

## INFORMATIONAL REPORT

**DATE ISSUED:** December 8, 2023

**REPORT NO:** HDP23-029

**ATTENTION:** Chair and Members of the Board of Directors of  
Housing Development Partners of San Diego  
For the Agenda of December 21, 2023

**SUBJECT:** 2022 HDP Consolidated Financial Statements

### **NO ACTION IS REQUIRED ON THE PART OF THE HDP BOARD OF DIRECTORS**

#### **SUMMARY**

Housing Development Partners (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, 2022.

#### **CONFLICT DISCLOSURE STATEMENT:**

Two San Diego Housing Commissioners (Commissioners), Eugene “Mitch” Mitchell and Ryan Clumpner, and Interim President & Chief Executive Officer (CEO) of the San Diego Housing Commission (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 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 Housing Commission, if and when this matter is heard by the Housing Commission.

Further, as members of the Housing Commission Board of Commissioners, 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 HDP Board of Directors. 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 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 the Housing Commission 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 HDP. Similar disclosures will be made in the records of the Housing Commission, if and when this matter is heard by the Housing Commission.

**MUTUAL DIRECTORS STATEMENT:**

To the extent that Commissioners may be considered to be "directors" of the 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  
Vice President of Finance – Real Estate  
Housing Development Partners

Approved by,

*Suket Dayal*

Suket Dayal  
Executive Vice President and Treasurer/Chief  
Financial Officer  
Housing Development Partners

Attachments: 1) HDP 2022 Consolidated Financial Statements with Independent Auditor's Report  
2) Additional Auditor Required Communication to those charged with Governance.

Docket materials are available on HDP's website at [www.hdpartners.org](http://www.hdpartners.org)

**Housing Development Partners of San Diego**

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

**December 31, 2022 and 2021**

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# 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, 2022 and 2021, 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, 2022 and 2021, 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 these 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 available to be 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 28 to 47 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  
September 19, 2023

# Housing Development Partners of San Diego

## Consolidated Statements of Financial Position December 31, 2022 and 2021

	<u>Assets</u>	
	2022	2021
Current assets		
Cash and cash equivalents	\$ 21,930,614	\$ 18,004,481
Restricted deposits and funded reserves		
Restricted reserves	68,104	254,672
Tenant security deposits	690,793	673,592
Accounts receivable	560,633	1,021,091
Deposits	4,787	66,947
Prepaid expenses	407,468	524,006
Total current assets	23,662,399	20,544,789
Noncurrent assets		
Restricted deposits and funded reserves		
Restricted reserves	7,247,309	5,746,978
Escrow deposits	448,444	3,618,035
Tax credit fees, net	222,899	184,140
Deposits	58,314	72,601
Investment in partnerships	72,240	66,515
Property, equipment and improvements, net	134,081,253	139,049,777
Other assets	3,148,058	2,900,294
Total noncurrent assets	145,278,517	151,638,340
Total assets	\$ 168,940,916	\$ 172,183,129

**Housing Development Partners of San Diego**

**Consolidated Statements of Financial Position  
December 31, 2022 and 2021**

Liabilities and Net Assets

	2022	2021
Current liabilities		
Accounts payable and accrued expenses	\$ 918,883	\$ 567,756
Construction costs payable	26,328	1,734,707
Accrued interest payable	216,518	253,848
Mortgages and notes payable, current portion	1,285,741	20,275,223
Prepaid revenue	71,483	231,807
Related party payables	972,070	1,091,254
Tenant security deposits liability	668,845	654,432
	<u>4,159,868</u>	<u>24,809,027</u>
Total current liabilities		
Noncurrent liabilities		
Accrued interest payable	5,919,794	5,132,578
Deferred grant revenue	11,524,133	11,861,530
Mortgages and notes payable, less current portion	107,860,208	108,539,626
Related party payables, less current portion	153,584	-
	<u>125,457,719</u>	<u>125,533,734</u>
Total noncurrent liabilities		
Total liabilities	<u>129,617,587</u>	<u>150,342,761</u>
Commitments and contingencies	<u>-</u>	<u>-</u>
Net assets		
Without donor restriction, controlling	(6,927,579)	(5,480,089)
Without donor restriction, noncontrolling	46,250,908	27,320,457
	<u>39,323,329</u>	<u>21,840,368</u>
Total net assets		
Total liabilities and net assets	<u>\$ 168,940,916</u>	<u>\$ 172,183,129</u>

See Notes to Consolidated Financial Statements.



# Housing Development Partners of San Diego

## Consolidated Statements of Activities Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue and support		
Rental income	\$ 18,191,338	\$ 16,648,564
Developer fees	-	1,636,702
Grant income	337,397	307,084
Interest income	61,382	4,619
Note forgiveness	23,000	23,000
Management fees	127,150	127,904
Miscellaneous income	42,719	51,994
Resident services	83,193	75,825
Share of income from partnerships	<u>5,725</u>	<u>5,585</u>
Total revenue and support	<u>18,871,904</u>	<u>18,881,277</u>
Expenses		
Program services	19,054,204	17,838,760
Management and general	<u>2,352,418</u>	<u>2,720,716</u>
Total expenses	<u>21,406,622</u>	<u>20,559,476</u>
Change in net assets - without donor restriction	<u>\$ (2,534,718)</u>	<u>\$ (1,678,199)</u>
Change in net assets, controlling	\$ (1,418,206)	\$ (429,965)
Change in net assets, noncontrolling	<u>(1,116,512)</u>	<u>(1,248,234)</u>
Change in net assets - without donor restriction	<u>\$ (2,534,718)</u>	<u>\$ (1,678,199)</u>

See Notes to Consolidated Financial Statements.

# Housing Development Partners of San Diego

## Consolidated Statements of Changes in Net Assets Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Controlling interest		
Without donor restriction, beginning	\$ (5,480,089)	\$ (4,904,501)
Payment of accrued interest on seller note	(29,284)	(145,623)
Change in net assets	<u>(1,418,206)</u>	<u>(429,965)</u>
Without donor restriction, controlling ending	<u><u>\$ (6,927,579)</u></u>	<u><u>\$ (5,480,089)</u></u>
Noncontrolling interest		
Without donor restriction, beginning	\$ 27,320,457	\$ 25,063,239
Contributions	20,054,460	3,649,271
Distributions	(7,497)	(143,819)
Change in net assets	<u>(1,116,512)</u>	<u>(1,248,234)</u>
Without donor restriction, noncontrolling ending	<u><u>\$ 46,250,908</u></u>	<u><u>\$ 27,320,457</u></u>

See Notes to Consolidated Financial Statements.

