

REPORT TO THE HDP AUDIT COMMITTEE

DATE ISSUED: August 25, 2022

REPORT NO: HDPAC22-001

ATTENTION: Members of the Audit Committee of Housing Development Partners of San Diego
For the Agenda of September 1, 2022

SUBJECT: Approval of Fiscal Year 2021 Housing Development Partners of San Diego
Consolidated Financial Statements Prepared by CohnReznick LLP, an Independent
Audit Firm

STAFF RECOMMENDATIONS

That the Housing Development Partners (HDP) Audit Committee take the following actions:

1. Approve the HDP 2021 Consolidated Financial Statements prepared by CohnReznick LLP, an independent audit firm.
2. Authorize HDP's Executive Vice President and Chief Financial Officer, or designee, to engage CohnReznick, LLP for the performance of the 2022 financial audit.

SUMMARY

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

CohnReznick, LLP is responsible for expressing an opinion on the financial statements based on their audit. In their opinion, the financial statements present fairly, in all material respects, the financial position of HDP as of December 31, 2021.

FISCAL CONSIDERATIONS

The proposed action has no fiscal impact.

ENVIRONMENTAL REVIEW

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

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Approval of the 2021 HDP Consolidated Financial Statements

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CONFLICT DISCLOSURE STATEMENT:

Two San Diego Housing Commissioners (Commissioners), Stefanie Benvenuto and Eugene “Mitch” Mitchell, and Interim President & Chief Executive Officer (CEO) of the San Diego Housing Commission, Jeff Davis, are each directors of Housing Development Partners (“HDP”), a California nonprofit public benefit corporation qualified as an Internal Revenue Code Section 501(c)(3) corporation for federal purposes. Any Commissioner, who is also a director of HDP as of the date of this staff report, and Interim CEO Davis have no conflict of interest as discussed below.

The Commissioners and Interim CEO Davis receive no compensation for their service on the HDP’s Board of Directors and/or as officers of HDP. Pursuant to the provisions of Government Code Sections 1091.5(a)(7) and 1091.5(a)(8), the Commissioners and Interim CEO Davis each have a “non-interest” as described in Government Code Section 1091.5 for purposes of their action on Housing Commission matters associated with this matter, if any. This disclosure shall be incorporated into the record of the San Diego Housing Commission, if and when this matter is heard by the Commission.

Further, as members of the Board of Commissioners of the Housing Commission, the Commissioners are legally entitled to vote and be counted for quorum purposes in this HDP matter. Further, Mr. Davis is not compensated by HDP and he sits on the Board of Directors of HDP. He is legally entitled to vote and to be counted for quorum purposes for this HDP matter.

None of HDP’s board members has a financial interest in this action item that would legally preclude their participation under the provisions of Government Code Sections 1090 and/or 87100 et. seq. Further, the Housing Commission is a public agency and the Commissioners are not compensated for their service as Commissioners of the Housing Commission. Further, Mr. Davis’s compensation from a public agency, the San Diego Housing Commission, is a non-interest under the provisions of Government Code Section 1091.5(a)(9) as well as for the purposes of Government Code Section 87100 et. seq. Mr. Davis’s compensation with SDHC is not a financial interest that would, in any way, preclude him being counted for quorum purposes or voting on these matters before HDP.

Further, to the extent that HDP is a public agency for local Ethics Ordinance purposes, neither the Commissioners nor Director Davis have any conflicts of interest under the local ethics ordinance that would preclude their, or any of their, actions in this matter or from being counted for quorum purposes. This disclosure shall be and is hereby documented in the official records of the HDP. Similar disclosures will be made in the records of the San Diego Housing Commission, if and when this matter is heard by the Commission.

MUTUAL DIRECTORS STATEMENT:

To the extent that Commissioners may be considered to be “directors” of the San Diego Housing Commission for purposes of California Corporations Code Section 5234 and, hence, common directors with HDP, a vote on this matter should incorporate a finding that these transactions are just and reasonable as to HDP.

Respectfully submitted,

Julie Conserva

Julie Conserva
Director of Finance - Real Estate
Housing Development Partners

Approved by,

Suket Dayal

Suket Dayal
Executive Vice President
Housing Development Partners

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Approval of the 2021 HDP Consolidated Financial Statements

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- Attachments:
- 1) Housing Development Partners of San Diego Consolidated Financial Statements (With Supplementary Information) and Independent Auditor's Report, December 31, 2021 and 2020
 - 2) Additional Auditor Required Communication to those charged with Governance

Docket materials are available on HDP's website at www.hdpartners.org

Housing Development Partners of San Diego

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

December 31, 2021 and 2020

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

Opinion

We have audited the consolidated financial statements of Housing Development Partners of San Diego, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Housing Development Partners of San Diego as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Housing Development Partners of San Diego and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Housing Development Partners of San Diego's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements on pages 26 to 45 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits 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
(REPORT DATE)

Housing Development Partners of San Diego

Consolidated Statements of Financial Position December 31, 2021 and 2020

	<u>Assets</u>	
	2021	2020
Current assets		
Cash and cash equivalents	\$ 18,004,481	\$ 14,223,382
Restricted deposits and funded reserves		
Restricted reserves	254,672	101,190
Tenant security deposits	673,592	629,625
Accounts receivable	1,021,091	418,812
Deposits	66,947	6,787
Prepaid ground lease	167,830	195,404
Prepaid expenses	356,176	250,611
Total current assets	20,544,789	15,825,811
Noncurrent assets		
Restricted deposits and funded reserves		
Restricted reserves	5,746,978	4,987,854
Escrow deposits	3,618,035	9,473,081
Tax credit fees, net	184,140	202,847
Deposits	72,601	76,676
Investment in partnerships	66,515	63,404
Prepaid ground leases, less current portion	2,900,294	3,040,550
Property, equipment and improvements, net	139,049,777	126,928,590
Predevelopment costs	-	2,430
Total noncurrent assets	151,638,340	144,775,432
Total assets	\$ 172,183,129	\$ 160,601,243

Housing Development Partners of San Diego

**Consolidated Statements of Financial Position
December 31, 2021 and 2020**

Liabilities and Net Assets

	2021	2020
Current liabilities		
Accounts payable and accrued expenses	\$ 567,756	\$ 532,122
Construction costs payable	1,734,707	3,939,297
Accrued interest payable	253,848	236,179
Mortgages and notes payable, current portion	20,275,223	3,459,637
Prepaid revenue	231,807	71,558
Related party payables	1,091,254	902,395
Tenant security deposits liability	654,432	614,694
	<hr/>	<hr/>
Total current liabilities	24,809,027	9,755,882
	<hr/>	<hr/>
Noncurrent liabilities		
Accrued interest payable	5,132,578	4,328,673
Deferred grant revenue	11,861,530	11,803,765
Mortgages and notes payable, less current portion	108,539,626	114,554,185
	<hr/>	<hr/>
Total noncurrent liabilities	125,533,734	130,686,623
	<hr/>	<hr/>
Total liabilities	150,342,761	140,442,505
	<hr/>	<hr/>
Commitments and contingencies	-	-
	<hr/>	<hr/>
Net assets		
Without donor restriction, controlling	(5,480,089)	(4,904,501)
Without donor restriction, noncontrolling	27,320,457	25,063,239
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Total net assets	21,840,368	20,158,738
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Total liabilities and net assets	\$ 172,183,129	\$ 160,601,243
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See Notes to Consolidated Financial Statements.

Housing Development Partners of San Diego

Consolidated Statements of Activities Years Ended December 31, 2021 and 2020

	2021	2020
Revenue and support		
Rental income	\$ 16,648,564	\$ 14,738,955
Developer fees	1,636,702	1,931,936
Grant income	307,084	302,316
Interest income	4,619	93,613
Note forgiveness	23,000	23,000
Management fees	127,904	131,615
Miscellaneous income	51,994	53,197
Resident services	75,825	73,705
Share of income from partnerships	5,585	5,123
Total revenue and support	18,881,277	17,353,460
Expenses		
Program services	17,838,760	17,570,919
Management and general	2,720,716	2,542,638
Total expenses	20,559,476	20,113,557
Change in net assets - without donor restriction	\$ (1,678,199)	\$ (2,760,097)
Change in net assets, controlling	\$ (429,965)	\$ (500,747)
Change in net assets, noncontrolling	(1,248,234)	(2,259,350)
Change in net assets - without donor restriction	\$ (1,678,199)	\$ (2,760,097)

See Notes to Consolidated Financial Statements.

Housing Development Partners of San Diego

Consolidated Statements of Changes in Net Assets Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Controlling interest		
Without donor restriction, beginning	\$ (4,904,501)	\$ (3,054,869)
Excess over carryover basis	-	(33,163,907)
Payment of accrued interest on seller note	(145,623)	(778,801)
Seller note payable	-	32,060,000
Transfer	-	533,823
Change in net assets	<u>(429,965)</u>	<u>(500,747)</u>
Without donor restriction, controlling ending	<u>\$ (5,480,089)</u>	<u>\$ (4,904,501)</u>
Noncontrolling interest		
Without donor restriction, beginning	\$ 25,063,239	\$ 26,478,461
Contributions	3,649,271	1,518,546
Distributions	(143,819)	(90,595)
Syndication costs	-	(50,000)
Transfer	-	(533,823)
Change in net assets	<u>(1,248,234)</u>	<u>(2,259,350)</u>
Without donor restriction, noncontrolling ending	<u>\$ 27,320,457</u>	<u>\$ 25,063,239</u>

See Notes to Consolidated Financial Statements.

