

## INFORMATIONAL REPORT

**DATE ISSUED:** January 16, 2025

**REPORT NO:** HDPM25-004

**ATTENTION:** Chair and Members of the Board of Directors of  
HDP Mason Housing Corporation  
For the Agenda of January 23, 2025

**SUBJECT:** 2023 HDP Mason Financial Statements

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

#### **SUMMARY**

HDP Mason 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, 2023.

*Please note a Conflict Disclosure Statement at the end of this report.*

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

Two San Diego Housing Commissioners (Commissioners), Eugene “Mitch” Mitchell and Ryan Clumpner, and the San Diego Housing Commission’s (Housing Commission) President and Chief Executive Officer (President and CEO), Lisa Jones, are each directors of HDP Mason Housing Corporation (HDP Mason), 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 Mason as of the date of this staff report and President and CEO Jones have no conflict of interest as discussed below.

The Commissioners and President and CEO Jones receive no compensation for their service on HDP Mason’s Board of Directors and/or as officers of HDP Mason. Pursuant to the provisions of Government Code Sections 1091.5(a)(7) and 1091.5(a)(8), the Commissioners and President and CEO Jones 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.

San Diego City Councilmember and Housing Authority member, Councilmember Sean Elo-Rivera, is also a Director of HDP Mason. Councilmember Elo-Rivera is not compensated for his service on the HDP Mason Board or as an officer of HDP Mason. As it relates to this matter, as a Housing Authority member, Councilmember Elo-Rivera has a noninterest under California Government Code section 1091.5(a)(9). This disclosure shall be incorporated into the record of the Housing Authority, if and when this matter is heard by the Housing Authority.

Further, because of their non-interests, the Commissioners, as members of the Housing Commission Board of Commissioners, and Councilmember Elo-Rivera, as a member of the Housing Authority, are entitled to vote on this matter and may be counted for quorum.

Further, no HDP Mason Director or officer has a financial interest in this matter that would legally preclude their participation under the provisions of California Government Code section 87100 et. seq.

The Commissioners are not compensated for their services on the board of the Housing Commission, a public agency. Councilmember Elo-Rivera's compensation as a member of the Housing Authority, a public agency, is a non-interest under Government Code section 1091.5(a)(9). Further, Ms. Jones' compensation from a public agency, the Housing Commission, is a noninterest under the provisions of Government Code Section 1091.5(a)(9) as well as for the purposes of Government Code Section 87100 et. seq.

Finally, to the extent that HDP Mason is a public agency for local Ethics Ordinance purposes, neither the Commissioners, Ms. Jones, nor Councilmember Elo-Rivera have any conflicts of interest under the local ethics ordinance that would preclude their actions in this matter or from being counted for quorum purposes.

These disclosures shall be and are hereby documented in the official records of the Housing Commission and Housing Authority.

**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 Mason.

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 Mason 2023 Financial Statements with Independent Auditor's Report

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



**Independent Member of Nexia International**

**[cohnreznick.com](http://cohnreznick.com)**

**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**

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

**December 31, 2023 and 2022**

---

**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**

Index

	<u>Page</u>
Certificate of Owner	2
Managing Agent's Certification	3
Independent Auditor's Report	4
Financial Statements	
Statements of Financial Position	7
Statements of Activities and Changes in Net Assets	9
Statements of Cash Flows	12
Notes to the Financial Statements	14
Supplementary Information	
Supporting Data Required by CalHFA	
Schedules of Operating Revenue	23
Schedules of Operating Expenses	24
Detail of Accounts - Schedules of Activities	26
Cash on Hand and in Banks	27
Accounts Receivable	27
Reserves for Replacement and Operating Expenses	27
Property, Equipment and Improvements	28
Accounts Payable and Accrued Expenses	28
Gross Potential Rents	28
Management Fee	28
Operating Cash Flow/Surplus Cash Computation	29
Schedule of Expenditures of Federal Awards	30
Notes to Schedule of Expenditures of Federal Awards	31
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	32
Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	34
Schedule of Findings and Questioned Costs	37

**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**

**December 31, 2023**

Certificate of Owner

I, as an officer of the Housing Development Partners of San Diego, organizer of HDP Mason Housing Corporation, hereby certify that I have examined the accompanying financial statements and supplementary information of HDP Mason Housing Corporation as of and for the years ended December 31, 2023 and 2022, and to the best of my knowledge and belief, these financial statements and supplementary information are complete and accurate.

Housing Development Partners of San Diego

DocuSigned by:

*Suket Dayal*

5/1/2024

Suket Dayal, Chief Financial Officer

Employer Identification Number: 95-3390896

**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**


**December 31, 2023**

Managing Agent's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary data of HDP Mason Housing Corporation as of and for the years ended December 31, 2023 and 2022 and, to the best of my knowledge and belief, the same is complete and accurate.

