

REPORT

DATE ISSUED: September 17, 2026

REPORT NO: HDP26-012

ATTENTION: Members of the Audit Committee of the Board of Directors of
Housing Development Partners of San Diego
For the Agenda of September 25, 2026

SUBJECT: 2025 Housing Development Partners Consolidated Financial Statements

STAFF RECOMMENDATIONS

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

- 1) Accept the HDP 2025 Consolidated Financial Statements prepared by CohnReznick LLP, an independent audit firm.
- 2) Authorize HDP's Chief Financial Officer, or designee, to engage CohnReznick, LLP for the performance of the 2026 financial audit.
- 3) Find that the foregoing actions are just and reasonable as to HDP for purposes of California Corporations Code 5234.

SUMMARY

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

CohnReznick, LLP is responsible for expressing an opinion on the financial statements based on their audit. In their opinion, the financial statements present fairly, in all material respects, the financial position of HDP as of December 31, 2025.

HDP received an "unmodified" ("clean") opinion for the audit period January 1, 2025 – December 31, 2025.

FISCAL CONSIDERATIONS

The sources and uses proposed for this action were included in the approved 2026 HDP budget.

Please note a Conflict Disclosure Statement at the end of this report has been included because HDP is the Housing Commission's nonprofit affiliate, and these transactions otherwise involve the Housing Commission.

CONFLICT DISCLOSURE STATEMENT:

Two San Diego Housing Commissioners (Commissioners), Eugene "Mitch" Mitchell and Antoine "Tony" Jackson, and the San Diego Housing Commission's (Housing Commission) President and Chief Executive Officer (President and CEO), Lisa Jones, 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 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'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 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. Councilmember Elo-Rivera is not compensated for his service on the HDP Board or as an officer of HDP. 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 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 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.

Respectfully submitted,

Ngoc Dang

Ngoc Dang
Principal Real Estate Audit & Reporting Analyst
Housing Development Partners

Approved by,

Julie Conserva

Julie Conserva
Vice President of Finance – Real Estate
Housing Development Partners

2) Additional Auditor Required Communication to those charged with Governance.

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

Housing Development Partners of San Diego

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

December 31, 2025 and 2024

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, 2025 and 2024, 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, 2025 and 2024, and the changes in their net assets and their 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
(REPORT DATE)

Housing Development Partners of San Diego

Consolidated Statements of Financial Position
December 31, 2025 and 2024

Assets

	2025	2024
Current assets		
Cash and cash equivalents	\$ 29,457,858	\$ 30,057,820
Restricted deposits and funded reserves		
Restricted reserves	46,516	36,412
Tenant security deposits	955,484	907,160
Accounts receivable, net	425,704	1,071,931
Deposits	-	19,500
Prepaid expenses	560,309	528,694
Related party advances	5,170	-
Total current assets	31,451,041	32,621,517
Noncurrent assets		
Restricted deposits and funded reserves		
Restricted reserves	11,605,937	9,010,811
Escrow deposits	419,224	177,994
Tax credit fees, net	148,842	172,625
Deposits	97,491	47,991
Investment in partnerships	90,173	84,525
Right-of-use asset	2,966,182	3,025,841
Property, equipment and improvements, net	119,946,551	124,291,938
Predevelopment costs	2,785	-
Total noncurrent assets	135,277,185	136,811,725
Total assets	\$ 166,728,226	\$ 169,433,242

Housing Development Partners of San Diego

**Consolidated Statements of Financial Position
December 31, 2025 and 2024**

Liabilities and Net Assets (Deficit)

	2025	2024
Current liabilities		
Accounts payable and accrued expenses	\$ 894,395	\$ 922,666
Accrued interest payable	204,011	263,058
Ground lease payable - affiliate, current portion	949,405	886,181
Mortgages and notes payable, current portion	1,468,232	1,404,582
Prepaid revenue	48,786	65,307
Related party payables	462,575	602,626
Tenant security deposits liability	901,233	816,150
Total current liabilities	4,928,637	4,960,570
Noncurrent liabilities		
Accrued interest payable	6,761,785	6,625,339
Deferred grant revenue	10,511,941	10,849,338
Ground lease payable - affiliate, less current portion	152,402	157,518
Mortgages and notes payable, less current portion	102,767,362	104,759,484
Total noncurrent liabilities	120,193,490	122,391,679
Total liabilities	125,122,127	127,352,249
Commitments and contingencies	-	-
Net assets (deficit)		
Without donor restriction, controlling	(3,023,349)	(4,659,795)
Without donor restriction, noncontrolling	44,629,448	46,740,788
Total net assets (deficit)	41,606,099	42,080,993
Total liabilities and net assets (deficit)	\$ 166,728,226	\$ 169,433,242

See Notes to Consolidated Financial Statements.

Housing Development Partners of San Diego

Consolidated Statements of Activities
Years Ended December 31, 2025 and 2024

	2025	2024
Revenue and support		
Rental income	\$ 24,014,461	\$ 22,253,686
Grant income	337,397	337,397
Interest income	715,171	967,245
Management fees	112,395	127,062
Miscellaneous income	82,056	49,408
Resident services	91,612	87,729
Share of income from partnerships	7,093	6,155
Total revenue and support	25,360,185	23,828,682
Expenses		
Program services	19,946,314	20,176,202
Management and general	3,291,001	2,749,459
Total expenses	23,237,315	22,925,661
Change in net assets - without donor restriction	\$ 2,122,870	\$ 903,021
Change in net assets, controlling	\$ 2,118,750	\$ 1,578,461
Change in net assets, noncontrolling	4,120	(675,440)
Change in net assets - without donor restriction	\$ 2,122,870	\$ 903,021

See Notes to Consolidated Financial Statements.

Housing Development Partners of San Diego

Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2025 and 2024

	2025	2024
Controlling interest		
Without donor restriction, beginning	\$ (4,659,795)	\$ (6,072,585)
Payment of principal and interest on seller notes	(2,590,600)	(165,671)
Transfers	2,108,296	-
Change in net assets	2,118,750	1,578,461
Without donor restriction, controlling ending	<u>\$ (3,023,349)</u>	<u>\$ (4,659,795)</u>
Noncontrolling interest		
Without donor restriction, beginning	\$ 46,740,788	\$ 46,376,576
Contributions	-	1,047,351
Distributions	(7,164)	(7,699)
Transfers	(2,108,296)	-
Change in net assets	4,120	(675,440)
Without donor restriction, noncontrolling ending	<u>\$ 44,629,448</u>	<u>\$ 46,740,788</u>

See Notes to Consolidated Financial Statements.

Housing Development Partners of San Diego

**Consolidated Statements of Functional Expenses
Year Ended December 31, 2025**

	Program services	Management and general	Total
Salaries	\$ 1,859,344	\$ -	\$ 1,859,344
Payroll taxes	134,316	-	134,316
Employee benefits	313,596	-	313,596
Consultants	558,474	1,194,546	1,753,020
Office expenses	92,368	121,294	213,662
Training, travel and parking	11,462	7,829	19,291
Property and partnership management	-	979,347	979,347
Resident services	267,931	-	267,931
Relocation cost	60,691	-	60,691
Repairs and maintenance	1,980,236	-	1,980,236
Supplies	497,166	-	497,166
Utilities and telephone	2,038,746	-	2,038,746
Property tax and insurance	843,723	99,165	942,888
Interest	4,481,366	-	4,481,366
Legal and accounting	134,191	253,823	388,014
Bad debt expense	564,409	-	564,409
Ground lease expense	1,048,468	-	1,048,468
Advertising and marketing	2,456	-	2,456
Miscellaneous administrative expense	340,611	630,853	971,464
Depreciation and amortization	4,716,760	4,144	4,720,904
	<u>\$ 19,946,314</u>	<u>\$ 3,291,001</u>	<u>\$ 23,237,315</u>
Total functional expenses	<u>\$ 19,946,314</u>	<u>\$ 3,291,001</u>	<u>\$ 23,237,315</u>

See Notes to Consolidated Financial Statements.

Housing Development Partners of San Diego

**Consolidated Statements of Functional Expenses
Year Ended December 31, 2024**

	Program services	Management and general	Total
Salaries	\$ 1,764,918	\$ -	\$ 1,764,918
Payroll taxes	135,053	-	135,053
Employee benefits	282,415	-	282,415
Consultants	769,887	793,354	1,563,241
Office expenses	81,692	74,208	155,900
Training, travel and parking	21,183	2,516	23,699
Property and partnership management	-	1,050,621	1,050,621
Resident services	282,164	-	282,164
Relocation cost	10,519	-	10,519
Repairs and maintenance	2,376,911	-	2,376,911
Supplies	462,689	-	462,689
Utilities and telephone	1,905,944	-	1,905,944
Property tax and insurance	706,475	84,091	790,566
Interest	4,560,468	-	4,560,468
Legal and accounting	183,213	258,015	441,228
Bad debt expense	510,832	-	510,832
Ground lease expense	970,272	-	970,272
Advertising and marketing	3,858	-	3,858
Miscellaneous administrative expense	318,224	482,509	800,733
Depreciation and amortization	4,829,485	4,145	4,833,630
	<u>\$ 20,176,202</u>	<u>\$ 2,749,459</u>	<u>\$ 22,925,661</u>
Total functional expenses	<u>\$ 20,176,202</u>	<u>\$ 2,749,459</u>	<u>\$ 22,925,661</u>

See Notes to Consolidated Financial Statements.