Housing Development Partners of San Diego

**Consolidated Statements of Functional Expenses
Year Ended December 31, 2021**

	Program services	Management and general	Total
Salaries	\$ 1,449,408	\$ -	\$ 1,449,408
Payroll taxes	74,454	-	74,454
Employee benefits	285,751	-	285,751
Consultants	865,666	1,135,597	2,001,263
Rent	-	75,412	75,412
Office expenses	105,004	74,429	179,433
Training, travel and parking	19,816	24,399	44,215
Property and partnership management	-	807,368	807,368
Resident services	273,741	-	273,741
Relocation cost	7,490	-	7,490
Repairs and maintenance	1,491,387	1,566	1,492,953
Supplies	237,806	-	237,806
Utilities and telephone	1,628,396	9,508	1,637,904
Property tax and insurance	470,407	75,326	545,733
Interest	4,804,351	-	4,804,351
Legal and accounting	57,221	248,629	305,850
Bad debt expense	156,228	-	156,228
Ground lease expense	872,607	-	872,607
Advertising and marketing	7,609	-	7,609
Miscellaneous administrative expense	250,829	263,364	514,193
Depreciation and amortization	4,780,589	5,118	4,785,707
	<u>\$ 17,838,760</u>	<u>\$ 2,720,716</u>	<u>\$ 20,559,476</u>
Total functional expenses	<u>\$ 17,838,760</u>	<u>\$ 2,720,716</u>	<u>\$ 20,559,476</u>

See Notes to Consolidated Financial Statements.

Housing Development Partners of San Diego

Consolidated Statements of Functional Expenses Year Ended December 31, 2020

	Program services	Management and general	Total
Salaries	\$ 1,242,242	\$ -	\$ 1,242,242
Payroll taxes	86,331	-	86,331
Employee benefits	248,341	-	248,341
Consultants	750,596	992,205	1,742,801
Rent	-	63,626	63,626
Office expenses	114,116	138,770	252,886
Training, travel and parking	20,305	23,324	43,629
Property and partnership management	-	726,219	726,219
Resident services	385,095	-	385,095
Relocation cost	17,319	-	17,319
Repairs and maintenance	1,440,921	28,615	1,469,536
Supplies	202,892	-	202,892
Utilities and telephone	1,626,348	15,240	1,641,588
Property tax and insurance	550,614	58,277	608,891
Interest	4,593,093	-	4,593,093
Legal and accounting	110,427	219,648	330,075
Bad debt expense	183,904	-	183,904
Ground lease expense	830,211	-	830,211
Advertising and marketing	19,422	-	19,422
Miscellaneous administrative expense	365,602	272,286	637,888
Depreciation and amortization	4,783,140	4,428	4,787,568
Total functional expenses	<u>\$ 17,570,919</u>	<u>\$ 2,542,638</u>	<u>\$ 20,113,557</u>

See Notes to Consolidated Financial Statements.

Housing Development Partners of San Diego

Consolidated Statements of Cash Flows Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Changes in net assets without donor restrictions	\$ (1,678,199)	\$ (2,760,097)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	4,785,707	4,787,568
Amortization of debt issuance costs	116,705	130,240
Amortization of prepaid ground lease	167,830	195,404
Deferred grant revenue	57,765	(302,316)
Share of income from partnerships	(5,585)	(5,123)
Note forgiveness	(23,000)	(23,000)
(Increase) decrease in		
Accounts receivable	(602,279)	121,066
Prepaid expenses	(105,565)	(88,432)
Deposits	(56,085)	91,185
Increase (decrease) in		
Accounts payable and accrued expenses	35,634	(103,629)
Prepaid revenue	160,249	53,316
Accrued interest payable	821,574	776,155
Tenant security deposits liability	39,738	136,142
	<u>3,714,489</u>	<u>3,008,479</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Payment of construction costs payable	(3,939,297)	(836,425)
Tax credit fees paid	-	(28,529)
Investment in property and equipment	(15,148,576)	(29,053,177)
	<u>(19,087,873)</u>	<u>(29,918,131)</u>
Net cash used in investing activities		

Housing Development Partners of San Diego

Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from financing activities		
Principal payments on mortgages and notes payable	(3,603,424)	(871,332)
Proceeds from mortgages and notes payable	14,310,746	28,606,254
Related party payables	188,859	(84,296)
Receipt of deferred grant revenue	-	1,200,000
Debt issuance costs paid	-	(605,223)
Payment of accrued interest on seller note	(145,623)	(778,801)
Contributions	3,649,271	1,518,546
Distributions	(143,819)	(90,595)
Syndication costs paid	-	(50,000)
	<u>14,256,010</u>	<u>28,844,553</u>
Net cash provided by financing activities		
	<u>14,256,010</u>	<u>28,844,553</u>
Increase (decrease) in cash, cash equivalents and restricted cash	(1,117,374)	1,934,901
Cash, cash equivalents and restricted cash, beginning	<u>29,415,132</u>	<u>27,480,231</u>
Cash, cash equivalents and restricted cash, ending	<u>\$ 28,297,758</u>	<u>\$ 29,415,132</u>
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amount capitalized of \$0 and \$83,251	<u>\$ 3,982,777</u>	<u>\$ 5,369,248</u>
Supplemental disclosure of noncash investing and financing activities		
Construction costs payable included in property and equipment	<u>\$ 1,734,707</u>	<u>\$ 3,939,297</u>
Reclassification of predevelopment costs to property and equipment	<u>\$ 2,430</u>	<u>\$ 625,424</u>
Excess over carryover basis	<u>\$ -</u>	<u>\$ (33,163,907)</u>
Seller note payable	<u>\$ -</u>	<u>\$ 32,060,000</u>
Accounts payable included in tax credit fees	<u>\$ -</u>	<u>\$ 17,660</u>

See Notes to Consolidated Financial Statements.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2021 and 2020

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 seniors, families, veterans, workers and special needs 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 1,700 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 assets 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.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2021 and 2020

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%
Casa Colina	HDP Casa Colina Management, LLC	99.99%
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 West Park Management, LLC	0.009%
HDP West Park Management, LLC	HDP	79.00%
HDP Mariner's Village Management, LLC	HDP	79.00%
HDP Mariner's Village LP	HDP Mariner's Village Management, LLC	0.01%
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 deposits and funded reserves

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.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2021 and 2020

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 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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, the Corporation did not make any such adjustments.

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, 2021 and 2020, \$20,261 and \$86,233, 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, 2021 and 2020

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, 2021 and 2020.

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, 2021 is \$22,977 for 2022, \$21,611 for 2023, \$20,244 for 2024, \$19,575 for 2025 and \$12,256 for 2026.

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 \$11,861,530 and \$11,803,765 as of December 31, 2021 and 2020, 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.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2021 and 2020

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.

The Corporation recognizes grants when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

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 Corporation 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

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2021 and 2020

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 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, 2021 and 2020. 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.

Three limited liability companies (HDP Churchill, LLC, HDP West Park Management LLC and HDP Mariner's Village Management LLC) have elected to be treated as taxable C-corporations and uses the cash basis of accounting, for accounting for income taxes, as allowed under the Internal Revenue Code. These entities have no other assets or liabilities beyond their general partner interest in the related operating entity. As of December 31, 2021 and 2020, the entities have no deferred tax assets or liabilities and no valuation allowance was considered necessary.

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 2018 remain open.

Advertising

Advertising costs are expensed as incurred.

Syndication costs

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

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.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2021 and 2020

Note 4 - Investment in partnerships

HDP consolidates its ownership interest in certain limited partnerships (see Note 1). As of December 31, 2021 and 2020, the net investment deficit in limited partnership and limited liability companies was \$3,143,965 and \$2,482,214, respectively, which was eliminated in consolidation for the years ended December 31, 2021 and 2020.

The following is condensed financial information as of December 31, 2021 and 2020 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, 2021:

Partnership name	Ownership interest	Total assets	Total liabilities	Partners' equity	Partnership investment
Dawson Avenue Senior Apartments, LP	0.01%	\$ 12,681,266	\$ 9,708,185	\$ 2,973,081	\$ 70,639
East Village West LP	0.04%	15,315,721	23,691,879	(8,376,158)	(1,975)
Studio 15 Housing Partners, L.P.	0.01%	24,180,833	32,172,145	(7,991,312)	(2,149)
					<u>\$ 66,515</u>

Investment in partnerships consist of the following at December 31, 2020:

Partnership name	Ownership interest	Total assets	Total liabilities	Partners' equity	Partnership investment
Dawson Avenue Senior Apartments, LP	0.01%	\$ 13,563,066	\$ 9,761,404	\$ 3,801,662	\$ 65,152
East Village West LP	0.04%	16,814,441	24,319,612	(7,505,171)	279
Studio 15 Housing Partners, L.P.	0.01%	25,505,729	32,268,638	(6,762,909)	(2,027)
					<u>\$ 63,404</u>

Note 5 - Property, equipment and improvements, net

Property, equipment and improvements consists of the following as of December 31, 2021 and 2020:

	2021	2020
Land	\$ 4,476,568	\$ 4,476,568
Buildings	142,667,103	116,721,059
Site improvements	7,096,849	6,152,426
Furniture and equipment	8,517,176	6,545,184
Construction in progress	225,081	15,049,908
Subtotal	162,982,777	148,945,145
Accumulated depreciation	<u>(23,933,000)</u>	<u>(22,016,555)</u>
Total	<u>\$ 139,049,777</u>	<u>\$ 126,928,590</u>

Depreciation expense totaled \$4,761,882 and \$4,767,647 for the years ended December 31, 2021 and 2020, respectively.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2021 and 2020