Managing Agent

Hyder & Company

  
Kyle Beach (May 1, 2024 15:56 PDT)

May 1, 2024

---

Kyle Beach, VP of Administration

Independent Auditor's Report

To the Board of Directors  
HDP Mason Housing Corporation

Report on the Audit of the Financial Statements

*Opinion*

We have audited the financial statements of HDP Mason Housing Corporation, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of HDP Mason Housing Corporation as of December 31, 2023 and 2022, 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") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 HDP Mason Housing Corporation 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HDP Mason Housing Corporation's ability to continue as a going concern for one year after the date that the 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 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 and *Government Auditing Standards* 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 financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 HDP Mason Housing Corporation'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HDP Mason Housing Corporation'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 financial statements as a whole. The financial data templates as required by the California Housing Finance Agency are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the financial data templates as required by the California Housing Finance Agency and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2024, on our consideration of HDP Mason Housing Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of HDP Mason Housing Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HDP Mason Housing Corporation's internal control over financial reporting and compliance.



Sacramento, California  
April 22, 2024

**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**

**Statements of Financial Position  
December 31, 2023 and 2022**

Assets

	2023	2022
Current assets		
Cash - operations	\$ 201,961	\$ 69,171
Tenant accounts receivable	2,537	296
Allowance for doubtful accounts	(415)	-
Accounts receivable - HUD	-	4,118
Accounts and notes receivable - operations	254	-
Prepaid expenses	6,940	6,342
	211,277	79,927
Deposits held in trust - funded		
Tenant deposits	15,300	13,133
	15,300	13,133
Restricted deposits and funded reserves		
Reserve for replacements	54,413	52,384
Other reserves	30,893	30,095
	85,306	82,479
Rental property		
Land	856,991	856,991
Buildings	4,819,861	4,819,861
Office furniture and equipment	106,703	101,403
	5,783,555	5,778,255
Less accumulated depreciation	(1,444,218)	(1,322,151)
	4,339,337	4,456,104
Other assets		
Miscellaneous other assets	2,000	4,578
	2,000	4,578
Total assets	\$ 4,653,220	\$ 4,636,221

**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**

**Statements of Financial Position  
December 31, 2023 and 2022**

Liabilities and Net Assets (Deficit)

	2023	2022
Current liabilities		
Accounts payable - operations	\$ 24,429	\$ 25,836
Accrued wages payable	616	1,627
Prepaid revenue	3	2,848
	25,048	30,311
Deposits liability		
Tenant deposits held in trust (contra)	14,403	12,236
	14,403	12,236
Long-term liabilities		
Accounts payable - entity (long-term)	50,708	122,786
Other loans and notes payable, net	4,919,498	4,919,165
Accrued interest payable - notes payable (surplus cash)	1,745,845	1,597,830
	6,716,051	6,639,781
Total long-term liabilities	6,716,051	6,639,781
Total liabilities	6,755,502	6,682,328
Contingency	-	-
Net assets		
Net assets without donor restrictions	(2,102,282)	(2,046,107)
	(2,102,282)	(2,046,107)
Total net assets	(2,102,282)	(2,046,107)
Total liabilities and net assets (deficit)	\$ 4,653,220	\$ 4,636,221

See Notes to Financial Statements.

**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**

**Statements of Activities and Changes in Net Assets  
Years Ended December 31, 2023 and 2022**

	2023	2022
Rental revenue		
Rent revenue - gross potential	\$ 66,878	\$ 89,925
Tenant assistance payments	320,595	185,924
Rent revenue - stores and commercial	30,600	30,600
Total rental revenue	418,073	306,449
Vacancies		
Apartments	(6,696)	(28,124)
Total vacancies	(6,696)	(28,124)
Net rental revenue	411,377	278,325
Financial revenue		
Revenue from investments - replacement reserve	301	41
Revenue from investments - miscellaneous	798	328
Total financial revenue	1,099	369
Other revenue		
Laundry and vending	1,238	759
Tenant charges	3,768	5,516
Miscellaneous revenue	331	23,000
Total other revenue	5,337	29,275
Total revenue	417,813	307,969

**HDP Mason Housing Corporation**  
**CalHFA Project No. 10-067-M**

**Statements of Activities and Changes in Net Assets**  
**Years Ended December 31, 2023 and 2022**

	2023	2022
Administrative expenses		
Other renting expenses	63	136
Office salaries	1,128	1,309
Office expenses	8,769	9,930
Management fee	11,937	11,507
Manager or superintendent salaries	26,381	31,974
Administrative rent free unit	22,844	16,260
Legal expense - project	1,748	4,505
Auditing expense	12,568	13,989
Bad debts	415	7,066
Miscellaneous administrative expenses	3,801	5,355
	89,654	102,031
 Total administrative expenses		
Utilities expense		
Electricity	25,453	18,282
Water	8,936	6,895
Gas	2,183	1,612
Sewer	5,544	4,096
	42,116	30,885
 Total utilities expense		
Operating and maintenance expenses		
Payroll	330	64
Supplies	7,524	19,400
Contracts	15,041	15,506
Garbage and trash removal	17,454	14,653
Security payroll/contract	1,586	5,181
Miscellaneous operating and maintenance expenses	4,270	3,668
	46,205	58,472
 Total operating and maintenance expenses		