Housing Development Partners of San Diego

**Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024**

	2025	2024
Cash flows from operating activities		
Changes in net assets	\$ 2,122,870	\$ 903,021
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	4,720,904	4,833,630
Amortization of debt issuance costs	129,293	129,293
Amortization of right-of-use asset	61,104	59,759
Deferred grant revenue	(337,397)	(337,397)
Share of income from partnerships	(7,093)	(6,154)
(Increase) decrease in		
Accounts receivable	646,227	(694,741)
Prepaid expenses	(31,615)	(83,297)
Deposits	(30,000)	3,485
Increase (decrease) in		
Accounts payable and accrued expenses	(28,271)	(19,040)
Right-of-use asset liability	58,108	(272,065)
Prepaid revenue	(16,521)	27,621
Accrued interest payable	77,399	171,536
Tenant security deposits liability	85,083	57,911
Net cash provided by operating activities	<u>7,450,091</u>	<u>4,773,562</u>
Cash flows from investing activities		
Advance to affiliate	(5,170)	-
Predevelopment costs paid	(2,785)	-
Investment in property and equipment	<u>(351,734)</u>	<u>(120,152)</u>
Net cash used in investing activities	<u>(359,689)</u>	<u>(120,152)</u>

Housing Development Partners of San Diego

Consolidated Statements of Cash Flows Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from financing activities		
Principal payments on mortgages and notes payable	(2,057,765)	(1,734,043)
Related party advances (repaid) received	(140,051)	564,500
Payment of principal and interest on seller notes	(2,590,600)	(165,671)
Contributions	-	1,047,351
Distributions	(7,164)	(7,699)
	<u>(4,795,580)</u>	<u>(295,562)</u>
Net cash used in financing activities		
	(4,795,580)	(295,562)
Increase in cash, cash equivalents and restricted cash	2,294,822	4,357,848
Cash, cash equivalents and restricted cash, beginning	40,190,197	35,832,349
Cash, cash equivalents and restricted cash, ending	<u>\$ 42,485,019</u>	<u>\$ 40,190,197</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 4,834,282</u>	<u>\$ 4,259,639</u>

See Notes to Consolidated Financial Statements.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2025 and 2024

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, Studio 15 Housing Partners, LLC and HDP Island Village, LLC which is the managing general partner of East Village West, LP. Effective September 2025, HDP Island Village, LLC exited East Village West, LP.

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.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2025 and 2024

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.

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.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2025 and 2024

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.

Account receivables and allowance for credit losses

The Corporation recognizes an allowance for credit losses for financial assets carried at amortized cost to present the net amount expected to be collected as of the balance sheet date. Such allowance is based on the credit losses expected to arise over the life of the asset (contractual term) which includes consideration of prepayments and based on the Corporation's expectations as of the balance sheet date. Assets are written off when the Corporation determined that such financial assets are deemed uncollectible or based on regulatory requirements, whichever is earlier. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the balance sheet date. As of December 31, 2025 and 2024, allowance for credit losses was \$423,319 and \$571,092, respectively.

Notes receivable

Notes receivable are reported net of credit losses for uncollectible amounts. Management's estimate of the credit losses is based on historical collection experience and a review of the current status of notes receivable. As of December 31, 2025 and 2024, there is no allowance for credit losses. 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 credit losses. As of December 31, 2025 and 2024, there is no allowance for credit losses. All amounts due from consolidated 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, 2025 and 2024, 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.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2025 and 2024

It is the Corporation's policy to capitalize expenditures for property, equipment and improvements exceeding \$5,000.

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. As of December 31, 2025 and 2024, predevelopment costs of \$2,785 and \$0 respectively, are included in the statements of financial position. No predevelopment costs were expensed during the years ended December 31, 2025 and 2024.

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, 2025 and 2024.

Tax credit fees

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

Estimated annual amortization for each of the next five years following December 31, 2025 is \$12,256 for 2026-2030.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Noncontrolling interest in limited partnerships

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

Deferred grant revenue

Government grants related to the acquisition of assets are recognized initially as deferred grant revenue when there is reasonable assurance that the Corporation will comply with the conditions associated with the grants. Grant revenue is recognized in the consolidated statements of activities on a systematic basis over the useful life of the related asset. Deferred grant revenue totaled \$10,511,941 and \$10,849,338 as of December 31, 2025 and 2024, respectively.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2025 and 2024

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.

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.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2025 and 2024

- 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, 2025 and 2024.

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 consolidated 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, 2025 and 2024. 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. Management believes that HDP and HDP Mason have appropriate support for any tax position taken affecting their annual filing requirements, and as such do not have any uncertain tax positions that are material to the consolidated financial statements. 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, 2025 and 2024, 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.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2025 and 2024

Tax returns filed by the entities are subject to examination by the IRS for a period of three years. While no tax returns are currently being examined by the IRS, tax years since 2022 remain open for examination.

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.

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 nonresidential 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.

Note 3 - Restricted deposits and funded reserves

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

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2025 and 2024

Note 4 - Investment in partnerships

HDP consolidates its ownership interest in certain limited partnerships (see Note 2). As of December 31, 2025 and 2024, the net investment deficit in limited partnership and limited liability companies was \$1,387,250 and \$2,924,533, respectively, which was eliminated in consolidation for the years ended December 31, 2025 and 2024.

The following is condensed financial information as of December 31, 2025 and 2024 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, 2025:

Partnership name	Ownership interest		Total assets	Total liabilities	Partners' equity	Partnership investment
Dawson Avenue Senior Apartments, LP	0.01	%	\$ 9,613,060	\$ 9,540,893	\$ 72,167	\$ 92,610
Studio 15 Housing Partners, L.P.	0.01	%	21,192,692	32,074,994	(10,882,302)	(2,437)
						<u>\$ 90,173</u>

Investment in partnerships consist of the following at December 31, 2025 and 2024:

Partnership name	Ownership interest		Total assets	Total liabilities	Partners' equity	Partnership investment
Dawson Avenue Senior Apartments, LP	0.01	%	\$ 10,631,974	\$ 9,678,651	\$ 953,323	\$ 87,123
East Village West LP	0.04	%	14,733,185	22,512,217	(7,779,032)	(201)
Studio 15 Housing Partners, L.P.	0.01	%	21,026,004	31,509,965	(10,483,961)	(2,397)
						<u>\$ 84,525</u>

Note 5 - Property, equipment and improvements, net

Property, equipment and improvements consists of the following as of December 31, 2025 and 2024:

	2025	2024
Land	\$ 4,476,568	\$ 4,476,568
Buildings	143,047,256	143,047,256
Site improvements	7,728,266	7,487,778
Furniture and equipment	8,834,922	8,758,292
Construction in progress	34,617	-
Subtotal	164,121,629	163,769,894
Accumulated depreciation	(44,175,078)	(39,477,956)
Total	<u>\$ 119,946,551</u>	<u>\$ 124,291,938</u>

Depreciation expense totaled \$4,697,121 and \$4,809,176 for the years ended December 31, 2025 and 2024, respectively.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2025 and 2024