Note 6 - Mortgages and notes payable

Type of obligations	Interest Rate	Maturity Date	Balance 12/31/2021	Balance 12/31/2020	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	23,000	46,000	23,000
Less: Unamortized debt issuance costs			(15,001)	(15,334)	-
Casa Colina, LP:					
Red Mortgage Capital, Inc.	5.68%	2039	2,499,000	2,582,678	88,556
San Diego Housing Commission	3.00%	2059	1,122,125	1,181,886	-
Less: Unamortized debt issuance costs			(224,336)	(237,405)	-
Logan Development II, LP:					
Housing Authority of the City of San Diego/serviced by JP Morgan Chase, N.A.	5.58%	2032	2,895,923	2,959,713	67,493
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			(111,591)	(116,673)	-
HDP Broadway, LP:					
Housing Authority of the City of San Diego/serviced by Berkadia Commercial Mortgage	4.49%	2044	16,096,349	16,377,705	294,252
Less: Unamortized debt issuance costs			(251,887)	(262,839)	-
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	2,191,686	2,201,359	-
Less: Unamortized debt issuance costs			(53,872)	(54,960)	-
HDP New Palace, LP:					
Housing Authority of the City of San Diego/ serviced by Citibank N.A. - Series B-1	4.42%	2054	4,776,311	4,839,603	66,147
San Diego Housing Commission	4.00%	2073	3,100,000	3,100,000	-
California Housing Finance Agency	3.00%	2072	2,240,000	2,240,000	-
City of San Diego	3.00%	2072	1,943,177	1,943,177	-
Less: Unamortized debt issuance costs			(533,287)	(551,667)	-
HDP Town & Country, LP:					
Housing Authority of the City of San Diego/ serviced by Citibank N.A. - Series E-1	4.54%	2034	15,101,221	15,301,251	209,303
Less: Unamortized debt issuance costs			(604,179)	(615,469)	-
HDP Village North, LLC:					
Red Mortgage Capital, LLC	4.54%	2033	8,669,368	8,786,881	123,037
Less: Unamortized debt issuance costs			(133,964)	(139,117)	-
HDP Quality Inn, LLC:					
Citibank, N.A.	4.14%	2035	4,874,436	4,950,000	85,434
San Diego Housing Commission	4.00%	2075	4,631,579	4,631,579	-
California Housing Finance Agency	3.00%	2074	2,704,500	2,288,921	-
Less: Unamortized debt issuance costs			(291,686)	(303,783)	-

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2021 and 2020

Type of obligations	Interest Rate	Maturity Date	Balance 12/31/2021	Balance 12/31/2020	Due Within One Year
HDP West Park LP:					
Housing Authority of the City of San Diego/ serviced by Banner Bank	4.48%	2039	1,448,911	4,053,649	18,001
San Diego Housing Commission	4.00%	2075	3,593,274	3,593,274	-
Less: Unamortized debt issuance costs			(359,341)	(380,173)	-
HDP Mariner's Village, LP:					
Housing Authority of the City of San Diego/ serviced by Citibank, N.A. The Series A-2 bonds in the amount of \$19,300,000 that were within one year have been paid in full subsequent to year-end on March 18, 2022.	Variable	2022	39,000,000	25,122,962	19,300,000
Less: Unamortized debt issuance costs			(600,699)	(593,228)	-
			<u>\$ 128,814,849</u>	<u>\$ 118,013,822</u>	<u>\$ 20,275,223</u>

The annual maturities of long-term debt for each of the next five years and thereafter subsequent to December 31, 2021 are as follows:

2022	\$ 20,275,223
2023	1,297,382
2024	1,353,717
2025	1,416,836
2026	1,480,769
Thereafter	<u>106,170,765</u>
Total mortgages and notes payable	131,994,692
Less: unamortized debt issuance costs	<u>(3,179,843)</u>
Total mortgages and notes payable	<u>\$ 128,814,849</u>

Interest capitalized into project development costs and property, equipment and improvements totaled \$0 and \$83,251 for the years ended December 31, 2021 and 2020, 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 - Related party transactions

Ground leases consist of the following at December 31, 2021:

Entity	Lease commencement	Term	Ground lease expense	Prepaid Ground Lease		Ground lease payable
				Short-term	Long-term	
Casa Colina, LP	2004	65 years	\$ 31,956	\$ 10,798	\$ 496,695	\$ 2,226
HDP Parker Kier, LLC	2013	10 years	20,571	-	-	20,564
HDP Broadway, LP	2014	65 years	383,461	157,032	2,403,599	219,381
HDP Churchill, LP	2015	65 years	44,708	-	-	44,708
HDP West Park, LP	2019	57 years	1	-	-	1
HDP Village North, LLC	2017	65 years	72,584	-	-	72,584
HDP Quality Inn, LLC	2017	65 years	46,353	-	-	46,353
HDP Mariner's Village, LP	2020	65 years	249,546	-	-	249,546
Housing Development Partners of San Diego	2017	65 years	23,427	-	-	23,427
			<u>\$ 872,607</u>	<u>\$ 167,830</u>	<u>\$ 2,900,294</u>	<u>\$ 678,790</u>

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2021 and 2020

Ground leases consist of the following at December 31, 2020:

Entity	Lease commencement	Term	Ground lease expense	Prepaid Ground Lease		Ground lease payable
				Short-term	Long-term	
Casa Colina, LP	2004	65 years	\$ 34,121	\$ 10,798	\$ 507,493	\$ 1,266
HDP Parker Kier, LLC	2013	10 years	18,513	-	-	18,513
HDP Broadway, LP	2014	65 years	383,461	184,606	2,533,057	202,199
HDP Churchill, LP	2015	65 years	39,645	-	-	39,645
HDP West Park, LP	2019	57 years	2	-	-	1
HDP Village North, LLC	2017	65 years	58,181	-	-	58,181
HDP Quality Inn, LLC	2017	65 years	40,561	-	-	40,561
HDP Mariner's Village, LP	2020	65 years	234,966	-	-	234,966
Housing Development Partners of San Diego	2017	65 years	20,761	-	-	20,661
			<u>\$ 830,211</u>	<u>\$ 195,404</u>	<u>\$ 3,040,550</u>	<u>\$ 615,993</u>

Ground lease payable is included in related party payables on the statements of financial position.

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 balances between the consolidated entities have been eliminated in consolidation. Related party transactions are non-interest bearing and due upon demand. Related party payables after such eliminations totaled \$1,091,255 and \$902,395, for the years ended December 31, 2021 and 2020, respectively.

Note 8 - 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.

	2021	2020
Cash and cash equivalents	\$ 18,004,481	\$ 14,223,382
Tenant security deposits	673,592	629,625
Restricted reserves	6,001,650	5,089,044
Escrow deposits	3,618,035	9,473,081
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	<u>\$ 28,297,758</u>	<u>\$ 29,415,132</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 9 - Net assets

As of December 31, 2021, the Corporation's net assets totaled \$21,840,368, of which \$27,320,457 is attributable to the noncontrolling interest in the tax credit partnerships and management LLC's. This represents the aggregate balance of limited partners' equity interest in the affiliate limited partnerships and non-managing members' equity interest in the affiliate LLC's.

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

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020, 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 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, 2021 and 2020, 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, 2021:

	Amount	Expiration
HDP New Palace, LP	\$ 600,000	2025
HDP Town & Country, LP	1,000,000	2024
HDP West Park, LP	207,592	2025
HDP Mariner's Village, LP	1,000,000	2026
Total operating deficit guaranty	<u>\$ 2,807,592</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, 2021 and 2020, 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

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2021 and 2020

government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2021.

Note 12 - Availability and liquidity

The following represents the Corporation's financial assets at December 31, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 18,004,481	\$ 14,223,382
Receivables	1,021,091	418,812
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 19,025,572</u>	<u>\$ 14,642,194</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 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.

COVID-19

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. The Corporation is not able to estimate the length or severity of this outbreak and the related financial impact. As of December 31, 2021, the global pandemic is

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2021 and 2020

still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on the Corporation.

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 (Report Date), 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.

Supplementary Information

Housing Development Partners of San Diego

Consolidating Statement of Financial Position
December 31, 2021

	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
Assets								
Current assets								
Cash and cash equivalents	\$ 9,086,009	\$ 51,322	\$ 716,012	\$ 155,290	\$ 231,068	\$ 363,579	\$ 144,230	\$ 1,374,307
Restricted deposits and funded reserves								
Restricted reserves	-	-	-	-	-	-	-	57,264
Tenant security deposits	-	9,936	42,225	30,151	23,367	76,009	23,457	49,723
Accounts receivable	92,243	4,582	6,171	7,087	26,132	13,408	1,023	17,795
Deposits	64,947	2,000	-	-	-	-	-	-
Prepaid ground lease	-	-	-	-	10,798	-	-	157,032
Prepaid expenses	4,508	5,123	20,216	22,453	28,604	16,726	7,358	63,750
Related party advances	383,544	-	-	-	-	-	-	-
Total current assets	9,631,251	72,963	784,624	214,981	319,969	469,722	176,068	1,719,871
Noncurrent assets								
Restricted deposits and funded reserves								
Restricted reserves	-	91,900	371,404	424,566	352,305	414,928	78,203	1,462,641
Escrow deposits	-	-	7,862	15,900	22,253	-	-	31,426
Tax credit fees, net	-	-	30,743	4,099	-	-	-	31,285
Deposits	10	2,578	13,710	6,000	-	6,000	3,000	-
Developer fees receivable	15,183,759	-	-	-	-	-	-	-
Interest receivable	973,023	-	-	-	-	-	-	-
Investment in partnerships	-	-	-	-	-	-	-	-
Notes receivable	14,730,800	-	-	-	-	-	-	-
Prepaid ground leases, less current portion	-	-	-	-	496,695	-	-	2,403,599
Property and equipment, net	9,433	4,572,322	15,889,036	6,529,442	2,991,854	16,738,006	-	26,012,126
Predevelopment costs	-	-	-	-	-	-	-	-
Total noncurrent assets	30,897,025	4,666,800	16,312,755	6,980,007	3,863,107	17,158,934	81,203	29,941,077
Total assets	\$ 40,528,276	\$ 4,739,763	\$ 17,097,379	\$ 7,194,988	\$ 4,183,076	\$ 17,628,656	\$ 257,271	\$ 31,660,948