**HDP Mason Housing Corporation**  
**CalHFA Project No. 10-067-M**

**Statements of Activities and Changes in Net Assets**  
**Years Ended December 31, 2023 and 2022**

	2023	2022
Taxes and insurance		
Real estate taxes	2,545	2,425
Payroll taxes	2,086	2,754
Property and liability insurance	9,230	7,844
Fidelity bond insurance	18	-
Workmen's compensation	2,140	2,647
Health insurance and other employee benefits	1,330	2,703
Miscellaneous taxes, licenses, permits and insurance	3,290	2,652
	20,639	21,025
Total taxes and insurance		
Financial expenses		
Miscellaneous financial expenses	4,959	4,959
	4,959	4,959
Total financial expenses		
Total cost of operations before depreciation	203,573	217,372
Income before depreciation	214,240	90,597
Depreciation		
Depreciation expense	122,067	121,156
	122,067	121,156
Total depreciation		
Operating income (loss)	92,173	(30,559)
Corporate or mortgagor entity revenue and expenses		
Interest on mortgage payable	148,348	148,348
	148,348	148,348
Net entity expenses		
Total expenses	473,988	486,876
Change in net assets without donor restrictions	(56,175)	(178,907)
Net assets without donor restrictions, beginning	(2,046,107)	(1,867,200)
Net assets without donor restrictions, end	\$ (2,102,282)	\$ (2,046,107)

See Notes to Financial Statements.

**HDP Mason Housing Corporation**  
**CalHFA Project No. 10-067-M**

**Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	2023	2022
Cash flows from operating activities		
Rental receipts	\$ 387,565	\$ 257,409
Interest receipts	1,099	369
Other operating receipts	5,337	6,275
Total receipts	394,001	264,053
Administrative expenses paid	(29,475)	(30,699)
Management fees paid	(11,937)	(11,508)
Utilities paid	(38,673)	(24,888)
Salaries and wages paid	(30,436)	(38,232)
Operating and maintenance paid	(44,289)	(53,227)
Real estate taxes paid	(2,545)	(2,425)
Property insurance paid	(9,828)	(9,063)
Miscellaneous taxes and insurance paid	(3,290)	(2,652)
Net tenant security deposits received	2,167	3,197
Other operating expenses paid	(5,574)	(8,104)
Miscellaneous financial expenses paid	(4,959)	(4,959)
Total disbursements	(178,839)	(182,560)
Net cash provided by operating activities	215,162	81,493
Cash flows from investing activities		
Net purchases of fixed assets	(5,300)	(4,939)
Other investing activities (include detail)		
Developer fee paid	(72,078)	(64,293)
Net cash used in investing activities	(77,378)	(69,232)
Cash flows from financing activities		
Advance repaid to affiliate	-	(636)
Net cash used in financing activities	-	(636)
Net increase in cash and restricted cash	137,784	11,625
Cash and restricted cash, beginning	164,783	153,158
Cash and restricted cash, end	\$ 302,567	\$ 164,783



**HDP Mason Housing Corporation**  
**CalHFA Project No. 10-067-M**

**Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	2023	2022
Reconciliation of changes in net assets to net cash provided by operating activities		
Change in net assets without donor restrictions	\$ (56,175)	\$ (178,907)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities		
Depreciation	122,067	121,156
Amortization of debt issuance costs	333	333
Bad debts	415	7,066
Forgiveness of debt	-	(23,000)
Changes in asset and liability accounts		
(Increase) decrease in assets		
Tenant accounts receivable	(2,241)	(3,610)
Accounts receivable - other	3,864	(3,288)
Prepaid expenses	(598)	(1,219)
Increase (decrease) in liabilities		
Accounts payable	(1,407)	9,213
Accrued liabilities	(1,011)	295
Tenant security deposits held in trust	2,167	3,197
Prepaid revenue	(2,845)	2,242
Other adjustments (include detail)		
Accrued interest	148,015	148,015
Other assets	2,578	-
Total adjustments	271,337	260,400
Net cash provided by operating activities	\$ 215,162	\$ 81,493

See Notes to Financial Statements.

**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**

**Notes to Financial Statements  
December 31, 2023 and 2022**

**Note 1 - Organization and nature of operations**

The HDP Mason Housing Corporation (the "Organization") is a California Nonprofit Public Benefit Corporation formed on September 1, 2011 to provide low and moderate-income persons, elderly persons, and handicapped persons with affordable housing, facilities and services related to housing. The Organization was organized by Housing Development Partners of San Diego ("HDP"), a California Nonprofit Corporation whose mission is to preserve and increase affordable housing opportunities for low and moderate-income residents. The Organization shares staff and Board of Directors with HDP. The Organization property consists of a 17-unit rental housing project located in San Diego, California and is currently operating under the name of Mason Hotel (the "Project").

Debt financing was provided by the California Housing Finance Agency ("CalHFA"). The Organization is regulated under terms of a Regulatory Agreement (the "regulatory agreement") and a Capitalized Operating Subsidy Reserve agreement ("COSR agreement") with CalHFA, which regulates rent charges, operating methods and other matters.