**Housing Development Partners of San Diego**  
**Consolidated Statements of Functional Expenses**  
**Year Ended December 31, 2022**

	Program services	Management and general	Total
Salaries	\$ 1,624,771	\$ -	\$ 1,624,771
Payroll taxes	71,209	-	71,209
Employee benefits	273,257	-	273,257
Consultants	398,797	850,716	1,249,513
Rent	-	39,669	39,669
Office expenses	89,876	91,415	181,291
Training, travel and parking	17,028	12,751	29,779
Property and partnership management	-	879,391	879,391
Resident services	276,990	-	276,990
Relocation cost	65,896	-	65,896
Repairs and maintenance	1,866,503	1,269	1,867,772
Supplies	210,695	-	210,695
Utilities and telephone	1,743,189	8,364	1,751,553
Property tax and insurance	546,106	65,267	611,373
Interest	4,960,543	-	4,960,543
Legal and accounting	68,022	249,768	317,790
Bad debt expense	333,088	-	333,088
Ground lease expense	826,126	-	826,126
Advertising and marketing	7,802	-	7,802
Miscellaneous administrative expense	263,847	147,271	411,118
Depreciation and amortization	5,410,459	6,537	5,416,996
	<u>5,410,459</u>	<u>6,537</u>	<u>5,416,996</u>
Total functional expenses	<u>\$ 19,054,204</u>	<u>\$ 2,352,418</u>	<u>\$ 21,406,622</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 Cash Flows Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Changes in net assets without donor restrictions	\$ (2,534,718)	\$ (1,678,199)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	5,416,996	4,785,707
Amortization of debt issuance costs	308,689	116,705
Amortization of prepaid ground lease	167,830	167,830
Deferred grant revenue	(337,397)	57,765
Share of income from partnerships	(5,725)	(5,585)
Note forgiveness	(23,000)	(23,000)
(Increase) decrease in		
Accounts receivable	460,458	(602,279)
Prepaid expenses	116,538	(105,565)
Deposits	76,447	(56,085)
Other assets	(415,594)	-
Increase (decrease) in		
Accounts payable and accrued expenses	351,127	35,634
Prepaid revenue	(160,324)	160,249
Accrued interest payable	749,886	821,574
Tenant security deposits liability	14,413	39,738
	<u>4,185,626</u>	<u>3,714,489</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Payment of construction costs payable	(1,734,707)	(3,939,297)
Tax credit fees paid	(63,140)	-
Investment in property and equipment	(397,763)	(15,148,576)
	<u>(2,195,610)</u>	<u>(19,087,873)</u>
Net cash used in investing activities		

## Housing Development Partners of San Diego

### Consolidated Statements of Cash Flows Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from financing activities		
Principal payments on mortgages and notes payable	(20,563,010)	(3,603,424)
Proceeds from mortgages and notes payable	608,421	14,310,746
Related party advances received	34,400	188,859
Payment of accrued interest on seller note	(29,284)	(145,623)
Contributions	20,054,460	3,649,271
Distributions	<u>(7,497)</u>	<u>(143,819)</u>
Net cash (used in) provided by financing activities	<u>97,490</u>	<u>14,256,010</u>
Increase (decrease) in cash, cash equivalents and restricted cash	2,087,506	(1,117,374)
Cash, cash equivalents and restricted cash, beginning	<u>28,297,758</u>	<u>29,415,132</u>
Cash, cash equivalents and restricted cash, ending	<u><u>\$ 30,385,264</u></u>	<u><u>\$ 28,297,758</u></u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u><u>\$ 4,210,657</u></u>	<u><u>\$ 3,982,777</u></u>
Supplemental disclosure of noncash investing and financing activities		
Construction costs payable included in property and equipment	<u><u>\$ 26,328</u></u>	<u><u>\$ 1,734,707</u></u>
Reclassification of predevelopment costs to property and equipment	<u><u>\$ -</u></u>	<u><u>\$ 2,430</u></u>

See Notes to Consolidated Financial Statements.

## **Housing Development Partners of San Diego**

### **Notes to Consolidated Financial Statements December 31, 2022 and 2021**

#### **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, 2022 and 2021

#### 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 ("West Park")	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 ("Mariner's")	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, 2022 and 2021**

#### **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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, \$0 and \$20,261, 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, 2022 and 2021**

#### **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, 2022 and 2021.

#### **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, 2022 is \$21,611 for 2023, \$20,244 for 2024, \$19,575 for 2025, \$12,256 for 2026 and \$12,256 for 2027.

#### **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 \$11,524,133 and \$11,861,530 as of December 31, 2022 and 2021, 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.

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.

## Housing Development Partners of San Diego

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

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 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. There are no contract receivables as of December 31, 2022 and 2021.

## **Housing Development Partners of San Diego**

### **Notes to Consolidated Financial Statements December 31, 2022 and 2021**

#### **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 activities. The statements of functional expenses present the natural classification detail of expenses by function. 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, 2022 and 2021. 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, 2022 and 2021, 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 2019 remain open.

#### **Leases**

The Corporation recognizes a lease asset and a lease liability at the lease commencement date. The lease asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using a risk free rate.

Total lease costs on an undiscounted basis are recognized as rent expense over the term of the lease on a straight-line basis. Annual rent expense comprises amortization of the lease asset plus interest on the lease liability adjusted for any variations in lease payment amounts. The Corporation includes its right-of-use asset in other assets in its statement of financial position.

## **Housing Development Partners of San Diego**

### **Notes to Consolidated Financial Statements December 31, 2022 and 2021**

#### **Residential rental income**

Residential rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Corporation and the tenants of the properties are operating leases.

#### **Commercial rental income**

Commercial income is recognized on a straight-line basis under which contractual rent increases are recognized equally over the lease term. Rental income recorded on the straight-line method in excess of the rents billed is recognized as deferred rent receivable. The Corporation begins recognizing rental revenue when the tenant has the right to take possession of or controls the physical use of the property under lease. The Corporation includes a renewal period in the lease term only if it appears at lease inception that the renewal is reasonably certain. If the collectability of future lease payments from non-residential tenants is not probable, the Corporation recognizes revenue at the lesser of (a) straight-line lease income, plus variable lease payments, or (b) lease payments, including variable lease payments collected. All leases between the Corporation and the commercial tenants of the property are operating leases.

#### **Advertising**

Advertising costs are expensed as incurred.