Housing Development Partners of San Diego

Consolidating Statement of Financial Position
December 31, 2021

	HDP Town & Country, LP	HDP West Park LP	HDP Village North, LLC	HDP Quality Inn, LLC	HDP Mariner's Village, LP	HDP ADU, LLC	Other Consolidated Companies	Elimination	Consolidated Total
<u>Assets</u>									
Current assets									
Cash and cash equivalents	\$ 176,373	\$ 119,794	\$ 1,434,156	\$ 896,795	\$ 2,849,720	\$ 303,799	\$ 102,027	\$ -	\$ 18,004,481
Restricted deposits and funded reserves									
Restricted reserves	116,152	-	81,256	-	-	-	-	-	254,672
Tenant security deposits	114,559	29,706	79,494	66,347	125,355	3,263	-	-	673,592
Accounts receivable	29,601	29,683	11,058	21,853	771,119	19,180	86,159	(116,003)	1,021,091
Deposits	-	-	-	-	-	-	-	-	66,947
Prepaid ground lease	-	-	-	-	-	-	-	-	167,830
Prepaid expenses	51,145	11,202	35,438	16,564	69,660	3,429	-	-	356,176
Related party advances	-	-	-	3,997	-	-	-	(387,541)	-
Total current assets	487,830	190,385	1,641,402	1,005,556	3,815,854	329,671	188,186	(503,544)	20,544,789
Noncurrent assets									
Restricted deposits and funded reserves									
Restricted reserves	574,457	240,725	1,068,770	370,121	292,458	4,500	-	-	5,746,978
Escrow deposits	33,040	1,704	141,125	3,264,207	100,518	-	-	-	3,618,035
Tax credit fees, net	65,812	24,329	-	-	27,872	-	-	-	184,140
Deposits	13,500	-	11,479	-	16,324	-	-	-	72,601
Developer fees receivable	-	-	-	-	-	-	-	(15,183,759)	-
Interest receivable	-	-	-	-	-	-	-	(973,023)	-
Investment in partnerships	-	-	-	-	-	-	(12,366)	78,881	66,515
Notes receivable	-	-	-	-	-	-	-	(14,730,800)	-
Prepaid ground leases, less current portion	-	-	-	-	-	-	-	-	2,900,294
Property and equipment, net	26,736,085	12,284,110	7,124,580	10,018,960	41,648,498	2,343,103	-	(33,847,778)	139,049,777
Predevelopment costs	-	-	-	-	-	-	-	-	-
Total noncurrent assets	27,422,894	12,550,868	8,345,954	13,653,288	42,085,670	2,347,603	(12,366)	(64,656,479)	151,638,340
Total assets	\$ 27,910,724	\$ 12,741,253	\$ 9,987,356	\$ 14,658,844	\$ 45,901,524	\$ 2,677,274	\$ 175,820	\$ (65,160,023)	\$ 172,183,129

Housing Development Partners of San Diego

Consolidating Statement of Financial Position
December 31, 2021

	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
<u>Liabilities and Net Assets</u>								
Current liabilities								
Accounts payable and accrued expenses	\$ 39,023	\$ 17,954	\$ 46,098	\$ 21,375	\$ 27,282	\$ 38,870	\$ 21,482	\$ 93,897
Construction costs payable	-	-	-	-	18,650	-	-	-
Accrued interest payable	-	-	17,593	13,915	11,829	-	-	60,227
Ground lease payable	-	-	-	-	-	-	-	-
Mortgages and notes payable, current	-	23,000	66,147	67,493	88,556	-	-	294,252
Prepaid revenue	-	606	10,204	1,568	1,599	8,917	2,950	57,264
Related party payables, current	411,400	636	678,739	25,137	56,628	56,937	31,200	240,987
Tenant security deposits liability	-	9,039	40,225	29,651	21,867	72,000	21,908	48,046
Total current liabilities	450,423	51,235	859,006	159,139	226,411	176,724	77,540	794,673
Noncurrent liabilities								
Accrued interest payable	-	1,449,816	550,186	1,518,920	17,299	969,828	-	123,056
Deferred grant revenue	-	-	-	-	-	8,184,731	-	-
Deferred revenue - subground lease	5,220,000	-	-	-	-	-	-	-
Investment in partnerships	3,065,084	-	-	-	-	-	-	-
Mortgages and notes payable, less current portion	-	4,918,833	11,460,054	4,299,738	3,308,233	10,737,814	-	23,357,340
Related party payable, less current portion	11,675,485	187,079	829,893	-	-	-	-	-
Total noncurrent liabilities	19,960,569	6,555,728	12,840,133	5,818,658	3,325,532	19,892,373	-	23,480,396
Total liabilities	20,410,992	6,606,963	13,699,139	5,977,797	3,551,943	20,069,097	77,540	24,275,069
<u>Net Assets</u>								
With donor restriction	-	-	-	-	-	-	-	-
Without donor restriction, controlling	20,117,284	(1,867,200)	(699,114)	(93)	714,001	(939,537)	179,731	(490)
Without donor restriction, noncontrolling	-	-	4,097,354	1,217,284	(82,868)	(1,500,904)	-	7,386,369
Total net assets	20,117,284	(1,867,200)	3,398,240	1,217,191	631,133	(2,440,441)	179,731	7,385,879
Total liabilities and net assets	\$ 40,528,276	\$ 4,739,763	\$ 17,097,379	\$ 7,194,988	\$ 4,183,076	\$ 17,628,656	\$ 257,271	\$ 31,660,948

Housing Development Partners of San Diego

Consolidating Statement of Financial Position
December 31, 2021

	HDP Town & Country, LP	HDP West Park LP	HDP Village North, LLC	HDP Quality Inn, LLC	HDP Mariner's Village, LP	HDP ADU, LLC	Other Consolidated Companies	Elimination	Consolidated Total
<u>Liabilities and Net Assets</u>									
Current liabilities									
Accounts payable and accrued expenses	\$ 53,519	\$ 38,890	\$ 37,724	\$ 37,955	\$ 76,270	\$ 4,142	\$ 13,275	\$ -	\$ 567,756
Construction costs payable	-	-	-	892,854	539,152	284,051	-	-	1,734,707
Accrued interest payable	-	5,409	33,892	17,377	93,606	-	-	-	253,848
Ground lease payable	-	-	-	-	-	-	-	-	-
Mortgages and notes payable, current	209,303	18,001	123,037	85,434	19,300,000	-	-	-	20,275,223
Prepaid revenue	125,714	2,992	2,322	-	17,293	378	-	-	231,807
Related party payables, current	11,100	402,978	73,220	1,122,053	463,622	627	69,065	(2,553,075)	1,091,254
Tenant security deposits liability	110,534	28,206	79,493	64,847	125,353	3,263	-	-	654,432
Total current liabilities	510,170	496,476	349,688	2,220,520	20,615,296	292,461	82,340	(2,553,075)	24,809,027
Noncurrent liabilities									
Accrued interest payable	-	150,119	-	477,103	-	-	-	(123,749)	5,132,578
Deferred grant revenue	-	-	2,118,641	360,658	-	1,197,500	-	-	11,861,530
Deferred revenue - subground lease	-	-	-	-	-	-	-	(5,220,000)	-
Investment in partnerships	-	-	-	-	-	-	-	(3,065,084)	-
Mortgages and notes payable, less current portion	14,287,738	4,664,842	8,412,367	11,833,395	19,099,301	-	-	(7,840,029)	108,539,626
Related party payable, less current portion	3,852,245	74,025	-	-	8,190,987	-	-	(24,809,714)	-
Total noncurrent liabilities	18,139,983	4,888,986	10,531,008	12,671,156	27,290,288	1,197,500	-	(41,058,576)	125,533,734
Total liabilities	18,650,153	5,385,462	10,880,696	14,891,676	47,905,584	1,489,961	82,340	(43,611,651)	150,342,761
<u>Net Assets</u>									
With donor restriction	-	-	-	-	-	-	-	-	-
Without donor restriction, controlling	(1,958,100)	3,451,645	(893,340)	(232,832)	(3,076,320)	1,187,313	85,335	(21,548,372)	(5,480,089)
Without donor restriction, noncontrolling	11,218,671	3,904,146	-	-	1,072,260	-	8,145	-	27,320,457
Total net assets	9,260,571	7,355,791	(893,340)	(232,832)	(2,004,060)	1,187,313	93,480	(21,548,372)	21,840,368
Total liabilities and net assets	\$ 27,910,724	\$ 12,741,253	\$ 9,987,356	\$ 14,658,844	\$ 45,901,524	\$ 2,677,274	\$ 175,820	\$ (65,160,023)	\$ 172,183,129

Housing Development Partners of San Diego

Consolidating Statement of Financial Position
December 31, 2020

	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
Assets									
Current assets									
Cash and cash equivalents	\$ 7,683,865	\$ 47,081	\$ 236,118	\$ 243,523	\$ 236,568	\$ 277,334	\$ 138,194	\$ 723,100	\$ 137,681
Restricted deposits and funded reserves									
Restricted reserves	-	-	-	-	-	-	-	-	21,561
Tenant security deposits	-	9,720	32,544	28,702	23,370	65,295	21,633	48,399	113,210
Accounts receivable	137,470	1,654	3,679	1,925	25,642	15,872	2,293	27,981	11,968
Deposits	4,787	2,000	-	-	-	-	-	-	-
Prepaid ground lease	-	-	-	-	10,798	-	-	184,606	-
Prepaid expenses	2,641	6,486	17,417	20,847	24,127	15,161	6,723	56,199	43,790
Related party advances	560,398	-	-	-	1,047	-	-	-	-
Total current assets	8,389,161	66,941	289,758	294,997	321,552	373,662	168,843	1,040,285	328,210
Noncurrent assets									
Restricted deposits and funded reserves									
Restricted reserves	-	83,200	331,299	440,707	381,137	374,324	68,288	1,406,467	528,713
Escrow deposits	-	-	640,225	450	19,553	-	-	13,517	34,278
Tax credit fees, net	-	-	33,538	6,832	-	-	-	39,274	68,509
Deposits	10	2,578	13,710	6,000	-	6,000	3,000	-	13,500
Developer fees receivable	11,702,583	-	-	-	-	-	-	-	-
Interest receivable	631,586	-	-	-	-	-	-	-	-
Investment in partnerships	-	-	-	-	-	-	-	-	-
Notes receivable	14,897,968	-	-	-	-	-	-	-	-
Prepaid ground leases, less current portion	-	-	-	-	507,493	-	-	2,533,057	-
Property and equipment, net	7,855	4,692,817	16,368,709	6,752,360	3,041,032	17,252,655	-	26,853,049	27,610,943
Predevelopment costs	44,306	-	-	-	-	-	-	-	-
Total noncurrent assets	27,284,308	4,778,595	17,387,481	7,206,349	3,949,215	17,632,979	71,288	30,845,364	28,255,943
Total assets	\$ 35,673,469	\$ 4,845,536	\$ 17,677,239	\$ 7,501,346	\$ 4,270,767	\$ 18,006,641	\$ 240,131	\$ 31,885,649	\$ 28,584,153