**Note 2 - Significant accounting policies**

**Basis of presentation**

The Organization presents its financial statements in accordance with the accounting guidance for nonprofit entities. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. All the net assets of the Organization are net assets without donor restrictions. Furthermore, information is required to segregate program service expenses from management and general expenses.

The Organization conforms to accounting guidance on revenue recognition for nonprofit entities. Under this guidance, contributions received, if any, are recorded as support without or with donor restrictions depending on the existence and/or nature of any donor restrictions.

**Tenant accounts receivable**

Tenant accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of December 31, 2023 and 2022, the allowance for doubtful accounts was \$415 and \$0, respectively.

**Rental property**

Rental property is carried at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives from 5 to 40 years by use of the straight-line method.

**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**

**Notes to Financial Statements  
December 31, 2023 and 2022**

**Impairment of long-lived assets**

The Organization reviews its rental property 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 Project are less than its carrying amount, management compares the carrying amount of the Project 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 loss has been recognized during the years ended December 31, 2023 and 2022.

**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.

**Income taxes**

The Organization has 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 did not have any unrelated business income for the year ended December 31, 2023. Due to its tax-exempt status, the Organization is not subject to income taxes. The Organization is required to file and does file tax returns with the IRS and other taxing authorities. Management has analyzed the tax positions taken by the corporation and has concluded that, as of December 31, 2023, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial Management has analyzed the tax positions taken by the Organization and has concluded that, as of December 31, 2023, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. Accordingly, these financial statements do not reflect a provision for income taxes and the Organization has no other tax positions which must be considered for disclosure. Income tax returns filed by the Organization 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.

**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 Organization and the residential tenants of the property are operating leases.

**Commercial rental income**

Commercial lease 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. Rental payments received in excess of rental income recognized are recorded as deferred rent revenue. The Organization begins recognizing rental revenue when the tenant has the right to take possession of or controls the physical use of the property under the lease. The Organization 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 Organization recognizes revenue at the lessor of (a) straight-line lease income, plus variable lease payments, or (b) lease payments, including variable lease payments collected. The lease between the Organization and the commercial tenant is an operating lease.

**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**

**Notes to Financial Statements  
December 31, 2023 and 2022**

**Functional allocation of expenses**

The costs of providing program and other activities are summarized on a functional basis in Note 11. Accordingly, certain costs are allocated among program services and supporting services benefitted.

**Tenant security deposits**

The Organization is required to hold security deposits in a separate bank account in the name of the project.

**Advertising**

Advertising and marketing costs are expensed as incurred.

**Use of estimates**

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

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

**Reserve for replacements**

In accordance with the regulatory agreement, the Organization is required to establish and maintain a reserve for replacements. The reserve was initially funded in the amount of \$17,000 with the proceeds of the CalHFA mortgage payable. The reserve is held by the Organization and is required to be funded in the amount of \$8,500 per year. Expenditures are subject to approval from CalHFA. As of December 31, 2023 and 2022, the balance of the reserve for replacements is \$54,413 and \$52,384, respectively.

**Operating expense reserve**

In accordance with CalHFA regulatory agreement, the Organization is required to establish and to maintain an operating expense reserve in the initial amount of \$27,440 with the proceeds of the CalHFA mortgage payable. The reserve is to cover shortfalls in unit income available for payment of approved operating expenses. As of December 31, 2023 and 2022, the balance of the operating expense reserve is \$30,893 and \$30,095, respectively.

**Note 4 - Related party transactions**

**Developer fee**

The Organization entered into a development agreement with HDP for services rendered in overseeing the development and construction of the Project. HDP earned a developer fee in the amount of \$550,000, all of which has been incurred and capitalized as a cost of the rental property. As of December 31, 2023 and 2022, development fee of \$50,708 and \$122,786, respectively, remains payable and will be paid from residual receipts, as defined.

**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**

**Notes to Financial Statements  
December 31, 2023 and 2022**

**Note 5 - Statements of cash flows**

The following table provides a reconciliation of cash 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:

	2023	2022
Cash	\$ 201,961	\$ 69,171
Tenant deposits	15,300	13,133
Reserve for replacements	54,413	52,384
Other reserves	30,893	30,095
 Total cash and restricted cash shown in the statements of cash flows	 \$ 302,567	 \$ 164,783

Amounts included in restricted cash are comprised of security deposits held in trust for the future benefit of tenants upon moving out of the Project and replacement reserve and operating reserve as required by regulatory authority.

**Note 6 - Notes payable**

Note payable held by the San Diego Housing Commission in the original amount of \$2,365,284, of which \$1,864,516 was funded with HOME funds. The note bears interest at 3% per annum and is secured by a deed of trust. Principal and interest are due and payable from 47.8% of residual receipts, as defined in the loan agreement, through maturity on February 28, 2068. Outstanding principal as of December 31, 2023 and 2022 is \$2,365,284. Accrued interest as of December 31, 2023 and 2022 is \$824,748 and \$753,789, respectively. Interest incurred for the years ended December 31, 2023 and 2022 was \$70,959 and \$70,959, respectively, and is included in interest on mortgage payable - entity on the statements of activities.

