\$ 1,677,146	\$ (209,427)	\$ (317,189)	\$ (146,279)	\$ 166,859	\$ (411,670)	\$ 69,457	\$ (698,707)	\$ (2,092,691)	\$ (50,123)	\$ 408,870	\$ 59,548	\$ (1,185,222)	\$ (2,729,428)
Change in net assets controlling	\$ 1,677,146	\$ (209,427)	\$ (32)	\$ (15)	\$ 17	\$ (41)	\$ 69,457	\$ (70)	\$ (105)	\$ (50,123)	\$ 408,870	\$ 54,116	\$ (1,185,222)	\$ 764,571
Change in net assets noncontrolling	-	-	(317,157)	(146,264)	166,842	(411,629)	-	(698,637)	(2,092,586)	-	-	5,432	-	(3,493,999)
Change in net assets	\$ 1,677,146	\$ (209,427)	\$ (317,189)	\$ (146,279)	\$ 166,859	\$ (411,670)	\$ 69,457	\$ (698,707)	\$ (2,092,691)	\$ (50,123)	\$ 408,870	\$ 59,548	\$ (1,185,222)	\$ (2,729,428)

See Independent Auditor's Report.

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	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	\$ 17,134,246	\$ (1,079,980)	\$ (4)	\$ (44)	\$ (16)	\$ (939,393)	\$ 120,915	\$ (293)	\$ (520,618)	\$ (4,691)	\$ 6,076	\$ 123,171	\$ (17,551,537)	\$ (2,712,168)
Excess over carryover basis	-	-	(531,310)	-	-	-	-	-	-	-	-	-	531,310	-
Contributions	-	-	-	-	-	-	-	-	-	-	-	79	(79)	-
Distributions	-	-	-	-	(11)	-	(54,563)	-	-	-	-	(123,848)	178,422	-
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>	<u>(70)</u>	<u>(105)</u>	<u>(50,123)</u>	<u>408,870</u>	<u>54,116</u>	<u>(1,185,222)</u>	<u>764,571</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>	<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	\$ -	\$ -	\$ 949,310	\$ 1,696,264	\$ 546,542	\$ -	\$ -	\$ 9,360,097	\$ 1,673,009	\$ -	\$ -	\$ 19,437	\$ -	\$ 14,244,659
Contributions	-	-	10	-	-	-	-	-	-	-	-	-	-	10
Distributions	-	-	-	-	(113,227)	-	-	-	-	-	-	(19,069)	-	(132,296)
Syndication costs	-	-	-	-	-	-	-	-	(30,244)	-	-	-	-	(30,244)
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>	<u>(698,637)</u>	<u>(2,092,586)</u>	<u>-</u>	<u>-</u>	<u>5,432</u>	<u>-</u>	<u>(3,493,999)</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>	<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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