#### **Syndication costs**

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

#### **New accounting pronouncements**

The Corporation adopted Accounting Standards Update 2016-02 (as amended), Leases ("Topic 842") on January 1, 2022 ("Adoption Date"). Topic 842 requires lessees to recognize a right-of-use asset and a corresponding liability for all leases. Additionally, The Corporation elected and applied the following practical expedients on the Adoption Date:

- The package of practical expedients permitting The Corporation to not reassess (i) the lease classification of existing leases; (ii) whether existing and expired contracts are or contain leases; and (iii) initial direct costs for existing leases.
- Application of Topic 842 at the Adoption Date, instead of applying them to the earliest comparative period presented in the financial statements.

The Corporation accounted for its existing operating leases with residential tenants of the property as operating leases. Adopting Topic 842 in accounting for residential tenant leases did not result in adjustments to the financial statements.

Leases with commercial tenants not classified as sales-type or direct financing leases are classified as operating leases. The Corporation accounted for its existing leases with commercial tenants as operating leases. As lessor in commercial lease arrangements, there were no accounting adjustments required.

The Corporation includes its right of use assets for operating leases related to the ground lease agreements within other assets. As all expected future annual payments are considered variable payments. At December 31, 2022, the Corporation recorded a lease liability of \$134,392.

## Housing Development Partners of San Diego

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

The Corporation made the following adjustments to its balance sheet as of the Adoption Date in connection with transitioning to Topic 842:

	Casa Colina, LP	HDP Broadway, LP	HDP West Park, LP
Other assets	\$ 646,385	\$ 2,560,631	\$ 4,318,583
Related party payables	(138,892)	-	-
Prepaid ground lease	(507,493)	(2,560,631)	-
Building and improvements	-	-	(4,318,583)

Further, the adoption of Topic 842 did not have a material impact on the Corporation's change in net assets.

#### Note 3 - Restricted deposits and funded reserves

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

#### Note 4 - Investment in partnerships

HDP consolidates its ownership interest in certain limited partnerships (see Note 1). As of December 31, 2022 and 2021, the net investment deficit in limited partnership and limited liability companies was \$3,423,421 and \$3,143,965, respectively, which was eliminated in consolidation for the years ended December 31, 2022 and 2021.

The following is condensed financial information as of December 31, 2022 and 2021 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, 2022:

Partnership name	Ownership interest	Total assets	Total liabilities	Partners' equity	Partnership investment
Dawson Avenue Senior Apartments, LP	0.01%	\$ 12,024,237	\$ 9,689,688	\$ 2,334,549	\$ 76,136
East Village West LP	0.04%	14,979,170	23,345,180	(8,366,010)	(1,644)
Studio 15 Housing Partners, L.P.	0.01%	22,891,403	31,915,259	(9,023,856)	(2,252)
					<u>\$ 72,240</u>

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>

## Housing Development Partners of San Diego

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

#### Note 5 - Property, equipment and improvements, net

Property, equipment and improvements consists of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 4,476,568	\$ 4,476,568
Buildings	142,955,733	142,667,103
Site improvements	7,108,089	7,096,849
Furniture and equipment	8,634,420	8,517,176
Construction in progress	<u>232,059</u>	<u>225,081</u>
Subtotal	163,406,869	162,982,777
Accumulated depreciation	<u>(29,325,616)</u>	<u>(23,933,000)</u>
Total	<u>\$ 134,081,253</u>	<u>\$ 139,049,777</u>

Depreciation expense totaled \$5,392,616 and \$4,767,001 for the years ended December 31, 2022 and 2021, respectively.

# Housing Development Partners of San Diego

## Notes to Consolidated Financial Statements December 31, 2022 and 2021

### Note 6 - Mortgages and notes payable

Type of obligations	Interest Rate	Maturity Date	Balance 12/31/2022	Balance 12/31/2021	Due Within One Year
<b>HDP Mason Housing Corporation:</b>					
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	-
Less: Unamortized debt issuance costs			(14,668)	(15,001)	-
<b>Casa Colina, LP:</b>					
Red Mortgage Capital, Inc.	5.68%	2039	2,410,443	2,499,000	93,719
San Diego Housing Commission	3.00%	2059	1,059,638	1,122,125	-
Less: Unamortized debt issuance costs			(211,267)	(224,336)	-
<b>Logan Development II, LP:</b>					
Housing Authority of the City of San Diego/serviced by JP	5.58%	2032	2,828,430	2,895,923	71,412
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			(106,509)	(111,591)	-
<b>HDP Broadway, LP:</b>					
Housing Authority of the City of San Diego/serviced by	4.49%	2044	15,802,097	16,096,349	307,740
Less: Unamortized debt issuance costs			(240,935)	(251,887)	-
<b>HDP Churchill, LP:</b>					
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	2,155,500	2,191,686	-
Less: Unamortized debt issuance costs			(52,785)	(53,872)	-
<b>HDP New Palace, LP:</b>					
Housing Authority of the City of San Diego/ serviced by					
Citibank N.A. - Series B-1	4.42%	2054	4,710,163	4,776,311	69,131
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			(514,298)	(533,287)	-
<b>HDP Town &amp; Country, LP:</b>					
Housing Authority of the City of San Diego/ serviced by					
Citibank N.A. - Series E-1	4.54%	2034	14,891,916	15,101,221	219,006
Less: Unamortized debt issuance costs			(582,980)	(604,179)	-
<b>HDP Village North, LLC:</b>					
Red Mortgage Capital, LLC	4.54%	2033	8,546,332	8,669,368	128,822
Less: Unamortized debt issuance costs			(128,811)	(133,964)	-
<b>HDP Quality Inn, LLC:</b>					
Citibank, N.A.	4.14%	2035	4,789,004	4,874,436	89,090
San Diego Housing Commission	4.00%	2075	5,240,000	4,631,579	-
California Housing Finance Agency	3.00%	2074	2,704,500	2,704,500	-
Less: Unamortized debt issuance costs			(279,589)	(291,686)	-



## Housing Development Partners of San Diego

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

Type of obligations	Interest Rate	Maturity Date	Balance 12/31/2022	Balance 12/31/2021	Due Within One Year
<b>HDP West Park LP:</b>					
Housing Authority of the City of San Diego/ serviced by					
Banner Bank	4.48%	2039	1,423,396	1,448,911	18,824
San Diego Housing Commission	4.00%	2075	3,593,274	3,593,274	-
Less: Unamortized debt issuance costs			(338,509)	(359,341)	-
<b>HDP Mariner's Village, LP:</b>					
Housing Authority of the City of San Diego/ serviced by					
Citibank, N.A.	Variable	2052	19,514,901	39,000,000	287,997
Less: Unamortized debt issuance costs			(420,303)	(600,699)	-
			<u>\$ 109,145,949</u>	<u>\$ 128,814,849</u>	<u>\$ 1,285,741</u>