Note payable held by Civic San Diego, the Successor Agency to the former Redevelopment Agency of the City of San Diego, in the original amount of \$1,318,964. The note bears interest at 3% per annum and is secured by a deed of trust. Principal and interest are due and payable from 26.6% of residual receipts, as defined in the loan agreement, through maturity on December 9, 2066. Outstanding principal as of December 31, 2023 and 2022 is \$1,318,964. Accrued interest as of December 31, 2023 and 2022 is \$475,965 and \$436,396, respectively. Interest incurred for the years ended December 31, 2023 and 2022 was \$39,569 and \$39,569, respectively, and is included in interest on mortgage payable - entity on the statements of activities.

Note payable held by CalHFA in the original amount of \$1,180,727. The note bears interest at 3% per annum and is secured by a deed of trust. Annual payments of principal and interest are payable from 23.9% of residual receipts, as defined in the loan agreement, through maturity on December 1, 2066. Outstanding principal as of December 31, 2023 and 2022 is \$1,180,727. Accrued interest as of December 31, 2023 and 2022 is \$403,611 and \$368,189, respectively. Interest incurred for the years ended December 31, 2023 and 2022 was \$35,422 and \$35,422, respectively, and is included in interest on mortgage payable - entity on the statements of activities.

**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**

**Notes to Financial Statements  
December 31, 2023 and 2022**

Note payable held by the San Diego Housing Commission in the original amount of \$226,000. The note bears interest at 3% per annum and is secured by a deed of trust. Annual payments of principal and interest are payable only from 1.7% of residual receipts, as defined in the loan agreement, through maturity on May 15, 2057. The note is secured by a deed of trust. Outstanding principal as of December 31, 2023 and 2022 is \$68,858. Accrued interest as of December 31, 2023 and 2022 is \$41,521 and \$39,456, respectively. Interest incurred for the years ended December 31, 2023 and 2022 was \$2,065 and \$2,065, respectively, and is included in interest on mortgage payable - entity on the statements of activities.

Note payable held by the San Diego Housing Commission in the original amount of \$230,000. The note is noninterest bearing and shall be incrementally forgiven beginning May 2013 at 10% per year, provided the Organization has complied with all provisions of the note. The note is secured by a deed of trust. Forgiveness of debt totaled \$23,000 for the year ended December 31, 2022. Outstanding principal as of December 31, 2022 is \$0 and is included in other loans and notes on the statements of financial position.

Debt issuance costs, net of accumulated amortization, totaled \$14,335 and \$14,668 as of December 31, 2023 and 2022, respectively. Debt issuance costs on the above loans are being amortized using an imputed interest rate 3%. Amortization of debt issuance costs is \$333 and \$333 for the years ended December 31, 2023 and 2022, respectively, and is included in interest on mortgage payable - entity on the statements of activities.

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

**Note 7 - Management fee**

The property is managed by Hyder & Company, LLC, pursuant to a management agreement. The current management agreement provides for a management fee of \$58.52 per unit per month. For the years ended December 31, 2023 and 2022, management fees of \$11,937 and \$11,507, respectively, were incurred and charged to operations.

**Note 8 - Housing assistance payments contract**

The Organization entered into a housing assistance payment contract with the San Diego Housing Commission in May 2013. The contract expired May 14, 2023 with a renewal option. The contract was renewed on May 12, 2023 for another 15 years. The amount earned on the contract totaled \$320,595 and \$185,924 for the years ended December 31, 2023 and 2022, respectively, and is included in rental revenue.

**Note 9 - Commercial lease agreement**

The Organization has a lease arrangement with San Diego Housing Commission a California nonprofit public benefit corporation (Lessee), dated May 1, 2019. The lease provides the Lessee a right to use of commercial space for office use for three years beginning on May 1, 2019, the commencement date, and ending May 1, 2022. The Lessee has two options to extend the lease for one additional year each. During 2023, the Organization received a request for extension and per the conditions of the lease granted the second one year extension to the Lessee. The lease is classified as an operating lease. The lease term remaining at December 31, 2023 is 4 months and will not be renewed. The lease requires monthly payments of \$2,550. During each of the years

**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**

**Notes to Financial Statements  
December 31, 2023 and 2022**

ended December 31, 2023 and 2022, \$30,600 was earned and included in rental income in the statements of activities. The minimum lease payment for the next year following December 31, 2023 is \$10,200.

**Note 10 - Liquidity and availability**

As of December 31, 2023 and 2022, the Organization has \$289,643 and \$156,064 of financial assets available within the statements of financial position date to meet cash needs for general expenditures consisting of cash of \$201,961 and \$69,171, and accounts receivable of \$2,376 and \$4,414 and restricted deposits and funded reserves of \$85,306 and \$82,479, respectively. Only amounts related to restricted deposits and funded reserves anticipated to be used more than two years after the statements of financial position date have been excluded from the above amounts.