Housing Development Partners of San Diego

Consolidating Statement of Financial Position
December 31, 2020

	HDP West Park LP	HDP Village North, LLC	HDP Quality Inn, LLC	HDP Mariner's Village, LP	HDP ADU, LLC	Other Consolidated Companies	Elimination	Consolidated Total
<u>Assets</u>								
Current assets								
Cash and cash equivalents	\$ 83,514	\$ 1,219,686	\$ 482,760	\$ 1,643,640	\$ 1,050,729	\$ 19,589	\$ -	\$ 14,223,382
Restricted deposits and funded reserves								
Restricted reserves	-	79,629	-	-	-	-	-	101,190
Tenant security deposits	32,156	72,169	61,819	117,345	3,263	-	-	629,625
Accounts receivable	101,845	12,649	39,209	14,571	4,674	119,622	(102,242)	418,812
Deposits	-	-	-	-	-	-	-	6,787
Prepaid ground lease	-	-	-	-	-	-	-	195,404
Prepaid expenses	7,768	32,565	14,888	-	1,999	-	-	250,611
Related party advances	-	-	-	-	-	-	(561,445)	-
Total current assets	225,283	1,416,698	598,676	1,775,556	1,060,665	139,211	(663,687)	15,825,811
Noncurrent assets								
Restricted deposits and funded reserves								
Restricted reserves	301	876,302	324,125	172,031	960	-	-	4,987,854
Escrow deposits	1,704	99,000	7,819,260	845,094	-	-	-	9,473,081
Tax credit fees, net	26,165	-	-	28,529	-	-	-	202,847
Deposits	-	11,479	-	20,399	-	-	-	76,676
Developer fees receivable	-	-	-	-	-	-	(11,702,583)	-
Interest receivable	-	-	-	-	-	-	(631,586)	-
Investment in partnerships	-	-	-	-	-	841	62,563	63,404
Notes receivable	-	-	-	-	-	-	(14,897,968)	-
Prepaid ground leases, less current portion	-	-	-	-	-	-	-	3,040,550
Property and equipment, net	12,704,886	7,988,573	4,883,638	28,272,610	1,308,862	-	(30,809,399)	126,928,590
Predevelopment costs	-	-	-	-	-	-	(41,876)	2,430
Total noncurrent assets	12,733,056	8,975,354	13,027,023	29,338,663	1,309,822	841	(58,020,849)	144,775,432
Total assets	\$ 12,958,339	\$ 10,392,052	\$ 13,625,699	\$ 31,114,219	\$ 2,370,487	\$ 140,052	\$ (58,684,536)	\$ 160,601,243

Housing Development Partners of San Diego

Consolidating Statement of Financial Position
December 31, 2020

	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
<u>Liabilities and Net Assets</u>									
Current liabilities									
Accounts payable and accrued expenses	47,572	17,761	43,637	27,331	29,434	38,932	21,056	53,979	55,691
Construction costs payable	-	-	-	-	-	-	-	-	-
Accrued interest payable	-	-	17,826	14,221	12,225	-	-	61,280	-
Ground lease payable	-	-	-	-	-	-	-	-	-
Mortgages and notes payable, current	-	23,000	63,292	63,789	83,678	-	-	281,356	200,031
Prepaid revenue	-	1	6,566	2,032	1,547	1,182	691	2,761	14,594
Related party payables, current	244,141	59,582	883,740	24,223	16,266	50,900	28,513	222,996	10,305
Tenant security deposits liability	-	9,164	31,039	28,672	21,943	64,000	21,078	46,871	108,191
Total current liabilities	291,713	109,508	1,046,100	160,268	165,093	155,014	71,338	669,243	388,812
Noncurrent liabilities									
Accrued interest payable	-	1,301,800	422,681	1,514,486	20,388	807,180	-	120,381	-
Deferred grant revenue	-	-	-	-	-	8,429,915	-	-	-
Deferred revenue - subground lease	5,220,000	-	-	-	-	-	-	-	-
Investment in partnerships	2,419,651	-	-	-	-	-	-	-	-
Mortgages and notes payable, less current portion	-	4,941,499	11,507,820	4,442,237	3,443,481	10,746,399	-	23,725,417	14,485,751
Related party payable, less current portion	8,618,214	187,078	911,958	-	-	2,304	-	-	3,997,867
Total noncurrent liabilities	16,257,865	6,430,377	12,842,459	5,956,723	3,463,869	19,985,798	-	23,845,798	18,483,618
Total liabilities	16,549,578	6,539,885	13,888,559	6,116,991	3,628,962	20,140,812	71,338	24,515,041	18,872,430
<u>Net Assets</u>									
With donor restriction	-	-	-	-	-	-	-	-	-
Without donor restriction, controlling	19,123,891	(1,694,349)	(699,075)	(76)	641,805	(939,512)	168,793	(492)	(1,812,462)
Without donor restriction, noncontrolling	-	-	4,487,755	1,384,431	-	(1,194,659)	-	7,371,100	11,524,185
Total net assets	\$ 19,123,891	\$ (1,694,349)	\$ 3,788,680	\$ 1,384,355	\$ 641,805	\$ (2,134,171)	\$ 168,793	\$ 7,370,608	\$ 9,711,723
Total liabilities and net assets	\$ 35,673,469	\$ 4,845,536	\$ 17,677,239	\$ 7,501,346	\$ 4,270,767	\$ 18,006,641	\$ 240,131	\$ 31,885,649	\$ 28,584,153

Housing Development Partners of San Diego

Consolidating Statement of Financial Position
December 31, 2020

	HDP West Park LP	HDP Village North, LLC	HDP Quality Inn, LLC	HDP Mariner's Village, LP	HDP ADU, LLC	Other Consolidated Companies	Elimination	Consolidated Total
<u>Liabilities and Net Assets</u>								
Current liabilities								
Accounts payable and accrued expenses	22,431	38,427	31,145	82,615	6,600	15,511	-	532,122
Construction costs payable	45,010	-	887,930	3,006,357	-	-	-	3,939,297
Accrued interest payable	9,691	34,352	17,647	68,937	-	-	-	236,179
Ground lease payable	-	-	-	-	-	-	-	-
Mortgages and notes payable, current	2,613,042	117,513	13,936	-	-	-	-	3,459,637
Prepaid revenue	1,779	10,313	2,766	27,326	-	-	-	71,558
Related party payables, current	1,054,925	58,181	515,786	1,168,261	26,532	26,782	(3,488,738)	902,395
Tenant security deposits liability	30,651	72,168	60,310	117,344	3,263	-	-	614,694
Total current liabilities	3,777,529	330,954	1,529,520	4,470,840	36,395	42,293	(3,488,738)	9,755,882
Noncurrent liabilities								
Accrued interest payable	6,388	-	257,897	-	-	-	(122,528)	4,328,673
Deferred grant revenue	-	2,175,773	362,926	-	1,200,000	-	(364,849)	11,803,765
Deferred revenue - subground lease	-	-	-	-	-	-	(5,220,000)	-
Investment in partnerships	-	-	-	-	-	-	(2,419,651)	-
Mortgages and notes payable, less current portion	4,653,708	8,530,251	11,552,781	24,529,734	-	-	(8,004,893)	114,554,185
Related party payable, less current portion	303,275	-	-	3,477,355	-	-	(17,498,051)	-
Total noncurrent liabilities	4,963,371	10,706,024	12,173,604	28,007,089	1,200,000	-	(33,629,972)	130,686,623
Total liabilities	8,740,900	11,036,978	13,703,124	32,477,929	1,236,395	42,293	(37,118,710)	140,442,505
<u>Net Assets</u>								
With donor restriction	-	-	-	-	-	-	-	-
Without donor restriction, controlling	3,807,464	(644,926)	(77,425)	(2,435,970)	1,134,092	89,567	(21,565,826)	(4,904,501)
Without donor restriction, noncontrolling	409,975	-	-	1,072,260	-	8,192	-	25,063,239
Total net assets	\$ 4,217,439	\$ (644,926)	\$ (77,425)	\$ (1,363,710)	\$ 1,134,092	\$ 97,759	\$ (21,565,826)	\$ 20,158,738
Total liabilities and net assets	\$ 12,958,339	\$ 10,392,052	\$ 13,625,699	\$ 31,114,219	\$ 2,370,487	\$ 140,052	\$ (58,684,536)	\$ 160,601,243