Note 6 - Mortgages and notes payable

Type of obligations	Interest Rate	Maturity Date	Balance 12/31/2025	Balance 12/31/2024	Due Within One Year
HDP Mason Housing Corporation:					
San Diego Housing Commission	3.00%	2068	\$ 2,365,283	\$ 2,365,283	\$ -
Civic San Diego	3.00%	2066	1,318,964	1,318,964	-
California Housing Finance Agency	3.00%	2066	1,180,727	1,180,727	-
San Diego Housing Commission	3.00%	2057	68,858	68,858	-
Less: Unamortized debt issuance costs			(13,669)	(14,002)	-
Casa Colina, LP:					
Red Mortgage Capital, Inc.	5.68%	2039	2,112,575	2,217,541	111,086
San Diego Housing Commission	3.00%	2059	746,027	885,066	-
Less: Unamortized debt issuance costs			(172,060)	(185,129)	-
Logan Development II, LP:					
Housing Authority of the City of San Diego/serviced by JP Morgan Chase, N.A.	5.58%	2032	2,601,984	2,681,903	84,562
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			(91,263)	(96,345)	-
HDP Broadway, LP:					
Housing Authority of the City of San Diego/serviced by Berkadia Commercial Mortgage	4.49%	2044	14,835,915	15,172,512	352,025
Less: Unamortized debt issuance costs			(208,079)	(219,031)	-
HDP Churchill, LP:					
San Diego Housing Commission	3.00%	2071	3,800,000	3,800,000	-
Civic San Diego	3.00%	2070	2,797,540	2,939,516	-
California Housing Finance Agency	3.00%	2070	1,683,244	1,766,315	-
San Diego Housing Commission	3.00%	2071	1,546,262	1,790,688	-
Less: Unamortized debt issuance costs			(49,524)	(50,611)	-
HDP New Palace, LP:					
Housing Authority of the City of San Diego/serviced by Citibank N.A. - Series B-1	4.42%	2054	4,493,275	4,568,783	78,914
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	1,918,003	1,943,177	-
Less: Unamortized debt issuance costs			(457,331)	(476,320)	-
HDP Town & Country, LP:					
Housing Authority of the City of San Diego/serviced by Citibank N.A. - Series E-1	4.54%	2034	14,203,969	14,463,247	250,897
Less: Unamortized debt issuance costs			(519,383)	(540,582)	-
HDP Village North, LLC:					
Red Mortgage Capital, LLC	4.54%	2033	8,142,560	8,283,728	147,805
Less: Unamortized debt issuance costs			(113,352)	(118,503)	-

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2025 and 2024

Type of obligations	Interest Rate	Maturity Date	Balance 12/31/2025	Balance 12/31/2024	Due Within One Year
HDP Quality Inn, LLC:					
Citibank, N.A.	4.14%	2035	4,510,713	4,607,567	100,998
San Diego Housing Commission	4.00%	2075	5,240,000	5,240,000	-
California Housing Finance Agency	3.00%	2074	2,704,500	2,704,500	-
Less: Unamortized debt issuance costs			(243,298)	(255,395)	-
HDP West Park LP:					
Housing Authority of the City of San Diego/ serviced by Banner Bank	4.48%	2039	1,363,513	1,384,098	21,526
San Diego Housing Commission	4.00%	2075	3,593,274	3,593,274	-
Less: Unamortized debt issuance costs			(276,017)	(296,848)	-
HDP Mariner's Village, LP:					
Housing Authority of the City of San Diego/ serviced by Citibank, N.A.	Variable	2052	18,621,184	18,930,386	320,419
Less: Unamortized debt issuance costs			(358,800)	(379,301)	-
			<u>\$104,235,594</u>	<u>\$106,164,066</u>	<u>\$ 1,468,232</u>

The annual maturities of long-term debt for each of the next five years and thereafter subsequent to December 31, 2025 are as follows:

2026	\$ 1,468,232
2027	1,534,825
2028	1,600,777
2029	1,677,236
2030	1,753,605
Thereafter	<u>98,703,695</u>
Total mortgages and notes payable	106,738,370
Less: unamortized debt issuance costs	<u>(2,502,776)</u>
Total mortgages and notes payable	<u>\$ 104,235,594</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 - Related party transactions

SDHC made payments on behalf of the Corporation. Amounts due to related parties are generally settled in the normal course of business, noninterest bearing and are due on demand. As of December 31, 2025 and 2024, \$462,575 and \$602,626, is payable to related parties.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2025 and 2024

Note 8 - Leases

Ground leases with SDHC

Ground leases consist of the following at December 31, 2025:

Entity	Lease commencement	Term	Remaining lease term	Ground lease expense	Right-of-use asset	Ground lease payables
Casa Colina, LP	2004	65 years	44 years	\$ 58,647	\$ 582,147	\$ 129,358
HDP Parker Kier, LLC	2023	15 years	13 years	40,032	-	40,032
HDP Broadway, LP	2014	65 years	54 years	314,487	2,384,035	297,115
HDP Churchill, LP	2015	65 years	55 years	81,158	-	81,158
HDP West Park, LP	2019	57 years	51 years	1	-	1
HDP Village North, LLC	2017	65 years	57 years	89,726	-	89,726
HDP Quality Inn, LLC	2017	65 years	57 years	92,109	-	92,109
HDP Mariner's Village, LP	2020	65 years	61 years	333,484	-	333,484
Housing Development Partners of San Diego	2017	65 years	57 years	38,824	-	38,824
				<u>\$ 1,048,468</u>	<u>\$ 2,966,182</u>	<u>\$ 1,101,807</u>

Ground leases consist of the following at December 31, 2024:

Entity	Lease commencement	Term	Remaining lease term	Ground lease expense	Right-of-use asset	Ground lease payables
Casa Colina, LP	2004	65 years	45 years	\$ 37,224	\$ 597,657	\$ 134,946
HDP Parker Kier, LLC	2023	15 years	14 years	39,974	-	39,974
HDP Broadway, LP	2014	65 years	55 years	285,499	2,428,184	261,203
HDP Churchill, LP	2015	65 years	56 years	80,900	-	80,900
HDP West Park, LP	2019	57 years	52 years	1	-	1
HDP Village North, LLC	2017	65 years	58 years	84,297	-	84,297
HDP Quality Inn, LLC	2017	65 years	58 years	90,402	-	90,402
HDP Mariner's Village, LP	2020	65 years	61 years	314,422	-	314,422
Housing Development Partners of San Diego	2017	65 years	58 years	37,553	-	37,554
				<u>\$ 970,272</u>	<u>\$ 3,025,841</u>	<u>\$ 1,043,699</u>

Commercial lease

Commercial leases consist of the following at December 31, 2025:

Entity	Commercial Tenant	Lease commencement	Term	Remaining lease term	Rental income
HDP Broadway, LP	Community Research Foundation	8/1/2013	16 years	4 years	\$ 87,046
HDP New Palace, LP	Equip Human Solutions, LLC	5/30/2025	1 Year	5 months	11,971
HDP New Palace, LP	Equip Resource Solutions	5/30/2025	1 Year	5 months	16,930
					<u>\$ 99,017</u>

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2025 and 2024

Minimum lease payments for the next four years following December 31, 2025 are as follows:

	Community Research Foundation
2026	\$ 83,075
2027	83,075
2028	83,075
2029	55,383
Total	<u>\$ 304,608</u>

Note 9 - Consolidated statements of cash flows

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

	2025	2024
Cash and cash equivalents	\$ 29,457,858	\$ 30,057,820
Tenant security deposits	955,484	907,160
Restricted reserves	11,652,453	9,047,223
Escrow deposits	419,224	177,994
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	<u>\$ 42,485,019</u>	<u>\$ 40,190,197</u>

Amounts included in restricted cash are comprised of security deposits held in trust for the future benefit of tenants upon moving out of the projects and reserves as required by regulatory authorities and the partnership/operating agreements.

Note 10 - Net assets

As of December 31, 2025, the Corporation's net assets totaled \$41,606,099 of which \$44,629,448 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 11 - Guaranties

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

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2025 and 2024

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, 2025 and 2024, 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, 2025 and 2024, no amounts were due under this guaranty.

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, 2025 and 2024, 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, 2025:

	Amount	Expiration
HDP West Park, LP	\$ 207,592	2027
HDP Mariner's Village, LP	1,000,000	2026
Total operating deficit guaranty	<u>\$ 1,207,592</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, 2025 and 2024, no amounts were due under this guaranty.

Note 12 - Concentration of credit risk

The Corporation maintains cash and cash equivalents 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 and cash equivalents balances at December 31, 2025.

Housing Development Partners of San Diego

Notes to Consolidated Financial Statements December 31, 2025 and 2024

Note 13 - Availability and liquidity

The following represents the Corporation's financial assets at December 31, 2025 and 2024:

	2025	2024
Cash and cash equivalents	\$ 29,457,858	\$ 30,057,820
Receivables, net	425,704	1,071,931
Financial assets available to meet general expenditures over the next twelve months	\$ 29,883,562	\$ 31,129,751

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. Restricted deposits and funded reserves are excluded from availability and liquidity as they are not available for general expenditure (see Note 3).

Note 14 - 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. In addition, the Corporation operates in a heavily regulated environment. The operations of the Corporation are subject to the administrative directives, rules and regulations of federal regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. 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.

Low-income housing tax credits

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

Litigation

The Corporation is subject to lawsuits and claims, which arise out of the normal course of its activities. In the opinion of management, based upon the opinions of legal counsel, the disposition of any and all such actions, of which it is aware, will not have a material effect on the financial position of the Corporation.

Economic concentrations

The Corporation owns, operates and invests in rental property located in San Diego, California whose operations could be affected by changes in economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

Housing Development Partners of San Diego

**Notes to Consolidated Financial Statements
December 31, 2025 and 2024**

Note 15 - Subsequent events

Events that occur after the consolidated 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 consolidated statement of financial position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the consolidated statement of financial position date, require disclosure in the accompanying notes. Management evaluated all activity of the Corporation through (REPORT DATE), the date the consolidated financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to consolidated financial statements.