The annual maturities of long-term debt for each of the next five years and thereafter subsequent to December 31, 2022 are as follows:

2023	\$	1,285,741
2024		1,331,361
2025		1,391,898
2026		1,457,006
2027		1,368,446
Thereafter		<u>105,202,151</u>
Total mortgages and notes payable		112,036,603
Less: unamortized debt issuance costs		<u>(2,890,654)</u>
Total mortgages and notes payable	\$	<u>109,145,949</u>

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 - Leases

### Ground lease

Ground leases consist of the following at December 31, 2022:

Entity	Lease commencement	Term	Ground lease expense	Other assets	Related party payables
Casa Colina, LP	2004	65 years	\$ 34,845	\$ 631,576	\$ 137,618
HDP Parker Kier, LLC	2013	10 years	26,821	-	26,821
HDP Broadway, LP	2014	65 years	271,721	2,516,482	246,367
HDP Churchill, LP	2015	65 years	59,681	-	59,681
HDP West Park, LP	2019	57 years	1	-	1
HDP Village North, LLC	2017	65 years	73,659	-	73,659
HDP Quality Inn, LLC	2017	65 years	60,448	-	60,448
HDP Mariner's Village, LP	2020	65 years	273,942	-	273,942
Housing Development Partners of San Diego	2017	65 years	<u>25,008</u>	<u>-</u>	<u>25,008</u>
			<u>\$ 826,126</u>	<u>\$ 3,148,058</u>	<u>\$ 903,545</u>

## Housing Development Partners of San Diego

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

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	-	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>

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 New Palace, Logan, Broadway, Town & Country, West Park, and Mariner's. Related party balances between the consolidated entities have been eliminated in consolidation. Related party transactions are noninterest-bearing and due upon demand. Related party payables after such eliminations totaled \$1,125,654 and \$1,091,254, for the years ended December 31, 2022 and 2021, respectively.

#### Commercial lease

Commercial leases consist of the following at December 31, 2022:

Entity	Commercial Tenant	Lease commencement	Term	Rental income
HDP Broadway, LP	Community Research Foundation	8/1/2013	16	\$ 83,075
HDP Mason Housing Corporation	San Diego Housing Commission	5/1/2019	4	30,600
				<u>\$ 113,675</u>

Minimum lease payments for the next five years following December 31, 2022 are as follows:

	Community Research Foundation	San Diego Housing Commission	Total
2023	\$ 83,075	\$ 10,200	\$ 93,275
2024	83,075	-	83,075
2025	83,075	-	83,075
2026	83,075	-	83,075
2027	83,075	-	83,075

## Housing Development Partners of San Diego

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

#### 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.

	2022	2021
Cash and cash equivalents	\$ 21,930,614	\$ 18,004,481
Tenant security deposits	690,793	673,592
Restricted reserves	7,315,413	6,001,650
Escrow deposits	448,444	3,618,035
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	<u>\$ 30,385,264</u>	<u>\$ 28,297,758</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, 2022, the Corporation's net assets totaled \$39,323,329, of which \$46,250,908 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 nonmanaging 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 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, 2022 and 2021, 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, 2022 and 2021, no amounts were due under this guaranty.

## Housing Development Partners of San Diego

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

#### Operating deficit guaranty

The Corporation is obligated to make noninterest-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, 2022 and 2021, 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, 2022:

	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, 2022 and 2021, no amounts were due under this guaranty.

#### Note 11 - Concentration of credit risk

The Corporation maintains cash with various financial institutions. All reserves are held in the Corporations' name. At times, these balances may exceed the federal insurance limits; however, the Corporation has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2022.

#### Note 12 - Availability and liquidity

The following represents the Corporation's financial assets at December 31, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 21,930,614	\$ 18,004,481
Receivables	560,633	1,021,091
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 22,491,247</u>	<u>\$ 19,025,572</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.

## **Housing Development Partners of San Diego**

### **Notes to Consolidated Financial Statements December 31, 2022 and 2021**

#### **Note 13 - Commitments and contingencies**

##### **Rental assistance contracts**

Nine 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.

#### **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 September 19, 2023, 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, 2022**

	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>Assets</u>								
Current assets								
Cash and cash equivalents	\$ 10,040,327	\$ 69,171	\$ 583,128	\$ 177,413	\$ 312,046	\$ 756,671	\$ 281,047	\$ 1,352,700
Restricted deposits and funded reserves								
Restricted reserves	-	-	-	-	-	-	-	-
Tenant security deposits	-	13,133	50,543	32,756	23,930	76,250	25,147	50,427
Accounts receivable	94,896	4,414	7,337	9,525	23,358	6,951	6,534	5,811
Deposits	4,787	-	-	-	-	-	-	-
Prepaid expenses	2,321	6,342	25,044	26,896	33,906	19,218	8,535	75,342
Related party advances	352,514	-	-	-	-	-	-	-
<b>Total current assets</b>	<b>10,494,845</b>	<b>93,060</b>	<b>666,052</b>	<b>246,590</b>	<b>393,240</b>	<b>859,090</b>	<b>321,263</b>	<b>1,484,280</b>
Noncurrent assets								
Restricted deposits and funded reserves								
Restricted reserves	-	82,479	408,993	384,489	382,523	435,807	53,799	1,615,035
Escrow deposits	-	-	7,213	11,779	22,379	-	-	27,230
Tax credit fees, net	-	-	27,948	1,366	-	-	-	23,296
Deposits	-	4,578	13,710	6,000	-	6,000	3,000	-
Developer fees receivable	13,899,615	-	-	-	-	-	-	-
Interest receivable	1,368,006	-	-	-	-	-	-	-
Investment in partnerships	-	-	-	-	-	-	-	-
Notes receivable	14,173,891	-	-	-	-	-	-	-
Property and equipment, net	16,924	4,456,106	15,594,233	6,347,765	3,018,359	16,223,356	31,064	25,185,705
Other assets	-	-	-	-	631,576	-	-	2,516,482
<b>Total noncurrent assets</b>	<b>29,458,436</b>	<b>4,543,163</b>	<b>16,052,097</b>	<b>6,751,399</b>	<b>4,054,837</b>	<b>16,665,163</b>	<b>87,863</b>	<b>29,367,748</b>
<b>Total assets</b>	<b>\$ 39,953,281</b>	<b>\$ 4,636,223</b>	<b>\$ 16,718,149</b>	<b>\$ 6,997,989</b>	<b>\$ 4,448,077</b>	<b>\$ 17,524,253</b>	<b>\$ 409,126</b>	<b>\$ 30,852,028</b>