Housing Development Partners of San Diego

Consolidating Statement of Activities
Year Ended December 31, 2021

	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
Revenue and support								
Rental income	\$ 1	\$ 255,445	\$ 1,123,088	\$ 838,939	\$ 1,003,733	\$ 969,825	\$ 460,619	\$ 3,639,467
Developer fees	2,786,541	-	-	-	-	-	-	-
Grant income	-	-	-	-	-	245,184	-	-
Interest income	644,564	201	152	65	410	1,168	15	1,635
Note forgiveness	-	23,000	-	-	-	-	-	-
Management fees	123,354	-	-	-	-	-	-	-
Miscellaneous income	-	85	659	387	327	505	3,924	5,579
Resident services	-	-	-	-	75,825	-	-	-
Share of income from partnerships	(413,284)	-	-	-	-	-	-	-
Total revenue and support	3,141,176	278,731	1,123,899	839,391	1,080,295	1,216,682	464,558	3,646,681
Expenses								
Program services								
Salaries	-	25,432	133,147	85,120	125,685	133,101	74,970	186,232
Payroll taxes	-	2,299	4,993	3,128	5,448	5,778	2,775	8,609
Employee benefits	-	3,226	23,153	12,145	28,941	29,271	9,761	48,373
Consultants	533,284	828	1,644	828	8,777	828	-	17,990
Office expenses	153	3,657	8,648	5,226	9,959	7,948	4,436	15,003
Training, travel and parking	-	368	2,311	718	4,654	756	517	3,453
Resident services	-	1,346	20,514	2,448	77,977	2,550	1,879	60,046
Relocation cost	-	-	4,174	-	-	-	-	2,574
Repairs and maintenance	-	28,070	69,721	92,888	98,772	145,070	100,332	338,148
Supplies	-	5,683	4,775	44,036	62,697	9,770	5,201	15,772
Utilities and telephone	-	49,777	113,979	124,102	96,413	106,207	78,315	327,444
Property tax and insurance	-	11,521	25,926	34,596	40,148	23,294	10,299	73,222
Interest	-	153,307	480,280	262,480	192,241	332,541	-	1,041,178
Legal and accounting	918	4,330	4,690	793	-	3,059	2,059	4,100
Bad debt expense	-	11,836	5,121	8,909	-	14,485	8,566	-
Ground lease expense	23,427	-	-	-	31,956	44,708	20,571	383,461
Advertising and marketing	-	-	651	-	3,461	-	-	1,174
Miscellaneous administrative expense	20,261	1,442	25,854	23,986	3,818	15,923	4,046	27,423
Depreciation and amortization	-	120,495	482,468	225,651	106,144	514,649	-	854,017
Total program services	578,043	423,617	1,412,049	927,054	897,091	1,389,938	323,727	3,408,219

Housing Development Partners of San Diego

Consolidating Statement of Activities
Year Ended December 31, 2021

	HDP Town & Country, LP	HDP West Park LP	HDP Village North, LLC	HDP Quality Inn, LLC	HDP Mariner's Village, LP	HDP ADU, LLC	Other Consolidated Companies	Elimination	Consolidated Total
Revenue and support									
Rental income	\$ 2,304,163	\$ 542,032	\$ 1,557,613	\$ 1,068,307	\$ 2,797,135	\$ 88,197	\$ -	\$ -	\$ 16,648,564
Developer fees	-	-	-	-	-	-	-	(1,149,839)	1,636,702
Grant income	-	-	57,132	2,268	-	2,500	-	-	307,084
Interest income	155	75	163	77	57	-	-	(644,118)	4,619
Note forgiveness	-	-	-	-	-	-	-	-	23,000
Management fees	-	-	-	-	-	-	108,659	(104,109)	127,904
Miscellaneous income	1,328	107	27,020	185	11,879	9	-	-	51,994
Resident services	-	-	-	-	-	-	-	-	75,825
Share of income from partnerships	-	-	-	-	-	-	72,133	346,736	5,585
Total revenue and support	2,305,646	542,214	1,641,928	1,070,837	2,809,071	90,706	180,792	(1,551,330)	18,881,277
Expenses									
Program services									
Salaries	187,124	74,641	107,004	136,068	180,884	-	-	-	1,449,408
Payroll taxes	6,850	3,906	8,586	7,108	14,974	-	-	-	74,454
Employee benefits	19,527	18,538	23,254	27,891	41,671	-	-	-	285,751
Consultants	828	7,750	1,997	1,907	235,900	53,105	-	-	865,666
Office expenses	9,537	6,126	10,824	10,396	10,088	3,003	-	-	105,004
Training, travel and parking	1,449	875	1,154	2,814	747	-	-	-	19,816
Resident services	52,112	14,408	32,938	2,602	4,041	880	-	-	273,741
Relocation cost	-	-	-	742	-	-	-	-	7,490
Repairs and maintenance	193,729	73,871	71,042	121,456	144,144	14,144	-	-	1,491,387
Supplies	55,868	6,079	11,428	9,059	7,259	179	-	-	237,806
Utilities and telephone	230,382	69,422	85,481	82,768	264,106	-	-	-	1,628,396
Property tax and insurance	70,689	10,624	45,136	18,393	98,555	8,004	-	-	470,407
Interest	701,839	241,637	406,686	486,514	809,548	-	-	(303,900)	4,804,351
Legal and accounting	738	9,251	8,698	6,480	105	12,000	-	-	57,221
Bad debt expense	64,598	1,329	18,756	20,333	2,295	-	-	-	156,228
Ground lease expense	-	1	72,584	46,353	249,546	-	-	-	872,607
Advertising and marketing	42	447	645	862	327	-	-	-	7,609
Miscellaneous administrative expense	26,482	25,392	21,160	2,025	52,767	250	-	-	250,829
Depreciation and amortization	877,555	422,612	863,993	116,622	1,146,323	33,356	-	(983,296)	4,780,589
Total program services	2,499,349	986,909	1,791,366	1,100,393	3,263,280	124,921	-	(1,287,196)	17,838,760

Housing Development Partners of San Diego

Consolidating Statement of Activities
Year Ended December 31, 2021

	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
Management and general								
Consultants	1,104,249	-	4,205	-	5,331	-	-	13,324
Rent	75,412	-	-	-	-	-	-	-
Office expenses	28,791	2,908	2,488	3,774	611	1,876	3,366	2,319
Training, travel and parking	21,965	2,434	-	-	-	-	-	-
Property and partnership management	-	11,255	81,072	61,968	73,113	59,814	32,075	152,017
Repairs and maintenance	1,566	-	-	-	-	-	-	-
Utilities and telephone	9,508	-	-	-	-	-	-	-
Property tax and insurance	10,083	18	1,636	859	835	1,223	1,700	25,450
Legal and accounting	53,201	11,350	12,500	12,900	30,950	13,452	4,318	29,446
Miscellaneous administrative expense	259,847	-	389	-	160	1,980	-	635
Depreciation and amortization	5,118	-	-	-	-	-	-	-
Total management and general	1,569,740	27,965	102,290	79,501	111,000	78,345	41,459	223,191
Total expenses	2,147,783	451,582	1,514,339	1,006,555	1,008,091	1,468,283	365,186	3,631,410
Change in net assets	\$ 993,393	\$ (172,851)	\$ (390,440)	\$ (167,164)	\$ 72,204	\$ (251,601)	\$ 99,372	\$ 15,271
Change in net assets controlling	\$ 993,393	\$ (172,851)	\$ (39)	\$ (17)	\$ 72,204	\$ (25)	\$ 99,372	\$ 2
Change in net assets noncontrolling	-	-	(390,401)	(167,147)	-	(251,576)	-	15,269
Change in net assets	\$ 993,393	\$ (172,851)	\$ (390,440)	\$ (167,164)	\$ 72,204	\$ (251,601)	\$ 99,372	\$ 15,271

Housing Development Partners of San Diego

Consolidating Statement of Activities
Year Ended December 31, 2021

	HDP Town & Country, LP	HDP West Park LP	HDP Village North, LLC	HDP Quality Inn, LLC	HDP Mariner's Village, LP	HDP ADU, LLC	Other Consolidated Companies	Elimination	Consolidated Total
Management and general									
Consultants	-	2,727	621	4,312	828	-	-	-	1,135,597
Rent	-	-	-	-	-	-	-	-	75,412
Office expenses	7,962	1,996	7,632	1,322	7,413	724	1,247	-	74,429
Training, travel and parking	-	-	-	-	-	-	-	-	24,399
Property and partnership management	90,330	44,334	77,974	61,788	159,237	6,500	-	(104,109)	807,368
Repairs and maintenance	-	-	-	-	-	-	-	-	1,566
Utilities and telephone	-	-	-	-	-	-	-	-	9,508
Property tax and insurance	918	988	7,234	6,200	2,479	1,082	14,621	-	75,326
Legal and accounting	12,616	15,969	5,515	10,550	16,184	4,359	15,319	-	248,629
Miscellaneous administrative expense	-	210	-	148	-	-	-	(5)	263,364
Depreciation and amortization	-	-	-	-	-	-	-	-	5,118
Total management and general	111,826	66,224	98,976	84,320	186,141	12,665	31,187	(104,114)	2,720,716
Total expenses	2,611,175	1,053,133	1,890,342	1,184,713	3,449,421	137,586	31,187	(1,391,310)	20,559,476
Change in net assets	<u>\$ (305,529)</u>	<u>\$ (510,919)</u>	<u>\$ (248,414)</u>	<u>\$ (113,876)</u>	<u>\$ (640,350)</u>	<u>\$ (46,880)</u>	<u>\$ 149,605</u>	<u>\$ (160,020)</u>	<u>\$ (1,678,199)</u>
Change in net assets controlling	<u>\$ (15)</u>	<u>\$ (355,819)</u>	<u>\$ (248,414)</u>	<u>\$ (113,876)</u>	<u>\$ (640,350)</u>	<u>\$ (46,880)</u>	<u>\$ 143,370</u>	<u>\$ (160,020)</u>	<u>\$ (429,965)</u>
Change in net assets noncontrolling	<u>(305,514)</u>	<u>(155,100)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,235</u>	<u>-</u>	<u>(1,248,234)</u>
Change in net assets	<u>\$ (305,529)</u>	<u>\$ (510,919)</u>	<u>\$ (248,414)</u>	<u>\$ (113,876)</u>	<u>\$ (640,350)</u>	<u>\$ (46,880)</u>	<u>\$ 149,605</u>	<u>\$ (160,020)</u>	<u>\$ (1,678,199)</u>