Supplementary Information

Housing Development Partners of San Diego

Consolidating Statement of Financial Position December 31, 2025

	Housing Development Partners of San Diego	HDP Mason Housing Corporation	HDP New Palace, LP	Logan Development II, LP	Casa Colina, LP	HDP Churchill, LP	HDP Parker Kier, LLC	HDP Broadway, LP
Assets								
Current assets								
Cash and cash equivalents	\$ 19,903,279	\$ 279,958	\$ 971,521	\$ 128,659	\$ 943,327	\$ 1,047,233	\$ 401,388	\$ 1,702,481
Restricted deposits and funded reserves								
Restricted reserves	-	-	-	-	-	-	-	-
Tenant security deposits	-	17,336	94,594	43,957	24,397	91,331	45,600	50,676
Accounts receivable, net	126,139	387	13,330	33,496	23,329	15,033	306	33,730
Prepaid expenses	-	12,620	28,038	36,216	35,360	26,830	13,107	114,224
Related party advances	55,300	-	-	-	-	-	-	-
Total current assets	20,084,718	310,301	1,107,483	242,328	1,026,413	1,180,427	460,401	1,901,111
Noncurrent assets								
Restricted deposits and funded reserves								
Restricted reserves	-	68,397	491,620	139,535	490,087	577,098	39,263	1,849,674
Escrow deposits	-	-	26,544	19,592	33,705	-	-	56,224
Tax credit fees, net	-	-	19,563	-	-	-	-	-
Deposits	-	2,000	11,000	-	17,000	6,000	3,000	-
Developer fees receivable	-	-	-	-	-	-	-	-
Interest receivable	1,803,766	-	-	-	-	-	-	-
Investment in partnerships	-	-	-	-	-	-	-	-
Notes receivable	11,908,493	-	-	-	-	-	-	-
Right-of-use asset	-	-	-	-	582,147	-	-	2,384,035
Property and equipment, net	4,397	4,108,479	14,364,018	5,661,099	2,604,786	14,703,718	45,824	22,802,494
Predevelopment costs	2,785	-	-	-	-	-	-	-
Other assets	4	-	-	-	-	-	-	-
Total noncurrent assets	13,719,445	4,178,876	14,912,745	5,820,226	3,727,725	15,286,816	88,087	27,092,427
Total assets	\$ 33,804,163	\$ 4,489,177	\$ 16,020,228	\$ 6,062,554	\$ 4,754,138	\$ 16,467,243	\$ 548,488	\$ 28,993,538

Housing Development Partners of San Diego

Consolidating Statement of Financial Position December 31, 2025

	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
Assets									
Current assets									
Cash and cash equivalents	\$ 402,232	\$ 273,902	\$ 807,121	\$ 1,354,113	\$ 947,581	\$ 100,365	\$ 194,698	\$ -	\$ 29,457,858
Restricted deposits and funded reserves									
Restricted reserves	1,792	-	44,724	-	-	-	-	-	46,516
Tenant security deposits	148,510	48,251	104,297	137,594	140,148	8,793	-	-	955,484
Accounts receivable, net	16,630	11,014	2,782	14,245	74,520	91,109	114,766	(145,112)	425,704
Prepaid expenses	82,876	12,077	57,975	23,980	108,927	8,081	-	(2)	560,309
Related party advances	5,170	-	-	-	-	-	-	(55,300)	5,170
Total current assets	657,210	345,244	1,016,899	1,529,932	1,271,176	208,348	309,464	(200,414)	31,451,041
Noncurrent assets									
Restricted deposits and funded reserves									
Restricted reserves	588,845	301,689	3,461,437	2,299,472	1,142,441	156,379	-	-	11,605,937
Escrow deposits	75,469	1,940	54,689	15,471	135,590	-	-	-	419,224
Tax credit fees, net	42,920	16,985	-	-	69,374	-	-	-	148,842
Deposits	-	4,500	11,479	17,000	25,512	-	-	-	97,491
Developer fees receivable	-	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	(1,803,766)	-
Investment in partnerships	-	-	-	-	-	-	1,141,893	(1,051,720)	90,173
Notes receivable	-	-	-	-	-	-	-	(11,908,493)	-
Right-of-use asset	-	-	-	-	-	-	-	-	2,966,182
Property and equipment, net	23,415,118	10,597,270	4,870,466	8,685,553	35,124,748	2,014,719	-	(29,056,138)	119,946,551
Predevelopment costs	-	-	-	-	-	-	-	-	2,785
Other assets	-	-	-	-	-	-	-	(4)	-
Total noncurrent assets	24,122,352	10,922,384	8,398,071	11,017,496	36,497,665	2,171,098	1,141,893	(43,820,121)	135,277,185
Total assets	\$ 24,779,562	\$ 11,267,628	\$ 9,414,970	\$ 12,547,428	\$ 37,768,841	\$ 2,379,446	\$ 1,451,357	\$ (44,020,535)	\$ 166,728,226

Housing Development Partners of San Diego

Consolidating Statement of Financial Position December 31, 2025

	Housing Development Partners of San Diego	HDP Mason Housing Corporation	HDP New Palace, LP	Logan Development II, LP	Casa Colina, LP	HDP Churchill, LP	HDP Parker Kier, LLC	HDP Broadway, LP
<u>Liabilities and Net Assets (Deficit)</u>								
Current liabilities								
Accounts payable and accrued expenses	\$ 66,387	\$ 37,117	\$ 66,540	\$ 38,227	\$ 52,821	\$ 92,869	\$ 19,794	\$ 102,438
Construction costs payable	-	-	-	-	-	-	-	-
Accrued interest payable	-	-	16,550	12,503	10,000	-	-	55,511
Ground lease payable - affiliate, current	38,824	-	-	-	499	81,158	40,032	273,572
Mortgages and notes payable, current	-	-	78,914	84,562	111,086	-	-	352,025
Prepaid revenue	-	-	5,419	6,197	853	804	3,466	8,223
Related party payables, current	422,423	-	15,373	105,692	17,389	13,048	10,000	21,720
Tenant security deposits liability	-	16,439	86,721	43,956	22,068	83,582	40,864	50,675
Total current liabilities	527,634	53,556	269,517	291,137	214,716	271,461	114,156	864,164
Noncurrent liabilities								
Accrued interest payable	-	1,880,805	556,846	1,777,595	51,143	1,181,158	-	107,713
Deferred grant revenue	-	-	-	-	-	7,219,962	-	-
Deferred revenue - subground lease	5,220,000	-	-	-	-	-	-	-
Ground lease payable - affiliate, less current portion	-	-	-	-	128,859	-	-	23,543
Investment in partnerships	1,385,805	-	-	-	-	-	-	-
Mortgages and notes payable, less current portion	-	4,920,165	11,315,033	4,201,159	2,575,456	9,777,522	-	19,054,850
Related party payable, less current portion	-	-	-	-	-	-	-	-
Total noncurrent liabilities	6,605,805	6,800,970	11,871,879	5,978,754	2,755,458	18,178,642	-	19,186,106
Total liabilities	7,133,439	6,854,526	12,141,396	6,269,891	2,970,174	18,450,103	114,156	20,050,270
<u>Net Assets (Deficit)</u>								
Without donor restriction, controlling	26,670,724	(2,365,349)	(1,079,697)	(237)	1,783,964	(1,982,860)	434,332	(333)
Without donor restriction, noncontrolling	-	-	4,958,529	(207,100)	-	-	-	8,943,601
Total net assets (deficit)	26,670,724	(2,365,349)	3,878,832	(207,337)	1,783,964	(1,982,860)	434,332	8,943,268
Total liabilities and net assets (deficit)	\$ 33,804,163	\$ 4,489,177	\$ 16,020,228	\$ 6,062,554	\$ 4,754,138	\$ 16,467,243	\$ 548,488	\$ 28,993,538