As regulated by CalHFA, financial assets of the Organization are intended to be sufficient to meet its general expenditures, liabilities and other obligations as they become due. Project operations are designed to break-even and not result in either surplus cash or a deficit in surplus cash. Generally, any surplus cash generated must be disbursed as permitted under the regulatory agreement.

**Note 11 - Expenses by nature and function**

The table below presents expenses by both their nature and function during the year ended December 31, 2023:

	Total program services expense	Total supporting services expense (management and general)	Total
Administrative expenses	\$ 65,149	\$ 24,505	\$ 89,654
Utilities expense	42,116	-	42,116
Operating and maintenance expenses	46,205	-	46,205
Taxes and insurance	20,639	-	20,639
Financial expenses	4,959	-	4,959
Depreciation	122,067	-	122,067
Corporate or mortgagor entity expenses, net	148,348	-	148,348
<b>Total</b>	<b>\$ 449,483</b>	<b>\$ 24,505</b>	<b>\$ 473,988</b>

**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**

**Notes to Financial Statements  
December 31, 2023 and 2022**

The table below presents expenses by both their nature and function during the year ended December 31, 2022:

	Total program services expense	Total supporting services expense (management and general)	Total
Administrative expenses	\$ 76,535	\$ 25,496	\$ 102,031
Utilities expense	30,885	-	30,885
Operating and maintenance expenses	58,472	-	58,472
Taxes and insurance	21,025	-	21,025
Financial expenses	4,959	-	4,959
Depreciation	121,156	-	121,156
Corporate or mortgagor entity expenses, net	148,348	-	148,348
<b>Total</b>	<b>\$ 461,380</b>	<b>\$ 25,496</b>	<b>\$ 486,876</b>

All expenses are directly attributable to a specific function.

**Note 12 - Concentration of credit risk**

The Organization maintains its cash balances in several accounts in various banks. At times, these balances may exceed the federal insurance limits; however, the Organization 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, 2023.

**Note 13 - Current vulnerability due to certain concentrations**

The Organization's principal asset is a 17-unit apartment project. The Organization's operations are concentrated in the multifamily real estate market. In addition, the Organization operates in a heavily regulated environment. The operations of the Organization are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD or CalHFA. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD or CalHFA. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.



**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**

**Notes to Financial Statements  
December 31, 2023 and 2022**

**Note 14 - Subsequent events**

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying 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 the activity of the Organization through April 22, 2024 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**Supplementary Information**  
**Supporting Data Required by CalHFA**

**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**

**Supplementary Information  
Years Ended December 31, 2023 and 2022**

**Schedules of Operating Revenue**

<u>Account No.</u>	<u>2023</u>	<u>2022</u>
<b>Rental revenue</b>		
5120 Rent revenue - gross potential	\$ 66,878	\$ 89,925
5121 Tenant assistance payments	320,595	185,924
5140 Rent revenue - stores and commercial	30,600	30,600
5100T Total rental revenue	<u>418,073</u>	<u>306,449</u>
<b>Vacancies</b>		
5220 Apartments	<u>(6,696)</u>	<u>(28,124)</u>
5200T Total vacancies	<u>(6,696)</u>	<u>(28,124)</u>
5152N Net rental revenue	<u>411,377</u>	<u>278,325</u>
<b>Financial revenue</b>		
5440 Revenue from investments - replacement reserve	301	41
5490 Revenue from investments - miscellaneous	798	328
5400T Total financial revenue	<u>1,099</u>	<u>369</u>
<b>Other revenue</b>		
5910 Laundry and vending	1,238	759
5920 Tenant charges	3,768	5,516
5990 Miscellaneous revenue	331	23,000
5900T Total other revenue	<u>5,337</u>	<u>29,275</u>
5000T Total revenue	<u>417,813</u>	<u>307,969</u>

**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**

**Supplementary Information  
Years Ended December 31, 2023 and 2022**

**Schedules of Operating Expenses**

<u>Account No.</u>	<u>2023</u>	<u>2022</u>
<b>Administrative expenses</b>		
6250 Other renting expenses	63	136
6310 Office salaries	1,128	1,309
6311 Office expenses	8,769	9,930
6320 Management fee	11,937	11,507
6330 Manager or superintendent salaries	26,381	31,974
6331 Administrative rent free unit	22,844	16,260
6340 Legal expense - project	1,748	4,505
6350 Auditing expense	12,568	13,989
6370 Bad debts	415	7,066
6390 Miscellaneous administrative expenses	3,801	5,355
6263T Total administrative expenses	<u>89,654</u>	<u>102,031</u>
<b>Utilities expense</b>		
6450 Electricity	25,453	18,282
6451 Water	8,936	6,895
6452 Gas	2,183	1,612
6453 Sewer	5,544	4,096
6400T Total utilities expense	<u>42,116</u>	<u>30,885</u>
<b>Operating and maintenance expenses</b>		
6510 Payroll	330	64
6515 Supplies	7,524	19,400
6520 Contracts	15,041	15,506
6525 Garbage and trash removal	17,454	14,653
6530 Security payroll/contract	1,586	5,181
6590 Miscellaneous operating and maintenance expenses	4,270	3,668
6500T Total operating and maintenance expenses	<u>46,205</u>	<u>58,472</u>