Housing Development Partners of San Diego

Consolidating Statement of Activities
Year Ended December 31, 2020

	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
Revenue and support									
Rental income	\$ 2	\$ 236,747	\$ 1,002,735	\$ 811,370	\$ 983,662	\$ 884,491	\$ 414,249	\$ 2,993,530	\$ 2,141,232
Developer fees	2,282,097	-	-	-	-	-	-	-	-
Grant income	-	-	-	-	-	245,184	-	-	-
Interest income	686,690	493	1,348	1,393	880	4,379	32	25,000	4,520
Note forgiveness	-	23,000	-	-	-	-	-	-	-
Management fees	126,615	-	-	-	-	-	-	-	-
Miscellaneous income	3,888	5	11,536	-	5	1,179	156	10,431	8,390
Resident services	-	-	-	-	73,705	-	-	-	-
Share of income from partnerships	(889,708)	-	-	-	-	-	-	-	-
Total revenue and support	2,209,584	260,245	1,015,619	812,763	1,058,252	1,135,233	414,437	3,028,961	2,154,142
Expenses									
Program services									
Salaries	-	26,287	115,182	55,105	98,217	127,288	84,493	198,603	158,643
Payroll taxes	-	2,451	6,249	2,808	9,132	6,442	3,720	13,024	7,009
Employee benefits	-	2,468	20,097	10,526	23,364	27,335	15,914	39,211	18,519
Consultants	483,989	800	8,112	800	8,629	800	-	17,765	1,700
Office expenses	11,937	3,823	14,151	5,064	15,201	5,956	4,686	18,818	9,113
Training, travel and parking	-	230	2,317	350	3,608	436	203	3,261	930
Resident services	-	720	18,832	922	72,743	2,462	1,448	56,528	52,353
Relocation cost	-	-	649	-	-	-	-	-	-
Repairs and maintenance	-	26,141	47,634	63,580	100,056	151,973	80,865	328,030	179,237
Supplies	-	7,935	6,401	28,875	18,338	9,215	5,846	17,047	18,071
Utilities and telephone	-	45,554	88,301	123,230	88,301	106,861	68,966	364,957	235,723
Property tax and insurance	-	9,068	64,977	19,778	36,773	35,404	9,884	109,457	46,168
Interest	-	148,348	483,631	272,003	196,707	325,334	-	1,053,166	730,292
Legal and accounting	-	1,021	14,947	858	1,980	283	-	368	9,870
Bad debt expense	-	5,382	3,137	9,624	598	10,125	960	1,308	21,342
Ground lease expense	20,761	-	-	-	34,121	39,645	18,513	383,461	-
Advertising and marketing	-	69	1,393	197	1,826	-	185	4,685	128
Miscellaneous administrative expense	86,233	4,959	32,413	7,318	7,300	19,097	3,807	27,697	59,208
Depreciation and amortization	-	120,497	477,896	222,918	133,620	608,064	-	909,962	896,128
Total program services	602,920	405,753	1,406,319	823,956	850,514	1,476,720	299,490	3,547,348	2,444,434

Housing Development Partners of San Diego

Consolidating Statement of Activities
Year Ended December 31, 2020

	HDP West Park LP	HDP Village North, LLC	HDP Quality Inn, LLC	HDP Mariner's Village, LP	HDP ADU, LLC	Other Consolidated Companies	Elimination	Consolidated Total
Revenue and support								
Rental income	\$ 464,427	\$ 1,292,733	\$ 893,687	\$ 2,611,796	\$ 8,294	\$ -	\$ -	\$ 14,738,955
Developer fees	-	-	-	-	-	-	(350,161)	1,931,936
Grant income	-	57,132	-	-	-	-	-	302,316
Interest income	135	285	116	61	-	1	(631,720)	93,613
Note forgiveness	-	-	-	-	-	-	-	23,000
Management fees	-	-	-	-	-	107,242	(102,242)	131,615
Miscellaneous income	-	653	7,567	9,387	-	-	-	53,197
Resident services	-	-	-	-	-	-	-	73,705
Share of income from partnerships	-	-	-	-	-	107,481	787,350	5,123
Total revenue and support	464,562	1,350,803	901,370	2,621,244	8,294	214,724	(296,773)	17,353,460
Expenses								
Program services								
Salaries	88,238	49,412	103,375	137,399	-	-	-	1,242,242
Payroll taxes	5,326	7,875	6,556	15,739	-	-	-	86,331
Employee benefits	13,632	18,444	19,261	39,570	-	-	-	248,341
Consultants	104,584	1,638	267	121,512	-	-	-	750,596
Office expenses	10,130	1,476	13,507	254	-	-	-	114,116
Training, travel and parking	1,013	2,335	3,715	1,907	-	-	-	20,305
Resident services	12,403	81,666	2,446	82,572	-	-	-	385,095
Relocation cost	16,425	-	245	-	-	-	-	17,319
Repairs and maintenance	65,960	75,078	138,367	184,000	-	-	-	1,440,921
Supplies	4,494	57,171	12,616	16,883	-	-	-	202,892
Utilities and telephone	43,172	78,671	85,402	297,210	-	-	-	1,626,348
Property tax and insurance	44,741	40,420	43,831	89,863	250	-	-	550,614
Interest	97,333	413,095	475,518	703,754	-	-	(306,088)	4,593,093
Legal and accounting	35,604	8,269	2,353	33,579	1,295	-	-	110,427
Bad debt expense	13,981	22,323	4,597	90,527	-	-	1	183,905
Ground lease expense	2	58,181	40,561	234,966	-	-	-	830,211
Advertising and marketing	519	943	2,813	6,664	-	-	-	19,422
Miscellaneous administrative expense	8,123	17,866	3,226	88,354	-	-	-	365,601
Depreciation and amortization	390,570	863,993	13,495	451,744	-	-	(305,747)	4,783,140
Total program services	956,250	1,798,856	972,151	2,596,497	1,545	-	(611,834)	17,570,919

Housing Development Partners of San Diego

Consolidating Statement of Activities
Year Ended December 31, 2020

	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
Management and general									
Consultants	915,682	5,478	12,213	5,453	3,311	6,573	4,194	6,188	784
Rent	63,626	-	-	-	-	-	-	-	-
Office expenses	51,542	3,880	3,543	2,978	-	2,786	3,706	4,721	12,847
Training, travel and parking	20,914	2,372	-	-	28	10	-	-	-
Property and partnership management	-	10,926	76,258	60,602	74,587	55,246	31,432	128,241	87,839
Repairs and maintenance	4,204	-	-	-	-	-	-	-	-
Utilities and telephone	9,042	-	-	4,152	-	-	-	-	-
Property tax and insurance	9,593	2,172	1,292	859	1,177	1,024	2,056	4,026	1,328
Legal and accounting	49,423	10,800	16,042	11,350	20,269	11,350	3,275	28,814	11,050
Miscellaneous administrative expense	260,181	-	387	-	368	-	-	661	-
Depreciation and amortization	4,428	-	-	-	-	-	-	-	-
Total management and general	1,388,635	35,628	109,735	85,394	99,740	76,989	44,663	172,651	113,848
Total expenses	1,991,555	441,381	1,516,054	909,350	950,254	1,553,709	344,153	3,719,999	2,558,282
Change in net assets	\$ 218,029	\$ (181,136)	\$ (500,435)	\$ (96,587)	\$ 107,998	\$ (418,476)	\$ 70,284	\$ (691,038)	\$ (404,140)
Change in net assets controlling	\$ 218,029	\$ (181,136)	\$ (50)	\$ (10)	\$ 107,998	\$ (42)	\$ 70,284	\$ (69)	\$ (20)
Change in net assets noncontrolling	-	-	(500,385)	(96,577)	-	(418,434)	-	(690,969)	(404,120)
Change in net assets	\$ 218,029	\$ (181,136)	\$ (500,435)	\$ (96,587)	\$ 107,998	\$ (418,476)	\$ 70,284	\$ (691,038)	\$ (404,140)

Housing Development Partners of San Diego

Consolidating Statement of Activities
Year Ended December 31, 2020

	HDP West Park LP	HDP Village North, LLC	HDP Quality Inn, LLC	HDP Mariner's Village, LP	HDP ADU, LLC	Other Consolidated Companies	Elimination	Consolidated Total
Management and general								
Consultants	10,779	9,048	12,502	-	-	-	-	992,205
Rent	-	-	-	-	-	-	-	63,626
Office expenses	3,904	17,885	3,336	24,615	1,235	1,792	-	138,770
Training, travel and parking	-	-	-	-	-	-	-	23,324
Property and partnership management	39,768	64,271	53,237	146,054	-	-	(102,242)	726,219
Repairs and maintenance	-	432	-	23,979	-	-	-	28,615
Utilities and telephone	2,046	-	-	-	-	-	-	15,240
Property tax and insurance	980	7,050	3,746	800	800	21,374	-	58,277
Legal and accounting	10,204	6,300	10,365	13,103	3,225	14,078	-	219,648
Miscellaneous administrative expense	416	-	273	10,000	-	-	-	272,286
Depreciation and amortization	-	-	-	-	-	-	-	4,428
Total management and general	68,097	104,986	83,459	218,551	5,260	37,244	(102,242)	2,542,638
Total expenses	1,024,347	1,903,842	1,055,610	2,815,048	6,805	37,244	(714,076)	20,113,557
Change in net assets	<u>\$ (559,785)</u>	<u>\$ (553,039)</u>	<u>\$ (154,240)</u>	<u>\$ (193,804)</u>	<u>\$ 1,489</u>	<u>\$ 177,480</u>	<u>\$ 417,303</u>	<u>\$ (2,760,097)</u>
Change in net assets controlling	\$ (404,685)	\$ (553,039)	\$ (154,240)	\$ (193,804)	\$ 1,489	\$ 171,245	\$ 417,303	\$ (500,747)
Change in net assets noncontrolling	(155,100)	-	-	-	-	6,235	-	(2,259,350)
Change in net assets	<u><u>\$ (559,785)</u></u>	<u><u>\$ (553,039)</u></u>	<u><u>\$ (154,240)</u></u>	<u><u>\$ (193,804)</u></u>	<u><u>\$ 1,489</u></u>	<u><u>\$ 177,480</u></u>	<u><u>\$ 417,303</u></u>	<u><u>\$ (2,760,097)</u></u>