Housing Development Partners of San Diego

Consolidating Statement of Financial Position December 31, 2025

	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 (Deficit)</u>									
Current liabilities									
Accounts payable and accrued expenses	\$ 61,787	\$ 53,676	\$ 31,186	\$ 116,788	\$ 136,334	\$ 5,110	\$ 13,309	\$ 12	\$ 894,395
Construction costs payable	-	-	-	-	-	-	-	-	-
Accrued interest payable	-	5,090	31,833	16,081	56,443	-	-	-	204,011
Ground lease payable - affiliate, current	-	1	89,726	92,109	333,484	-	-	-	949,405
Mortgages and notes payable, current	250,897	21,526	147,805	100,998	320,419	-	-	-	1,468,232
Prepaid revenue	3,619	6,480	2,660	2,287	6,152	2,626	-	-	48,786
Related party payables, current	11,149	14,752	-	2,956	23,185	-	5,300	(200,412)	462,575
Tenant security deposits liability	148,508	47,069	104,296	108,116	140,146	8,793	-	-	901,233
Total current liabilities	475,960	148,594	407,506	439,335	1,016,163	16,529	18,609	(200,400)	4,928,637
Noncurrent liabilities									
Accrued interest payable	-	698,591	-	665,237	-	-	-	(157,303)	6,761,785
Deferred grant revenue	-	-	1,890,114	324,365	-	1,077,500	-	-	10,511,941
Deferred revenue - subground lease	-	-	-	-	-	-	-	(5,220,000)	-
Ground lease payable - affiliate, less current portion	-	-	-	-	-	-	-	-	152,402
Investment in partnerships	-	-	-	-	-	-	-	(1,385,805)	-
Mortgages and notes payable, less current portion	13,433,689	4,659,244	7,881,403	12,110,917	17,941,965	-	-	(5,104,041)	102,767,362
Related party payable, less current portion	3,553,486	-	-	-	4,162,900	-	-	(7,716,386)	-
Total noncurrent liabilities	16,987,175	5,357,835	9,771,517	13,100,519	22,104,865	1,077,500	-	(19,583,535)	120,193,490
Total liabilities	17,463,135	5,506,429	10,179,023	13,539,854	23,121,028	1,094,029	18,609	(19,783,935)	125,122,127
<u>Net Assets (Deficit)</u>									
Without donor restriction, controlling	(2,411,766)	3,788,776	(764,053)	(992,426)	(4,603,592)	1,285,417	1,450,365	(24,236,614)	(3,023,349)
Without donor restriction, noncontrolling	9,728,193	1,972,423	-	-	19,251,405	-	(17,617)	14	44,629,448
Total net assets (deficit)	7,316,427	5,761,199	(764,053)	(992,426)	14,647,813	1,285,417	1,432,748	(24,236,600)	41,606,099
Total liabilities and net assets (deficit)	\$ 24,779,562	\$ 11,267,628	\$ 9,414,970	\$ 12,547,428	\$ 37,768,841	\$ 2,379,446	\$ 1,451,357	\$ (44,020,535)	\$ 166,728,226

Housing Development Partners of San Diego

Consolidating Statement of Financial Position December 31, 2024

	Housing Development Partners of San Diego	HDP Mason Housing Corporation	HDP New Palace, LP	Logan Development II, LP	Casa Colina, LP	HDP Churchill, LP	HDP Parker Kier, LLC	HDP Broadway, LP
<u>Assets</u>								
Current assets								
Cash and cash equivalents	\$ 17,544,867	\$ 201,652	\$ 849,236	\$ 71,285	\$ 402,218	\$ 1,060,407	\$ 472,078	\$ 1,032,466
Restricted deposits and funded reserves								
Restricted reserves	-	-	-	-	-	-	-	-
Tenant security deposits	-	15,300	59,646	35,151	103,043	88,669	47,584	51,170
Accounts receivable, net	113,590	736	10,034	17,935	157,014	10,426	2,672	553,042
Deposits	-	-	-	-	-	-	-	-
Prepaid expenses	-	11,000	25,259	33,989	33,192	27,454	13,067	102,465
Related party advances	51,600	-	-	-	-	-	-	-
Total current assets	<u>17,710,057</u>	<u>228,688</u>	<u>944,175</u>	<u>158,360</u>	<u>695,467</u>	<u>1,186,956</u>	<u>535,401</u>	<u>1,739,143</u>
Noncurrent assets								
Restricted deposits and funded reserves								
Restricted reserves	-	95,376	478,947	119,044	458,765	537,158	63,170	1,900,124
Escrow deposits	-	-	5,528	15,394	21,903	-	-	36,926
Tax credit fees, net	-	-	22,358	-	-	-	-	7,318
Deposits	-	2,000	-	-	-	6,000	3,000	-
Developer fees receivable	-	-	-	-	-	-	-	-
Interest receivable	2,023,424	-	-	-	-	-	-	-
Investment in partnerships	-	-	-	-	-	-	-	-
Notes receivable	13,098,333	-	-	-	-	-	-	-
Right-of-use asset	-	-	-	-	597,657	-	-	2,428,184
Property and equipment, net	8,541	4,232,056	14,786,748	5,896,113	2,647,050	15,194,056	49,553	23,644,658
Other assets	4	-	-	-	-	-	-	-
Total noncurrent assets	<u>15,130,302</u>	<u>4,329,432</u>	<u>15,293,581</u>	<u>6,030,551</u>	<u>3,725,375</u>	<u>15,737,214</u>	<u>115,723</u>	<u>28,017,210</u>
Total assets	<u>\$ 32,840,359</u>	<u>\$ 4,558,120</u>	<u>\$ 16,237,756</u>	<u>\$ 6,188,911</u>	<u>\$ 4,420,842</u>	<u>\$ 16,924,170</u>	<u>\$ 651,124</u>	<u>\$ 29,756,353</u>

Housing Development Partners of San Diego

Consolidating Statement of Financial Position December 31, 2024

	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
Assets									
Current assets									
Cash and cash equivalents	\$ 420,716	\$ 333,986	\$ 2,990,350	\$ 1,288,588	\$ 3,166,825	\$ 57,269	\$ 165,877	\$ -	\$ 30,057,820
Restricted deposits and funded reserves									
Restricted reserves	-	1,000	35,412	-	-	-	-	-	36,412
Tenant security deposits	131,268	43,706	96,761	95,822	128,230	10,810	-	-	907,160
Accounts receivable, net	28,255	9,239	9,193	22,827	60,622	95,729	105,670	(125,053)	1,071,931
Deposits	-	-	-	19,500	-	-	-	-	19,500
Prepaid expenses	77,302	12,445	57,979	24,367	102,479	7,696	-	-	528,694
Related party advances	-	-	-	-	-	-	-	(51,600)	-
Total current assets	657,541	400,376	3,189,695	1,451,104	3,458,156	171,504	271,547	(176,653)	32,621,517
Noncurrent assets									
Restricted deposits and funded reserves									
Restricted reserves	654,857	282,709	541,477	2,543,578	1,219,001	116,605	-	-	9,010,811
Escrow deposits	28,702	1,979	13,768	7,310	46,484	-	-	-	177,994
Tax credit fees, net	48,643	18,821	-	-	75,485	-	-	-	172,625
Deposits	-	-	11,479	-	25,512	-	-	-	47,991
Developer fees receivable	-	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	(2,023,424)	-
Investment in partnerships	-	-	-	-	-	-	361,484	(276,959)	84,525
Notes receivable	-	-	-	-	-	-	-	(13,098,333)	-
Right-of-use asset	-	-	-	-	-	-	-	-	3,025,841
Property and equipment, net	24,213,143	10,930,580	5,107,402	8,947,571	36,765,310	2,077,809	-	(30,208,652)	124,291,938
Other assets	-	-	-	-	-	-	-	(4)	-
Total noncurrent assets	24,945,345	11,234,089	5,674,126	11,498,459	38,131,792	2,194,414	361,484	(45,607,372)	136,811,725
Total assets	\$ 25,602,886	\$ 11,634,465	\$ 8,863,821	\$ 12,949,563	\$ 41,589,948	\$ 2,365,918	\$ 633,031	\$ (45,784,025)	\$ 169,433,242