Housing Development Partners of San Diego

Consolidating Statement of Financial Position  
December 31, 2022

	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	\$ 283,711	\$ 34,070	\$ 1,701,804	\$ 2,659,785	\$ 3,541,339	\$ 36,716	\$ 100,686	\$ -	\$ 21,930,614
Restricted deposits and funded reserves									
Restricted reserves	8,633	-	59,471	-	-	-	-	-	68,104
Tenant security deposits	121,714	19,452	82,961	56,465	128,615	9,400	-	-	690,793
Accounts receivable	65,942	15,989	5,423	51,738	204,667	46,462	117,619	(106,033)	560,633
Deposits	-	-	-	-	-	-	-	-	4,787
Prepaid expenses	53,983	12,548	35,733	20,735	80,806	6,059	-	-	407,468
Related party advances	-	-	-	-	-	-	-	(352,514)	-
Total current assets	533,983	82,059	1,885,392	2,788,723	3,955,427	98,637	218,305	(458,547)	23,662,399
Noncurrent assets									
Restricted deposits and funded reserves									
Restricted reserves	575,783	257,514	1,456,257	416,117	1,137,996	40,517	-	-	7,247,309
Escrow deposits	42,028	6,122	13,033	289,953	28,707	-	-	-	448,444
Tax credit fees, net	60,089	22,493	-	-	87,707	-	-	-	222,899
Deposits	13,500	-	11,479	-	41	-	-	6	58,314
Developer fees receivable	-	-	-	-	-	-	-	(13,899,615)	-
Interest receivable	-	-	-	-	-	-	-	(1,368,006)	-
Investment in partnerships	-	-	-	-	-	-	72,974	(734)	72,240
Notes receivable	-	-	-	-	-	-	-	(14,173,891)	-
Property and equipment, net	25,848,964	11,832,934	6,260,587	9,621,371	40,017,552	2,232,753	-	(32,606,420)	134,081,253
Other assets	-	-	-	-	-	-	-	-	3,148,058
Total noncurrent assets	26,540,364	12,119,063	7,741,356	10,327,441	41,272,003	2,273,270	72,974	(62,048,660)	145,278,517
Total assets	\$ 27,074,347	\$ 12,201,122	\$ 9,626,748	\$ 13,116,164	\$ 45,227,430	\$ 2,371,907	\$ 291,279	\$ (62,507,207)	\$ 168,940,916



**Housing Development Partners of San Diego**

**Consolidating Statement of Financial Position  
December 31, 2022**

	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	\$ 36,987	\$ 27,465	\$ 76,416	\$ 42,696	\$ 29,525	\$ 128,888	\$ 28,216	\$ 94,373
Construction costs payable	-	-	7,963	-	9,445	-	-	-
Accrued interest payable	-	-	17,349	13,591	11,409	-	-	59,126
Ground lease payable, current	-	-	-	-	-	-	-	-
Mortgages and notes payable, current	-	-	69,131	71,412	93,719	-	-	307,740
Prepaid revenue	-	2,848	12,219	2,489	3,511	20,372	314	9,387
Related party payables, current	209,944	-	543,038	24,786	19,140	71,621	36,821	248,324
Tenant security deposits liability	-	12,236	48,044	32,256	22,403	64,000	27,776	48,868
Total current liabilities	246,931	42,549	774,160	187,230	189,152	284,881	93,127	767,818
Noncurrent liabilities								
Accrued interest payable	-	1,597,829	668,171	1,553,982	24,710	1,102,514	-	155,279
Deferred grant revenue	-	-	-	-	-	7,943,539	-	-
Deferred revenue - subground lease	5,220,000	-	-	-	-	-	-	-
Investment in partnerships	3,423,422	-	-	-	-	-	-	-
Mortgages and notes payable, less current portion	-	4,919,166	11,409,911	4,200,509	3,383,411	10,702,715	-	22,318,226
Related party payable, less current portion	11,233,217	122,786	833,859	-	134,392	-	-	19,192
Total noncurrent liabilities	19,876,639	6,639,781	12,911,941	5,754,491	3,542,513	19,748,768	-	22,492,697
Total liabilities	20,123,570	6,682,330	13,686,101	5,941,721	3,731,665	20,033,649	93,127	23,260,515
<u>Net Assets</u>								
With donor restriction	-	-	-	-	-	-	-	-
Without donor restriction, controlling	19,829,711	(2,046,107)	(699,151)	(109)	799,280	(1,015,082)	315,999	(469)
Without donor restriction, noncontrolling	-	-	3,731,199	1,056,377	(82,868)	(1,494,314)	-	7,591,982
Total net assets	19,829,711	(2,046,107)	3,032,048	1,056,268	716,412	(2,509,396)	315,999	7,591,513
Total liabilities and net assets	\$ 39,953,281	\$ 4,636,223	\$ 16,718,149	\$ 6,997,989	\$ 4,448,077	\$ 17,524,253	\$ 409,126	\$ 30,852,028