**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**

**Supplementary Information  
Years Ended December 31, 2023 and 2022**

<u>Account No.</u>	<u>2023</u>	<u>2022</u>
<b>Taxes and insurance</b>		
6710 Real estate taxes	2,545	2,425
6711 Payroll taxes	2,086	2,754
6720 Property and liability insurance	9,230	7,844
6721 Fidelity bond insurance	18	-
6722 Workmen's compensation	2,140	2,647
6723 Health insurance and other employee benefits	1,330	2,703
6790 Miscellaneous taxes, licenses, permits and insurance	3,290	2,652
6700T Total taxes and insurance	20,639	21,025
<b>Financial expenses</b>		
6890 Miscellaneous financial expenses	4,959	4,959
6800T Total financial expenses	4,959	4,959
6000T Total cost of operations before depreciation	203,573	217,372
5060T Income (loss) before depreciation	214,240	90,597
<b>Depreciation</b>		
6600 Depreciation expense	122,067	121,156
Total depreciation	122,067	121,156
5060N Operating income (loss)	92,173	(30,559)
<b>Corporate or mortgagor entity revenue and expenses</b>		
7142 Interest on mortgage payable	148,348	148,348
7100T Net entity expenses	148,348	148,348
Total expenses	473,988	486,876
3250 Change in net assets without donor restrictions	<u>\$ (56,175)</u>	<u>\$ (178,907)</u>

**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**

**Supplementary Information  
Years Ended December 31, 2023 and 2022**

**Detail of Accounts - Schedules of Activities**

	2023	2022
Miscellaneous Other Revenue (Account No. 5990)		
Insurance refunds	\$ 331	\$ -
Forgiveness of debt	-	23,000
	\$ 331	\$ 23,000
	\$ 331	\$ 23,000
Miscellaneous Administrative Expenses (Account No. 6390)		
Tenant services	\$ 187	\$ 328
Clubhouse expense	2,797	3,816
Resident services	817	1,211
	\$ 3,801	\$ 5,355
	\$ 3,801	\$ 5,355
Miscellaneous Operating and Maintenance Expenses (Account No. 6590)		
Fire protection and alarm	\$ 4,270	\$ 3,668
	\$ 4,270	\$ 3,668
	\$ 4,270	\$ 3,668
Miscellaneous Taxes, Licenses, Permits and Insurance (Account No. 6790)		
Taxes Licenses and Fees	\$ 782	\$ 421
Insurance	2,508	2,231
	\$ 3,290	\$ 2,652
	\$ 3,290	\$ 2,652
Miscellaneous Financial Expenses (Account No. 6890)		
Loan servicing fee	\$ 4,959	\$ 4,959
	\$ 4,959	\$ 4,959
	\$ 4,959	\$ 4,959

**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**

**Supplementary Information  
Year Ended December 31, 2023**

**Cash on Hand and in Banks**

Unrestricted cash operating accounts		
Operating cash	\$	201,761
Petty cash		200
		201,961
	\$	201,961
Restricted cash accounts		
Tenant security deposits	\$	15,300
Replacement reserve		54,413
Operating reserve		30,893
		100,606
	\$	100,606

The tenant security deposits are maintained in separate interest-bearing accounts with interest earned on these deposits credited to a liability account to be refunded or applied for the benefit of tenants.

**Accounts Receivable**

Accounts receivable consist of the following:

Receivables from tenants and subsidies due within 30 days		
	\$	2,791
		2,791
	\$	2,791

**Reserves for Replacements and Operating Expenses**

In accordance with the provisions of the Regulatory Agreement, restricted cash and investments are held by California bank & Trust and CalHFA to be used for replacements of property or other reserve requirements with the approval of CalHFA as follows:

	Reserve for replacements	Operating expense reserve
Balance, December 31, 2022	\$ 52,384	\$ 30,095
Deposits (\$708 x 12 months)	8,500	-
Interest earned	301	798
Withdrawals	(6,772)	-
	54,413	30,893
Balance, December 31, 2023	\$ 54,413	\$ 30,893

**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**

**Supplementary Information  
Year Ended December 31, 2023**

**Property, Equipment and Improvements**

Following are the details of property, equipment and improvements:

	Property, equipment and improvements			
	Balance 12/31/22	Additions	Deletions	Balance 12/31/23
Land	\$ 856,991	\$ -	\$ -	\$ 856,991
Buildings	4,819,861	-	-	4,819,861
Office furniture and equipment	101,403	5,300	-	106,703
	\$ 5,778,255	\$ 5,300	\$ -	\$ 5,783,555

**Accounts Payable and Accrued Expenses**

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

Current	\$ 24,429
Total	\$ 24,429

**Gross Potential Rents**

Gross potential rents includes the following:

Tenant rental payments	\$ 36,923
Housing assistance payments	320,595
Stores and commercial	30,600
Employee unit shown as an expense	22,844
Vacancy loss	6,696
Bad debt	415
	415
Total gross potential rents	\$ 418,073

**Management Fee**

A property management fee of \$11,937 was incurred during 2023 for the property management services provided by Hyder & Company for the year ended December 31, 2023.