Housing Development Partners of San Diego

Consolidating Statement of Financial Position December 31, 2024

	Housing Development Partners of San Diego	HDP Mason Housing Corporation	HDP New Palace, LP	Logan Development II, LP	Casa Colina, LP	HDP Churchill, LP	HDP Parker Kier, LLC	HDP Broadway, LP
<u>Liabilities and Net Assets (Deficit)</u>								
Current liabilities								
Accounts payable and accrued expenses	\$ 42,694	\$ 22,034	\$ 53,674	\$ 61,738	\$ 46,134	\$ 125,104	\$ 23,153	\$ 139,731
Accrued interest payable	-	-	16,828	12,887	10,496	-	-	56,770
Ground lease payable - affiliate, current	37,554	-	-	-	4,205	80,900	39,974	234,426
Mortgages and notes payable, current	-	-	75,508	79,920	104,966	-	-	336,597
Prepaid revenue	-	337	668	596	1,331	14,177	1,322	3,688
Related party payables, current	563,472	100	14,925	90,381	16,883	12,667	10,000	21,524
Tenant security deposits liability	-	13,903	79,937	35,151	22,711	77,232	40,652	51,169
Total current liabilities	643,720	36,374	241,540	280,673	206,726	310,080	115,101	843,905
Noncurrent liabilities								
Accrued interest payable	-	1,816,158	664,452	1,687,929	48,846	1,087,793	-	126,930
Deferred grant revenue	-	-	-	-	-	7,461,155	-	-
Deferred revenue - subground lease	5,220,000	-	-	-	-	-	-	-
Ground lease payable - affiliate, less current portion	-	-	-	-	130,741	-	-	26,777
Investment in partnerships	2,924,533	-	-	-	-	-	-	-
Mortgages and notes payable, less current portion	-	4,919,832	11,400,132	4,280,638	3,030,828	10,245,908	-	20,281,130
Related party payable, less current portion	16,700	-	7,169	-	-	-	-	-
Total noncurrent liabilities	8,161,233	6,735,990	12,071,753	5,968,567	3,210,415	18,794,856	-	20,434,837
Total liabilities	8,804,953	6,772,364	12,313,293	6,249,240	3,417,141	19,104,936	115,101	21,278,742
<u>Net Assets (Deficit)</u>								
With donor restriction	-	-	-	-	-	-	-	-
Without donor restriction, controlling	24,035,406	(2,214,244)	(699,128)	(222)	1,086,569	(1,383,917)	536,023	(380)
Without donor restriction, noncontrolling	-	-	4,623,591	(60,107)	(82,868)	(796,849)	-	8,477,991
Total net assets (deficit)	24,035,406	(2,214,244)	3,924,463	(60,329)	1,003,701	(2,180,766)	536,023	8,477,611
Total liabilities and net assets (deficit)	\$ 32,840,359	\$ 4,558,120	\$ 16,237,756	\$ 6,188,911	\$ 4,420,842	\$ 16,924,170	\$ 651,124	\$ 29,756,353

Housing Development Partners of San Diego

Consolidating Statement of Financial Position December 31, 2024

	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 (Deficit)</u>									
Current liabilities									
Accounts payable and accrued expenses	\$ 90,365	\$ 44,092	\$ 44,386	\$ 88,094	\$ 122,043	\$ 6,300	\$ 13,135	\$ (11)	\$ 922,666
Accrued interest payable	54,719	5,167	32,385	16,426	57,380	-	-	-	263,058
Ground lease payable - affiliate, current	-	1	84,297	90,402	314,422	-	-	-	886,181
Mortgages and notes payable, current	239,782	20,585	141,168	96,854	309,202	-	-	-	1,404,582
Prepaid revenue	21,388	-	3,611	7,345	10,809	35	-	-	65,307
Related party payables, current	10,970	14,322	-	-	22,511	-	1,500	(176,629)	602,626
Tenant security deposits liability	131,266	41,738	96,760	86,593	128,228	10,810	-	-	816,150
Total current liabilities	548,490	125,905	402,607	385,714	964,595	17,145	14,635	(176,640)	4,960,570
Noncurrent liabilities									
Accrued interest payable	-	554,860	-	804,585	-	-	-	(166,214)	6,625,339
Deferred grant revenue	-	-	1,947,245	333,438	-	1,107,500	-	-	10,849,338
Deferred revenue - subground lease	-	-	-	-	-	-	-	(5,220,000)	-
Ground lease payable - affiliate, less current portion	-	-	-	-	-	-	-	-	157,518
Investment in partnerships	-	-	-	-	-	-	-	(2,924,533)	-
Mortgages and notes payable, less current portion	13,682,883	4,659,939	8,024,055	12,199,818	18,241,883	-	-	(6,207,562)	104,759,484
Related party payable, less current portion	3,729,173	-	-	-	5,096,970	-	-	(8,850,012)	-
Total noncurrent liabilities	17,412,056	5,214,799	9,971,300	13,337,841	23,338,853	1,107,500	-	(23,368,321)	122,391,679
Total liabilities	17,960,546	5,340,704	10,373,907	13,723,555	24,303,448	1,124,645	14,635	(23,544,961)	127,352,249
<u>Net Assets (Deficit)</u>									
With donor restriction	-	-	-	-	-	-	-	-	-
Without donor restriction, controlling	(2,236,071)	2,907,952	(1,510,086)	(773,992)	(4,038,749)	1,241,273	628,849	(22,239,078)	(4,659,795)
Without donor restriction, noncontrolling	9,878,411	3,385,809	-	-	21,325,249	-	(10,453)	14	46,740,788
Total net assets (deficit)	7,642,340	6,293,761	(1,510,086)	(773,992)	17,286,500	1,241,273	618,396	(22,239,064)	42,080,993
Total liabilities and net assets (deficit)	\$ 25,602,886	\$ 11,634,465	\$ 8,863,821	\$ 12,949,563	\$ 41,589,948	\$ 2,365,918	\$ 633,031	\$ (45,784,025)	\$ 169,433,242

Housing Development Partners of San Diego

Consolidating Statement of Activities Year Ended December 31, 2025

	Housing Development Partners of San Diego	HDP Mason Housing Corporation	HDP New Palace, LP	Logan Development II, LP	Casa Colina, LP	HDP Churchill, LP	HDP Parker Kier, LLC	HDP Broadway, LP
Revenue and support								
Rental income	\$ -	\$ 429,849	\$ 1,955,316	\$ 1,010,115	\$ 1,878,152	\$ 1,885,059	\$ 937,847	\$ 4,036,333
Developer fees	1,133,629	-	-	-	-	-	-	-
Grant income	-	-	-	-	-	241,192	-	-
Interest income	1,125,761	1,479	340	1,601	2,566	9,870	97	42,003
Note forgiveness	-	-	-	-	-	-	-	-
Management fees	117,284	-	-	-	-	-	-	-
Miscellaneous income	18	102	5,193	588	1,707	2,416	3,688	16,587
Resident services	-	-	-	-	91,612	-	-	-
Share of income from partnerships	2,770,990	-	-	-	-	-	-	-
Total revenue and support	5,147,682	431,430	1,960,849	1,012,304	1,974,037	2,138,537	941,632	4,094,923
Expenses								
Program services								
Salaries	-	80,880	124,065	90,909	138,855	170,445	122,638	242,352
Payroll taxes	-	3,402	10,050	6,878	12,021	10,983	3,468	18,494
Employee benefits	-	4,962	14,991	22,872	26,563	10,447	3,462	59,557
Consultants	522,907	-	1,750	1,246	3,854	-	-	7,160
Office expenses	-	2,041	8,507	4,844	6,042	6,516	3,449	12,604
Training, travel and parking	-	-	604	747	1,026	-	-	2,494
Resident services	-	1,317	18,677	1,100	94,645	886	1,182	60,855
Relocation cost	-	-	-	3,076	-	-	-	-
Repairs and maintenance	-	72,597	148,265	112,872	99,461	189,754	186,408	247,028
Supplies	-	11,515	17,864	70,951	33,122	31,466	26,254	86,562
Utilities and telephone	-	57,267	126,106	182,811	117,733	143,599	81,261	380,642
Property tax and insurance	-	21,020	45,994	52,301	61,224	41,871	19,621	159,577
Interest	-	148,348	474,126	244,035	164,525	304,279	-	881,665
Legal and accounting	-	4,465	19,085	16,819	-	9,101	8,415	1,293
Bad debt expense	-	-	13,355	22	2,187	57,478	54,641	54,345
Ground lease expense	38,824	-	-	-	58,647	81,158	40,032	314,487
Advertising and marketing	-	120	-	150	-	120	380	1,254
Miscellaneous administrative expense	33,204	5,163	31,943	23,492	3,769	18,900	7,398	31,773
Depreciation and amortization	-	123,577	442,690	235,014	116,424	515,794	10,629	872,907
Total program services	594,935	536,674	1,498,072	1,070,139	940,098	1,592,797	569,238	3,435,049