**Housing Development Partners of San Diego**

**Consolidating Statement of Financial Position  
December 31, 2022**

	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	\$ 171,698	\$ 45,909	\$ 46,434	\$ 78,920	\$ 90,270	\$ 8,353	\$ 12,733	\$ -	\$ 918,883
Construction costs payable	-	-	-	-	-	8,920	-	-	26,328
Accrued interest payable	-	5,407	33,411	17,073	59,152	-	-	-	216,518
Ground lease payable, current	-	-	-	-	-	-	-	-	-
Mortgages and notes payable, current	219,006	18,824	128,822	89,090	287,997	-	-	-	1,285,741
Prepaid revenue	5,901	4,439	-	5,466	4,343	194	-	-	71,483
Related party payables, current	10,628	384,272	73,659	135,512	571,411	-	1,200	(1,358,286)	972,070
Tenant security deposits liability	117,189	17,930	83,968	54,899	128,613	10,663	-	-	668,845
Total current liabilities	524,422	476,781	366,294	380,960	1,141,786	28,130	13,933	(1,358,286)	4,159,868
Noncurrent liabilities									
Accrued interest payable	-	293,850	-	685,788	-	-	-	(162,329)	5,919,794
Deferred grant revenue	-	-	2,061,509	351,585	-	1,167,500	-	-	11,524,133
Deferred revenue - subground lease	-	-	-	-	-	-	-	(5,220,000)	-
Investment in partnerships	-	-	-	-	-	-	-	(3,423,422)	-
Mortgages and notes payable, less current portion	14,089,930	4,659,336	8,288,699	12,364,824	18,806,601	-	-	(7,283,120)	107,860,208
Related party payable, less current portion	3,852,245	-	-	-	8,190,987	-	-	(24,233,094)	153,584
Total noncurrent liabilities	17,942,175	4,953,186	10,350,208	13,402,197	26,997,588	1,167,500	-	(40,321,965)	125,457,719
Total liabilities	18,466,597	5,429,967	10,716,502	13,783,157	28,139,374	1,195,630	13,933	(41,680,251)	129,617,587
<u>Net Assets</u>									
With donor restriction	-	-	-	-	-	-	-	-	-
Without donor restriction, controlling	(1,958,133)	3,022,109	(1,089,754)	(666,993)	(4,038,664)	1,176,277	270,463	(20,826,956)	(6,927,579)
Without donor restriction, noncontrolling	10,565,883	3,749,046	-	-	21,126,720	-	6,883	-	46,250,908
Total net assets	8,607,750	6,771,155	(1,089,754)	(666,993)	17,088,056	1,176,277	277,346	(20,826,956)	39,323,329
Total liabilities and net assets	\$ 27,074,347	\$ 12,201,122	\$ 9,626,748	\$ 13,116,164	\$ 45,227,430	\$ 2,371,907	\$ 291,279	\$ (62,507,207)	\$ 168,940,916

**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>Assets</u>								
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 Activities  
Year Ended December 31, 2022**

	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	\$ 268,340	\$ 1,182,637	\$ 878,641	\$ 1,024,476	\$ 1,312,128	\$ 607,014	\$ 3,659,890
Developer fees	442,268	-	-	-	-	-	-	-
Grant income	-	-	-	-	-	241,192	-	-
Interest income	698,908	369	196	1,317	612	2,132	58	2,910
Note forgiveness	-	23,000	-	-	-	-	-	-
Management fees	123,064	-	-	-	-	-	-	-
Miscellaneous income	25	-	912	1,060	2,405	2,852	-	1,369
Resident services	-	-	-	-	83,193	-	-	-
Share of income from partnerships	(107,491)	-	-	-	-	-	-	-
Total revenue and support	1,156,775	291,709	1,183,745	881,018	1,110,686	1,558,304	607,072	3,664,169
Expenses								
Program services								
Salaries	-	37,150	122,402	95,667	118,130	186,262	85,388	199,004
Payroll taxes	-	3,174	4,537	2,665	5,438	2,777	2,607	9,137
Employee benefits	-	5,668	26,444	6,967	25,267	15,590	11,011	42,040
Consultants	271,473	-	1,980	-	9,747	-	-	21,016
Office expenses	-	1,404	6,835	3,179	9,112	3,851	2,149	15,381
Training, travel and parking	-	171	1,546	504	3,006	622	284	2,702
Resident services	-	1,401	19,456	3,143	87,386	1,404	1,896	57,590
Relocation cost	-	-	1,392	-	-	-	-	21
Repairs and maintenance	-	23,750	78,815	140,082	89,514	143,542	82,483	304,116
Supplies	-	18,519	7,126	24,153	13,734	30,646	11,169	29,792
Utilities and telephone	-	48,588	121,473	124,858	97,992	112,432	96,854	333,744
Property tax and insurance	-	12,500	30,702	40,600	42,823	25,584	12,068	81,391
Interest	-	148,348	478,024	256,945	192,451	324,268	-	1,009,063
Legal and accounting	-	3,125	7,284	1,568	214	3,825	608	3,521
Bad debt expense	-	7,066	1,808	17,819	12	5,476	826	1,134
Ground lease expense	25,008	-	-	-	34,845	59,681	26,821	271,721
Advertising and marketing	-	-	738	-	720	1,086	-	1,012
Miscellaneous administrative expense	-	5,716	41,768	11,529	7,480	18,360	2,038	25,587
Depreciation and amortization	-	121,156	491,334	230,519	106,093	514,650	556	854,256
Total program services	296,481	437,736	1,443,664	960,198	843,964	1,450,056	336,758	3,262,228

**Housing Development Partners of San Diego**

**Consolidating Statement of Activities  
Year Ended December 31, 2022**

	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	\$ 2,366,897	\$ 617,397	\$ 1,647,677	\$ 1,399,442	\$ 3,064,224	\$ 162,574	\$ -	\$ -	\$ 18,191,338
Developer fees	-	-	-	-	-	-	-	(442,268)	-
Grant income	-	-	57,132	9,073	-	30,000	-	-	337,397
Interest income	401	118	267	129	316	16	-	(646,367)	61,382
Note forgiveness	-	-	-	-	-	-	-	-	23,000
Management fees	-	-	-	-	-	-	110,118	(106,032)	127,150
Miscellaneous income	20,883	1,907	86	-	7,586	-	3,634	-	42,719
Resident services	-	-	-	-	-	-	-	-	83,193
Share of income from partnerships	-	-	-	-	-	-	165,112	(51,896)	5,725
Total revenue and support	2,388,181	619,422	1,705,162	1,408,644	3,072,126	192,590	278,864	(1,246,563)	18,871,904
Expenses									
Program services									
Salaries	228,992	98,678	109,743	147,346	196,009	-	-	-	1,624,771
Payroll taxes	6,480	4,826	7,947	7,254	14,367	-	-	-	71,209
Employee benefits	19,403	19,676	23,870	29,863	47,458	-	-	-	273,257
Consultants	-	434	1,966	3,213	33,235	55,733	-	-	398,797
Office expenses	7,254	6,350	10,558	11,422	11,500	881	-	-	89,876
Training, travel and parking	1,171	577	1,744	3,704	933	64	-	-	17,028
Resident services	52,410	13,530	31,406	1,140	5,238	990	-	-	276,990
Relocation cost	-	4,988	-	33,495	26,000	-	-	-	65,896
Repairs and maintenance	471,535	114,496	40,174	250,800	104,703	22,493	-	-	1,866,503
Supplies	15,961	14,415	14,518	10,745	19,322	595	-	-	210,695
Utilities and telephone	266,144	72,057	111,969	97,517	254,228	5,333	-	-	1,743,189
Property tax and insurance	77,477	10,201	50,111	20,553	115,346	26,750	-	-	546,106
Interest	702,475	221,219	401,139	499,320	1,017,256	-	-	(289,965)	4,960,543
Legal and accounting	8,324	14,753	8,006	1,271	10,534	4,989	-	-	68,022
Bad debt expense	146,142	68,777	14,881	40,927	24,619	3,601	-	-	333,088
Ground lease expense	-	1	73,659	60,448	273,942	-	-	-	826,126
Advertising and marketing	354	619	1,312	1,631	330	-	-	-	7,802
Miscellaneous administrative expense	27,396	19,610	28,625	42,558	31,680	1,500	-	-	263,847
Depreciation and amortization	896,384	453,013	863,993	397,589	1,645,491	76,782	-	(1,241,357)	5,410,459
Total program services	2,927,902	1,138,220	1,795,621	1,660,796	3,832,191	199,711	-	(1,531,322)	19,054,204