**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**

**Supplementary Information  
Years Ended December 31, 2023 and 2022**

**Operating Cash Flow/Surplus Cash Computation**

	2023	2022
Operating income		
Total income	\$ 417,813	\$ 307,969
Interest earned on reserves	(1,099)	(369)
Forgiveness of debt	-	(23,000)
	416,714	284,600
Adjusted operating income	416,714	284,600
Operating expenses (excluding financial expenses)	(198,614)	(212,413)
Adjusted net income	218,100	72,187
Other activities		
Deposits into replacement reserve	(8,500)	(8,500)
Withdrawals from replacement reserve account included in operating expenses	1,472	-
Loan servicing fee	(4,959)	(4,959)
Developer fee payment due	(50,708)	(72,078)
Replacement reserve disbursement in process	-	13,350
	155,405	-
Excess/distributable cash	155,405	-
Total cash available for distribution	\$ 155,405	\$ -

**Cash available for distribution**

Borrower distribution per Regulatory Agreement (50%)	\$ 77,703	\$ -
Residual receipts distributions towards debt service (50%)		
[Note payable in original amount of \$2,365,284 held by SDHC - (47.8%)]	37,142	-
[Note payable in original amount of \$1,318,964 held by Civic San Diego - (26.6%)]	20,669	-
[Note payable in original amount of \$1,180,727 held by CalHFA - (23.9%)]	18,571	-
Note payable in original amount of \$226,000 held by SDHC - (1.7%)]	1,320	-
	155,405	-
Total uses	\$ 155,405	\$ -

**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**

**Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2023**

Federal Grantor/ (Pass-through Grantor)/ Program and / or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development Passed through the San Diego Housing Commission ("SDHC")				
HOME Investment Partnership Program	14.239	SDHC	\$ 1,864,516	\$ -
Total expenditures of federal awards			<u>\$ 1,864,516</u>	<u>\$ -</u>

See Notes to Schedule of Expenditures of Federal Awards.

**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**

**Notes to Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2023**

**Note 1 - Basis of presentation**

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal award activity of HDP Mason Housing Corporation under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of HDP Mason Housing Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of HDP Mason Housing Corporation. For the year ended December 31, 2023, no awards were passed through to subrecipients

**Note 2 - Summary of significant accounting policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 - Indirect cost rate**

HDP Mason Housing Corporation has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 4 - HOME investment partnership program**

San Diego Housing Commission received a direct loan from U.S. Department of Housing and Urban Development under the HOME Investment Partnership Program. The loan agreement was then amended and redirected to HDP Mason Housing Corporation. The loan balance outstanding at the beginning of the year is included in the federal expenditures presented in the Schedule. HDP Mason Housing Corporation received no additional loans during the year. The balance of the loan outstanding at December 31, 2023 consists of:

Assistance Listing Number	Program Name	Outstanding Balance at December 31, 2023
14.239	HOME Investment Partnership Program	\$ 1,864,516

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

To the Board of Directors  
HDP Mason Housing Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of HDP Mason Housing Corporation, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and change in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 22, 2024.

#### Report on Internal Control over Financial Reporting

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

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

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

#### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether HDP Mason Housing Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*CohnReznick LLP*

Sacramento, California  
April 22, 2024

Independent Auditor's Report on Compliance for the Major Federal Program and  
Report on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors  
HDP Mason Housing Corporation

Report on Compliance for the Major Federal Program

*Opinion on the Major Federal Program*

We have audited HDP Mason Housing Corporation's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on HDP Mason Housing Corporation's major federal program for the year ended December 31, 2023. HDP Mason Housing Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, HDP Mason Housing Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

*Basis for Opinion on the Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of HDP Mason Housing Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of HDP Mason Housing Corporation's compliance with the compliance requirements referred to above.

*Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to HDP Mason Housing Corporation's federal programs.

### *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on HDP Mason Housing Corporation's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about HDP Mason Housing Corporation's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 HDP Mason Housing Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of HDP Mason Housing Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of HDP Mason Housing Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of the entity's internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*CohnReznick LLP*

Sacramento, California  
April 22, 2024



**HDP Mason Housing Corporation  
CalHFA Project No. 10-067-M**

**Schedule of Findings and Questioned Costs  
December 31, 2023**

**A. Summary of Auditor's Results**

*Financial Statements*

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

Unmodified Opinion

Internal control over financial reporting:

\*Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

\*Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

*Federal Awards*

Internal control over major federal programs:

\*Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

\*Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None reported

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

Unmodified Opinion

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

\_\_\_\_\_ Yes   X   No

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
14.239	HOME Investment Partnership Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee   X   Yes \_\_\_\_\_ No

**B. Findings - Financial Statements Audit**

None reported

**C. Findings and Questioned Costs - Major Federal Award Programs Audit**

None reported



**Independent Member of Nexia International**

**[cohnreznick.com](http://cohnreznick.com)**