Housing Development Partners of San Diego

Consolidating Statement of Activities Year Ended December 31, 2025

	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	\$ 2,787,639	\$ 927,869	\$ 2,003,821	\$ 2,218,670	\$ 3,708,364	\$ 235,427	\$ -	\$ -	\$ 24,014,461
Developer fees	-	-	-	-	-	-	-	(1,133,629)	-
Grant income	-	-	57,132	9,073	-	30,000	-	-	337,397
Interest income	231	158	71,600	53,221	291	443	-	(594,490)	715,171
Note forgiveness	-	-	-	-	-	-	-	-	-
Management fees	-	-	-	-	-	-	107,266	(112,155)	112,395
Miscellaneous income	5,650	146	2,659	13,931	26,111	2,797	463	-	82,056
Resident services	-	-	-	-	-	-	-	-	91,612
Share of income from partnerships	-	-	-	-	-	-	930,422	(3,694,319)	7,093
Total revenue and support	2,793,520	928,173	2,135,212	2,294,895	3,734,766	268,667	1,038,151	(5,534,593)	25,360,185
Expenses									
Program services									
Salaries	248,396	96,868	118,166	197,853	227,887	30	-	-	1,859,344
Payroll taxes	19,216	8,330	8,436	15,313	17,725	-	-	-	134,316
Employee benefits	63,710	8,397	26,950	14,844	56,841	-	-	-	313,596
Consultants	3,306	-	3,247	-	15,004	-	-	-	558,474
Office expenses	13,705	3,955	8,502	7,701	13,372	1,130	-	-	92,368
Training, travel and parking	1,691	259	1,110	250	3,159	122	-	-	11,462
Resident services	54,219	1,136	30,494	529	916	1,975	-	-	267,931
Relocation cost	10,332	2,806	13,247	17,352	13,878	-	-	-	60,691
Repairs and maintenance	228,250	118,835	77,986	294,711	189,698	14,371	-	-	1,980,236
Supplies	65,199	27,474	28,455	34,188	63,550	566	-	-	497,166
Utilities and telephone	340,166	79,759	123,715	135,435	262,439	7,813	-	-	2,038,746
Property tax and insurance	122,118	18,838	86,579	39,161	159,413	16,006	-	-	843,723
Interest	671,997	226,074	382,938	495,160	690,122	-	-	(201,903)	4,481,366
Legal and accounting	24,311	12,442	2,124	12,806	21,019	2,311	-	-	134,191
Bad debt expense	65,735	84,935	17,012	149,467	36,683	28,549	-	-	564,409
Ground lease expense	-	1	89,726	92,109	333,484	-	-	-	1,048,468
Advertising and marketing	-	-	432	-	-	-	-	-	2,456
Miscellaneous administrative expense	38,632	19,725	18,428	21,833	76,106	10,245	-	-	340,611
Depreciation and amortization	815,241	362,845	236,936	412,104	1,646,673	78,440	-	(1,152,514)	4,716,760
Total program services	2,786,224	1,072,679	1,274,483	1,940,816	3,827,969	161,558	-	(1,354,417)	19,946,314

Housing Development Partners of San Diego

Consolidating Statement of Activities Year Ended December 31, 2025

	Housing Development Partners of San Diego	HDP Mason Housing Corporation	HDP New Palace, LP	Logan Development II, LP	Casa Colina, LP	HDP Churchill, LP	HDP Parker Kier, LLC	HDP Broadway, LP
Management and general								
Consultants	1,194,546	-	-	-	-	-	-	-
Office expenses	22,644	4,754	3,999	3,419	5,181	3,647	5,250	13,461
Training, travel and parking	3,894	3,935	-	-	-	-	-	-
Property and partnership management	-	20,400	106,573	64,573	82,189	100,648	50,800	134,612
Property tax and insurance	14,150	708	2,376	1,196	988	800	5,000	24,753
Legal and accounting	47,198	16,064	14,858	19,985	16,757	16,306	4,464	21,391
Miscellaneous administrative expense	630,853	-	-	-	-	-	-	-
Depreciation and amortization	4,144	-	-	-	-	-	-	-
Total management and general	1,917,429	45,861	127,806	89,173	105,115	121,401	65,514	194,217
Total expenses	2,512,364	582,535	1,625,878	1,159,312	1,045,213	1,714,198	634,752	3,629,266
Change in net assets	<u>\$ 2,635,318</u>	<u>\$ (151,105)</u>	<u>\$ 334,971</u>	<u>\$ (147,008)</u>	<u>\$ 928,824</u>	<u>\$ 424,339</u>	<u>\$ 306,880</u>	<u>\$ 465,657</u>
Change in net assets controlling	\$ 2,635,318	\$ (151,105)	\$ 33	\$ (15)	\$ 928,824	\$ 424,339	\$ 306,880	\$ 47
Change in net assets noncontrolling	-	-	334,938	(146,993)	-	-	-	465,610
Change in net assets	<u>\$ 2,635,318</u>	<u>\$ (151,105)</u>	<u>\$ 334,971</u>	<u>\$ (147,008)</u>	<u>\$ 928,824</u>	<u>\$ 424,339</u>	<u>\$ 306,880</u>	<u>\$ 465,657</u>

Housing Development Partners of San Diego

Consolidating Statement of Activities Year Ended December 31, 2025

	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	-	-	-	-	-	-	-	-	1,194,546
Office expenses	17,354	3,917	13,612	6,554	14,377	1,310	1,815	-	121,294
Training, travel and parking	-	-	-	-	-	-	-	-	7,829
Property and partnership management	115,549	59,873	86,400	104,880	147,005	18,000	-	(112,155)	979,347
Property tax and insurance	4,802	1,518	6,800	15,037	2,277	2,213	16,547	-	99,165
Legal and accounting	19,817	13,699	7,884	14,833	18,890	4,464	17,213	-	253,823
Miscellaneous administrative expense	-	-	-	-	-	-	-	-	630,853
Depreciation and amortization	-	-	-	-	-	-	-	-	4,144
Total management and general	157,522	79,007	114,696	141,304	182,549	25,987	35,575	(112,155)	3,291,001
Total expenses	2,943,746	1,151,686	1,389,179	2,082,120	4,010,518	187,545	35,575	(1,466,572)	23,237,315
Change in net assets	<u>\$ (150,226)</u>	<u>\$ (223,513)</u>	<u>\$ 746,033</u>	<u>\$ 212,775</u>	<u>\$ (275,752)</u>	<u>\$ 81,122</u>	<u>\$ 1,002,576</u>	<u>\$ (4,068,021)</u>	<u>\$ 2,122,870</u>
Change in net assets controlling	\$ (8)	\$ (20)	\$ 746,033	\$ 212,775	\$ (28)	\$ 81,122	\$ 1,002,576	\$ (4,068,021)	\$ 2,118,750
Change in net assets noncontrolling	(150,218)	(223,493)	-	-	(275,724)	-	-	-	4,120
Change in net assets	<u>\$ (150,226)</u>	<u>\$ (223,513)</u>	<u>\$ 746,033</u>	<u>\$ 212,775</u>	<u>\$ (275,752)</u>	<u>\$ 81,122</u>	<u>\$ 1,002,576</u>	<u>\$ (4,068,021)</u>	<u>\$ 2,122,870</u>

Housing Development Partners of San Diego

Consolidating Statement of Activities Year Ended December 31, 2024

	Housing Development Partners of San Diego	HDP Mason Housing Corporation	HDP New Palace, LP	Logan Development II, LP	Casa Colina, LP	HDP Churchill, LP	HDP Parker Kier, LLC	HDP Broadway, LP
Revenue and support								
Rental income	\$ -	\$ 428,877	\$ 1,850,751	\$ 920,622	\$ 1,175,811	\$ 1,810,764	\$ 918,031	\$ 3,924,762
Developer fees	2,048,825	-	-	-	-	-	-	-
Grant income	-	-	-	-	-	241,192	-	-
Interest income	1,155,918	1,569	27,901	3,954	6,846	10,360	255	96,895
Note forgiveness	-	-	-	-	-	-	-	-
Management fees	123,945	-	-	-	-	-	-	-
Miscellaneous income	-	-	41	14,700	345	1,025	-	13,512
Resident services	-	-	-	-	87,729	-	-	-
Share of income from partnerships	2,033,705	-	-	-	-	-	-	-
Total revenue and support	5,362,393	430,446	1,878,693	939,276	1,270,731	2,063,341	918,286	4,035,169
Expenses								
Program services								
Salaries	-	59,657	143,215	123,472	130,776	175,370	80,555	207,439
Payroll taxes	-	4,068	11,937	6,910	12,638	13,746	5,642	17,663
Employee benefits	-	8,031	28,994	9,089	24,448	14,908	10,818	37,763
Consultants	666,992	2,850	3,484	3,029	12,314	-	-	16,517
Office expenses	-	1,565	6,926	1,926	6,764	4,917	2,197	14,300
Training, travel and parking	-	172	1,349	2,880	2,079	744	343	5,255
Resident services	-	1,217	21,134	1,995	95,628	953	1,321	62,327
Relocation cost	-	-	-	-	-	-	-	-
Repairs and maintenance	-	46,605	215,904	767,749	47,834	201,379	138,764	236,440
Supplies	-	23,163	24,640	26,539	44,342	26,147	13,676	73,256
Utilities and telephone	-	54,173	101,620	178,577	94,409	129,313	81,761	326,283
Property tax and insurance	-	16,726	37,857	45,682	52,321	35,528	17,935	134,843
Interest	-	148,348	477,900	249,096	182,894	314,012	-	928,587
Legal and accounting	-	2,364	4,945	55,122	977	9,611	333	213
Bad debt expense	-	12,807	37,335	19,235	-	36,370	26,301	989
Ground lease expense	37,553	-	-	-	37,224	80,900	39,974	285,499
Advertising and marketing	-	-	567	374	555	100	-	784
Miscellaneous administrative expense	-	5,925	31,969	10,494	3,423	23,862	4,236	36,909
Depreciation and amortization	-	122,759	441,998	233,888	111,051	514,650	9,048	867,800
Total program services	704,545	510,430	1,591,774	1,736,057	859,677	1,582,510	432,904	3,252,867