**Housing Development Partners of San Diego**

**Consolidating Statement of Activities  
Year Ended December 31, 2022**

	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	836,857	-	3,410	-	2,497	-	-	5,949
Rent	39,669	-	-	-	-	-	-	-
Office expenses	37,750	3,333	3,257	5,092	131	4,360	3,375	2,928
Training, travel and parking	10,501	2,250	-	-	-	-	-	-
Property and partnership management	-	11,507	84,808	63,094	74,641	78,252	32,569	153,521
Repairs and maintenance	1,269	-	-	-	-	-	-	-
Utilities and telephone	8,364	-	-	-	-	-	-	-
Property tax and insurance	12,215	421	2,292	855	1,250	4,843	2,101	2,596
Legal and accounting	49,265	15,369	12,249	12,702	22,951	14,202	5,858	30,847
Miscellaneous administrative expense	145,437	-	257	-	207	-	-	466
Depreciation and amortization	6,540	-	-	-	-	-	-	-
Total management and general	<u>1,147,867</u>	<u>32,880</u>	<u>106,273</u>	<u>81,743</u>	<u>101,677</u>	<u>101,657</u>	<u>43,903</u>	<u>196,307</u>
Total expenses	<u>1,444,348</u>	<u>470,616</u>	<u>1,549,937</u>	<u>1,041,941</u>	<u>945,641</u>	<u>1,551,713</u>	<u>380,661</u>	<u>3,458,535</u>
Change in net assets	<u>\$ (287,573)</u>	<u>\$ (178,907)</u>	<u>\$ (366,192)</u>	<u>\$ (160,923)</u>	<u>\$ 165,045</u>	<u>\$ 6,591</u>	<u>\$ 226,411</u>	<u>\$ 205,634</u>
Change in net assets controlling	<u>\$ (287,573)</u>	<u>\$ (178,907)</u>	<u>\$ (37)</u>	<u>\$ (16)</u>	<u>\$ 165,045</u>	<u>\$ 1</u>	<u>\$ 226,411</u>	<u>\$ 21</u>
Change in net assets noncontrolling	<u>-</u>	<u>-</u>	<u>(366,155)</u>	<u>(160,907)</u>	<u>-</u>	<u>6,590</u>	<u>-</u>	<u>205,613</u>
Change in net assets	<u>\$ (287,573)</u>	<u>\$ (178,907)</u>	<u>\$ (366,192)</u>	<u>\$ (160,923)</u>	<u>\$ 165,045</u>	<u>\$ 6,591</u>	<u>\$ 226,411</u>	<u>\$ 205,634</u>

**Housing Development Partners of San Diego**

**Consolidating Statement of Activities  
Year Ended December 31, 2022**

	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	-	2,003	-	-	-	-	-	-	850,716
Rent	-	-	-	-	-	-	-	-	39,669
Office expenses	8,177	866	8,882	890	8,331	2,831	1,212	-	91,415
Training, travel and parking	-	-	-	-	-	-	-	-	12,751
Property and partnership management	92,282	46,690	81,843	80,597	173,409	12,210	-	(106,055)	879,368
Repairs and maintenance	-	-	-	-	-	-	-	-	1,269
Utilities and telephone	-	-	-	-	-	-	-	-	8,364
Property tax and insurance	1,523	2,655	6,800	11,404	800	965	14,547	-	65,267
Legal and accounting	11,118	13,118	8,430	12,824	19,739	8,625	12,471	-	249,768
Miscellaneous administrative expense	-	506	-	418	-	-	-	-	147,291
Depreciation and amortization	-	-	-	-	-	-	-	-	6,540
Total management and general	113,100	65,838	105,955	106,133	202,279	24,631	28,230	(106,055)	2,352,418
Total expenses	3,041,002	1,204,058	1,901,576	1,766,929	4,034,470	224,342	28,230	(1,637,377)	21,406,622
Change in net assets	<u>\$ (652,821)</u>	<u>\$ (584,636)</u>	<u>\$ (196,414)</u>	<u>\$ (358,285)</u>	<u>\$ (962,344)</u>	<u>\$ (31,752)</u>	<u>\$ 250,634</u>	<u>\$ 390,814</u>	<u>\$ (2,534,718)</u>
Change in net assets controlling	\$ (33)	\$ (429,536)	\$ (196,414)	\$ (358,285)	\$ (962,344)	\$ (31,752)	\$ 244,399	\$ 390,814	\$ (1,418,206)
Change in net assets noncontrolling	<u>(652,788)</u>	<u>(155,100)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,235</u>	<u>-</u>	<u>(1,116,512)</u>
Change in net assets	<u>\$ (652,821)</u>	<u>\$ (584,636)</u>	<u>\$ (196,414)</u>	<u>\$ (358,285)</u>	<u>\$ (962,344)</u>	<u>\$ (31,752)</u>	<u>\$ 250,634</u>	<u>\$ 390,814</u>	<u>\$ (2,534,718)</u>

**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	<u>\$ 993,393</u>	<u>\$ (172,851)</u>	<u>\$ (390,440)</u>	<u>\$ (167,164)</u>	<u>\$ 72,204</u>	<u>\$ (251,601)</u>	<u>\$ 99,372</u>	<u>\$ 15,271</u>
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	<u><u>\$ 993,393</u></u>	<u><u>\$ (172,851)</u></u>	<u><u>\$ (390,440)</u></u>	<u><u>\$ (167,164)</u></u>	<u><u>\$ 72,204</u></u>	<u><u>\$ (251,601)</u></u>	<u><u>\$ 99,372</u></u>	<u><u>\$ 15,271</u></u>