Housing Development Partners of San Diego

Consolidating Statement of Changes in Net Assets
Year Ended December 31, 2021

	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
Controlling interest								
Unrestricted net assets, beginning	\$ 19,123,891	\$ (1,694,349)	\$ (699,075)	\$ (76)	\$ 641,805	\$ (939,512)	\$ 168,793	\$ (492)
Excess over carryover basis	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Distributions	-	-	-	-	(8)	-	(88,434)	-
Payments of accrued interest on seller note	-	-	-	-	-	-	-	-
Seller note payable	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	-
Change in unrestricted net assets	993,393	(172,851)	(39)	(17)	72,204	(25)	99,372	2
Unrestricted net assets, controlling interest, ending	<u>\$ 20,117,284</u>	<u>\$ (1,867,200)</u>	<u>\$ (699,114)</u>	<u>\$ (93)</u>	<u>\$ 714,001</u>	<u>\$ (939,537)</u>	<u>\$ 179,731</u>	<u>\$ (490)</u>
Noncontrolling interest								
Unrestricted net assets, beginning	\$ -	\$ -	\$ 4,487,755	\$ 1,384,431	\$ -	\$ (1,194,659)	\$ -	\$ 7,371,100
Contributions	-	-	-	-	-	-	-	-
Distributions	-	-	-	-	(82,868)	(54,669)	-	-
Syndication costs	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	-
Change in unrestricted net assets	-	-	(390,401)	(167,147)	-	(251,576)	-	15,269
Unrestricted net assets, noncontrolling interest, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,097,354</u>	<u>\$ 1,217,284</u>	<u>\$ (82,868)</u>	<u>\$ (1,500,904)</u>	<u>\$ -</u>	<u>\$ 7,386,369</u>

Housing Development Partners of San Diego

Consolidating Statement of Changes in Net Assets
Year Ended December 31, 2021

	HDP Town & Country, LP	HDP West Park LP	HDP Village North, LLC	HDP Quality Inn, LLC	HDP Mariner's Village, LP	HDP ADU, LLC	Other Consolidated Companies	Elimination	Consolidated Total
Controlling interest									
Unrestricted net assets, beginning	\$ (1,812,462)	\$ 3,807,464	\$ (644,926)	\$ (77,425)	\$ (2,435,970)	\$ 1,134,092	\$ 89,567	\$ (21,565,826)	\$ (4,904,501)
Excess over carryover basis	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	100,101	279	(100,380)	-
Distributions	-	-	-	(41,531)	-	-	(147,881)	277,854	-
Payments of accrued interest on seller note	(145,623)	-	-	-	-	-	-	-	(145,623)
Seller note payable	-	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	-	-
Change in unrestricted net assets	(15)	(355,819)	(248,414)	(113,876)	(640,350)	(46,880)	143,370	(160,020)	(429,965)
Unrestricted net assets, controlling interest, ending	<u>\$ (1,958,100)</u>	<u>\$ 3,451,645</u>	<u>\$ (893,340)</u>	<u>\$ (232,832)</u>	<u>\$ (3,076,320)</u>	<u>\$ 1,187,313</u>	<u>\$ 85,335</u>	<u>\$ (21,548,372)</u>	<u>\$ (5,480,089)</u>
Noncontrolling interest									
Unrestricted net assets, beginning	\$ 11,524,185	\$ 409,975	\$ -	\$ -	\$ 1,072,260	\$ -	\$ 8,192	\$ -	\$ 25,063,239
Contributions	-	3,649,271	-	-	-	-	-	-	3,649,271
Distributions	-	-	-	-	-	-	(6,282)	-	(143,819)
Syndication costs	-	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	-	-
Change in unrestricted net assets	(305,514)	(155,100)	-	-	-	-	6,235	-	(1,248,234)
Unrestricted net assets, noncontrolling interest, ending	<u>\$ 11,218,671</u>	<u>\$ 3,904,146</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,072,260</u>	<u>\$ -</u>	<u>\$ 8,145</u>	<u>\$ -</u>	<u>\$ 27,320,457</u>

Housing Development Partners of San Diego

Consolidating Statement of Changes in Net Assets
Year Ended December 31, 2020

	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
Controlling interest									
Unrestricted net assets, beginning	\$ 18,905,862	\$ (1,513,213)	\$ (699,025)	\$ (66)	\$ (8)	\$ (939,470)	\$ 162,884	\$ (423)	\$ (1,033,641)
Excess over carryover basis	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-
Distributions	-	-	-	-	(8)	-	(64,375)	-	-
Payments of accrued interest on seller note	-	-	-	-	-	-	-	-	(778,801)
Seller note payable	-	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	533,823	-	-	-	-
Change in unrestricted net assets	218,029	(181,136)	(50)	(10)	107,998	(42)	70,284	(69)	(20)
Unrestricted net assets, controlling interest, ending	<u>\$ 19,123,891</u>	<u>\$ (1,694,349)</u>	<u>\$ (699,075)</u>	<u>\$ (76)</u>	<u>\$ 641,805</u>	<u>\$ (939,512)</u>	<u>\$ 168,793</u>	<u>\$ (492)</u>	<u>\$ (1,812,462)</u>
Noncontrolling interest									
Unrestricted net assets, beginning	\$ -	\$ -	\$ 4,988,140	\$ 1,481,008	\$ 618,557	\$ (776,225)	\$ -	\$ 8,062,069	\$ 11,532,019
Contributions	-	-	-	-	-	-	-	-	396,286
Distributions	-	-	-	-	(84,734)	-	-	-	-
Syndication costs	-	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	(533,823)	-	-	-	-
Change in unrestricted net assets	-	-	(500,385)	(96,577)	-	(418,434)	-	(690,969)	(404,120)
Unrestricted net assets, noncontrolling interest, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,487,755</u>	<u>\$ 1,384,431</u>	<u>\$ -</u>	<u>\$ (1,194,659)</u>	<u>\$ -</u>	<u>\$ 7,371,100</u>	<u>\$ 11,524,185</u>

Housing Development Partners of San Diego

Consolidating Statement of Changes in Net Assets
Year Ended December 31, 2020

	HDP West Park LP	HDP Village North, LLC	HDP Quality Inn, LLC	HDP Mariner's Village, LP	HDP ADU, LLC	Other Consolidated Companies	Elimination	Consolidated Total
Controlling interest								
Unrestricted net assets, beginning	\$ 4,212,149	\$ (91,887)	\$ 76,815	\$ (1,800)	\$ (3,956)	\$ (26,855)	\$ (22,102,235)	\$ (3,054,869)
Excess over carryover basis	-	-	-	(32,040,466)	(1,123,441)	-	-	(33,163,907)
Contributions	-	-	-	100	-	-	(100)	-
Distributions	-	-	-	-	-	(54,823)	119,206	-
Payments of accrued interest on seller note	-	-	-	-	-	-	-	(778,801)
Seller note payable	-	-	-	29,800,000	2,260,000	-	-	32,060,000
Transfer	-	-	-	-	-	-	-	533,823
Change in unrestricted net assets	(404,685)	(553,039)	(154,240)	(193,804)	1,489	171,245	417,303	(500,747)
Unrestricted net assets, controlling interest, ending	<u>\$ 3,807,464</u>	<u>\$ (644,926)</u>	<u>\$ (77,425)</u>	<u>\$ (2,435,970)</u>	<u>\$ 1,134,092</u>	<u>\$ 89,567</u>	<u>\$ (21,565,826)</u>	<u>\$ (4,904,501)</u>
Noncontrolling interest								
Unrestricted net assets, beginning	\$ 565,075	\$ -	\$ -	\$ -	\$ -	\$ 7,818	\$ -	\$ 26,478,461
Contributions	-	-	-	1,122,260	-	-	-	1,518,546
Distributions	-	-	-	-	-	(5,861)	-	(90,595)
Syndication costs	-	-	-	(50,000)	-	-	-	(50,000)
Transfer	-	-	-	-	-	-	-	(533,823)
Change in unrestricted net assets	(155,100)	-	-	-	-	6,235	-	(2,259,350)
Unrestricted net assets, noncontrolling interest, ending	<u>\$ 409,975</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,072,260</u>	<u>\$ -</u>	<u>\$ 8,192</u>	<u>\$ -</u>	<u>\$ 25,063,239</u>

(REPORT DATE)

To the Audit Committee and Board of Directors

We have audited the financial statements of Housing Development Partners of San Diego as of and for the years ended December 31, 2021 and 2020, and we will issue our report thereon dated (REPORT DATE). Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 28, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Housing Development Partners of San Diego are described in Note 2 to the consolidating financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

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

- Allocation of expenses related to more than one function.
- Depreciation estimates for property, equipment and improvements including depreciation methods and useful lives assigned to the depreciable assets.
- Developer fees revenue recognition.

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

- Management's estimates of the allocation of expenses related to more than one function is based on systematic methods. Directly identifiable expenses are charged to respective program and supporting services.
- Management's estimates of the useful lives and method of depreciation for property, equipment and improvements were determined based upon the nature of the fixed assets and their expected service lives.
- Developer fees are recognized as revenue using the percentage of completion method and the likelihood of collection of the fees receivable based upon the expected future cash flows of the projects.

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

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are included in Notes 1 through 14 to the consolidated financial statements. The disclosures in these notes are neutral, consistent, and clear.

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

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated (REPORT DATE).

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Other Matters

With respect to the supplementary information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

This information is intended solely for the use of Audit Committee, Board of Directors and Management of Housing Development Partners of San Diego and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

CohnReznick LLP
Sacramento, California