**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	\$ (15)	\$ (355,819)	\$ (248,414)	\$ (113,876)	\$ (640,350)	\$ (46,880)	\$ 143,370	\$ (160,020)	\$ (429,965)
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><u>\$ (305,529)</u></u>	<u><u>\$ (510,919)</u></u>	<u><u>\$ (248,414)</u></u>	<u><u>\$ (113,876)</u></u>	<u><u>\$ (640,350)</u></u>	<u><u>\$ (46,880)</u></u>	<u><u>\$ 149,605</u></u>	<u><u>\$ (160,020)</u></u>	<u><u>\$ (1,678,199)</u></u>

**Housing Development Partners of San Diego**

**Consolidating Statement of Changes in Net Assets  
Year Ended December 31, 2022**

	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	\$ 20,117,284	\$ (1,867,200)	\$ (699,114)	\$ (93)	\$ 714,001	\$ (939,537)	\$ 179,731	\$ (490)
Excess over carryover basis	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Distributions	-	-	-	-	(79,766)	(75,546)	(90,143)	-
Payments of accrued interest on seller note	-	-	-	-	-	-	-	-
Seller note payable	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	-
Change in unrestricted net assets	(287,573)	(178,907)	(37)	(16)	165,045	1	226,411	21
Unrestricted net assets, controlling interest, ending	<u>\$ 19,829,711</u>	<u>\$ (2,046,107)</u>	<u>\$ (699,151)</u>	<u>\$ (109)</u>	<u>\$ 799,280</u>	<u>\$ (1,015,082)</u>	<u>\$ 315,999</u>	<u>\$ (469)</u>
Noncontrolling interest								
Unrestricted net assets, beginning	\$ -	\$ -	\$ 4,097,354	\$ 1,217,284	\$ (82,868)	\$ (1,500,904)	\$ -	\$ 7,386,369
Contributions	-	-	-	-	-	-	-	-
Distributions	-	-	-	-	-	-	-	-
Syndication costs	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	-
Change in unrestricted net assets	-	-	(366,155)	(160,907)	-	6,590	-	205,613
Unrestricted net assets, noncontrolling interest, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,731,199</u>	<u>\$ 1,056,377</u>	<u>\$ (82,868)</u>	<u>\$ (1,494,314)</u>	<u>\$ -</u>	<u>\$ 7,591,982</u>

**Housing Development Partners of San Diego**

**Consolidating Statement of Changes in Net Assets**  
**Year Ended December 31, 2022**

	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	\$ (1,958,100)	\$ 3,451,645	\$ (893,340)	\$ (232,832)	\$ (3,076,320)	\$ 1,187,313	\$ 85,335	\$ (21,548,372)	\$ (5,480,089)
Excess over carryover basis	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	50,000	-	(50,000)	-
Distributions	-	-	-	(75,876)	-	-	(59,271)	380,602	-
Payments of accrued interest on seller note	-	-	-	-	-	(29,284)	-	-	(29,284)
Seller note payable	-	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	-	-
Change in unrestricted net assets	(33)	(429,536)	(196,414)	(358,285)	(962,344)	(31,752)	244,399	390,814	(1,418,206)
Unrestricted net assets, controlling interest, ending	<u>\$ (1,958,133)</u>	<u>\$ 3,022,109</u>	<u>\$ (1,089,754)</u>	<u>\$ (666,993)</u>	<u>\$ (4,038,664)</u>	<u>\$ 1,176,277</u>	<u>\$ 270,463</u>	<u>\$ (20,826,956)</u>	<u>\$ (6,927,579)</u>
Noncontrolling interest									
Unrestricted net assets, beginning	\$ 11,218,671	\$ 3,904,146	\$ -	\$ -	\$ 1,072,260	\$ -	\$ 8,145	\$ -	\$ 27,320,457
Contributions	-	-	-	-	20,054,460	-	-	-	20,054,460
Distributions	-	-	-	-	-	-	(7,497)	-	(7,497)
Syndication costs	-	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	-	-
Change in unrestricted net assets	(652,788)	(155,100)	-	-	-	-	6,235	-	(1,116,512)
Unrestricted net assets, noncontrolling interest, ending	<u>\$ 10,565,883</u>	<u>\$ 3,749,046</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,126,720</u>	<u>\$ -</u>	<u>\$ 6,883</u>	<u>\$ -</u>	<u>\$ 46,250,908</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	HDP Town & Country, LP
Controlling interest									
Unrestricted net assets, beginning	\$ 19,123,891	\$ (1,694,349)	\$ (699,075)	\$ (76)	\$ 641,805	\$ (939,512)	\$ 168,793	\$ (492)	\$ (1,812,462)
Excess over carryover basis	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-
Distributions	-	-	-	-	(8)	-	(88,434)	-	-
Payments of accrued interest on seller note	-	-	-	-	-	-	-	-	(145,623)
Seller note payable	-	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	-	-
Change in unrestricted net assets	993,393	(172,851)	(39)	(17)	72,204	(25)	99,372	2	(15)
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>	<u>\$ (1,958,100)</u>
Noncontrolling interest									
Unrestricted net assets, beginning	\$ -	\$ -	\$ 4,487,755	\$ 1,384,431	\$ -	\$ (1,194,659)	\$ -	\$ 7,371,100	\$ 11,524,185
Contributions	-	-	-	-	-	-	-	-	-
Distributions	-	-	-	-	(82,868)	(54,669)	-	-	-
Syndication costs	-	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	-	-
Change in unrestricted net assets	-	-	(390,401)	(167,147)	-	(251,576)	-	15,269	(305,514)
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>	<u>\$ 11,218,671</u>

**Housing Development Partners of San Diego**

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

	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	\$ 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)
Seller note payable	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	-
Change in unrestricted net assets	(355,819)	(248,414)	(113,876)	(640,350)	(46,880)	143,370	(160,020)	(429,965)
Unrestricted net assets, controlling interest, ending	<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	\$ 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	(155,100)	-	-	-	-	6,235	-	(1,248,234)
Unrestricted net assets, noncontrolling interest, ending	<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>



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September 20, 2023

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, 2022 and 2021, and we have issued our report thereon dated September 20, 2023. 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 December 5, 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. As described in Note 2 to the financial statements, during the year, the Corporation adopted Accounting Standards Update 2016-02 (as amended), Leases (Topic 842). The adoption of Topic 842 resulted in significant changes to the consolidated financial statements of the Corporation at December 31, 2022 including the recording of right of use asset and a corresponding lease liability. 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 benefitted.
- 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 methods, assumptions, and data used to develop the estimates in determining that it is 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.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *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 September 20, 2023.

#### *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