Housing Development Partners of San Diego

Consolidating Statement of Activities Year Ended December 31, 2024

	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	\$ 2,629,708	\$ 887,358	\$ 1,888,454	\$ 2,106,474	\$ 3,506,790	\$ 205,284	\$ -	\$ -	\$ 22,253,686
Developer fees	-	-	-	-	-	-	-	(2,048,825)	-
Grant income	-	-	57,132	9,073	-	30,000	-	-	337,397
Interest income	3,531	1,674	59,339	104,194	129,423	481	-	(635,095)	967,245
Note forgiveness	-	-	-	-	-	-	-	-	-
Management fees	-	-	-	-	-	-	113,170	(110,053)	127,062
Miscellaneous income	1,967	1,747	129	-	13,703	-	2,239	-	49,408
Resident services	-	-	-	-	-	-	-	-	87,729
Share of income from partnerships	-	-	-	-	-	-	298,719	(2,326,269)	6,155
Total revenue and support	2,635,206	890,779	2,005,054	2,219,741	3,649,916	235,765	414,128	(5,120,242)	23,828,682
Expenses									
Program services	279,659	90,420	116,737	149,149	207,393	1,076	-	-	1,764,918
Salaries	17,302	7,249	8,809	12,815	16,192	82	-	-	135,053
Payroll taxes	35,377	12,160	26,965	19,913	53,861	88	-	-	282,415
Employee benefits	12,841	1,781	7,002	10,585	24,287	8,205	-	-	769,887
Consultants	-	-	-	-	-	-	-	-	-
Office expenses	4,464	5,616	10,091	9,745	12,583	598	-	-	81,692
Training, travel and parking	957	600	1,283	3,933	1,389	199	-	-	21,183
Resident services	52,492	3,365	30,159	10,404	196	973	-	-	282,164
Relocation cost	-	4,209	3,680	-	2,630	-	-	-	10,519
Repairs and maintenance	199,367	94,867	87,026	188,653	130,986	21,337	-	-	2,376,911
Supplies	100,452	5,628	50,844	17,507	55,864	631	-	-	462,689
Utilities and telephone	287,060	81,223	116,749	145,937	298,378	10,461	-	-	1,905,944
Property tax and insurance	103,435	15,512	63,685	30,240	137,938	14,773	-	-	706,475
Interest	682,620	226,752	390,353	499,909	702,844	-	-	(242,847)	4,560,468
Legal and accounting	31,577	1,981	19,615	3,214	38,265	14,996	-	-	183,213
Bad debt expense	126,240	57,686	11,053	157,281	18,312	7,223	-	-	510,832
Ground lease expense	-	1	84,297	90,402	314,422	-	-	-	970,272
Advertising and marketing	394	488	-	596	-	-	-	-	3,858
Miscellaneous administrative expense	50,221	19,644	53,629	21,833	56,079	-	-	-	318,224
Depreciation and amortization	812,178	453,013	289,192	402,718	1,650,128	77,471	-	(1,156,409)	4,829,485
Total program services	2,796,636	1,082,195	1,371,169	1,774,834	3,721,747	158,113	-	(1,399,256)	20,176,202

Housing Development Partners of San Diego

Consolidating Statement of Activities Year Ended December 31, 2024

	Housing Development Partners of San Diego	HDP Mason Housing Corporation	HDP New Palace, LP	Logan Development II, LP	Casa Colina, LP	HDP Churchill, LP	HDP Parker Kier, LLC	HDP Broadway, LP
Management and general								
Consultants	786,710	-	-	-	1,967	-	-	4,677
Office expenses	2,426	4,155	5,753	7,561	3,753	5,164	3,760	5,203
Training, travel and parking	851	1,665	-	-	-	-	-	-
Property and partnership management	-	14,501	122,591	66,744	83,295	102,285	38,640	155,393
Property tax and insurance	13,175	100	2,108	800	1,726	2,654	4,390	26,412
Legal and accounting	45,881	11,554	13,557	14,041	22,150	13,710	4,633	29,828
Miscellaneous administrative expense	482,509	-	-	-	-	-	-	-
Depreciation and amortization	4,145	-	-	-	-	-	-	-
Total management and general	1,335,697	31,975	144,009	89,146	112,891	123,813	51,423	221,513
Total expenses	2,040,242	542,405	1,735,783	1,825,203	972,568	1,706,323	484,327	3,474,380
Change in net assets	<u>\$ 3,322,151</u>	<u>\$ (111,959)</u>	<u>\$ 142,910</u>	<u>\$ (885,927)</u>	<u>\$ 298,163</u>	<u>\$ 357,018</u>	<u>\$ 433,959</u>	<u>\$ 560,789</u>
Change in net assets controlling	\$ 3,322,151	\$ (111,959)	\$ 14	\$ (89)	\$ 298,163	\$ 36	\$ 433,959	\$ 56
Change in net assets noncontrolling	-	-	142,896	(885,838)	-	356,982	-	560,733
Change in net assets	<u>\$ 3,322,151</u>	<u>\$ (111,959)</u>	<u>\$ 142,910</u>	<u>\$ (885,927)</u>	<u>\$ 298,163</u>	<u>\$ 357,018</u>	<u>\$ 433,959</u>	<u>\$ 560,789</u>

Housing Development Partners of San Diego

Consolidating Statement of Activities Year Ended December 31, 2024

	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	-	-	-	-	-	-	-	-	793,354
Office expenses	9,646	1,707	9,080	4,991	8,511	1,293	1,205	-	74,208
Training, travel and parking	-	-	-	-	-	-	-	-	2,516
Property and partnership management	103,801	63,644	92,052	118,084	185,127	14,517	-	(110,053)	1,050,621
Property tax and insurance	800	1,280	6,800	7,685	800	855	14,506	-	84,091
Legal and accounting	13,297	12,342	8,731	12,283	24,648	4,633	26,727	-	258,015
Miscellaneous administrative expense	-	-	-	-	-	-	-	-	482,509
Depreciation and amortization	-	-	-	-	-	-	-	-	4,145
Total management and general	127,544	78,973	116,663	143,043	219,086	21,298	42,438	(110,053)	2,749,459
Total expenses	2,924,180	1,161,168	1,487,832	1,917,877	3,940,833	179,411	42,438	(1,509,309)	22,925,661
Change in net assets	<u>\$ (288,974)</u>	<u>\$ (270,389)</u>	<u>\$ 517,222</u>	<u>\$ 301,864</u>	<u>\$ (290,917)</u>	<u>\$ 56,354</u>	<u>\$ 371,690</u>	<u>\$ (3,610,933)</u>	<u>\$ 903,021</u>
Change in net assets controlling	\$ (14)	\$ (24)	\$ 517,222	\$ 301,864	\$ (29)	\$ 56,354	\$ 371,690	\$ (3,610,933)	\$ 1,578,461
Change in net assets noncontrolling	(288,960)	(270,365)	-	-	(290,888)	-	-	-	(675,440)
Change in net assets	<u>\$ (288,974)</u>	<u>\$ (270,389)</u>	<u>\$ 517,222</u>	<u>\$ 301,864</u>	<u>\$ (290,917)</u>	<u>\$ 56,354</u>	<u>\$ 371,690</u>	<u>\$ (3,610,933)</u>	<u>\$ 903,021</u>

Housing Development Partners of San Diego

Consolidating Statement of Changes in Net Assets Year Ended December 31, 2025

	Housing Development Partners of San Diego	HDP Mason Housing Corporation	HDP New Palace, LP	Logan Development II, LP	Casa Colina, LP	HDP Churchill, LP	HDP Parker Kier, LLC	HDP Broadway, LP
Controlling interest								
Unrestricted net assets, beginning	\$ 24,035,406	\$ (2,214,244)	\$ (699,128)	\$ (222)	\$ 1,086,569	\$ (1,383,917)	\$ 536,023	\$ (380)
Excess over carryover basis	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Distributions	-	-	-	-	(148,561)	(226,433)	(408,571)	-
Payments of principal and interest on seller notes	-	-	(380,602)	-	-	-	-	-
Seller note payable	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	(82,868)	(796,849)	-	-
Change in unrestricted net assets	2,635,318	(151,105)	33	(15)	928,824	424,339	306,880	47
Unrestricted net assets, controlling interest, ending	<u>\$ 26,670,724</u>	<u>\$ (2,365,349)</u>	<u>\$ (1,079,697)</u>	<u>\$ (237)</u>	<u>\$ 1,783,964</u>	<u>\$ (1,982,860)</u>	<u>\$ 434,332</u>	<u>\$ (333)</u>
Noncontrolling interest								
Unrestricted net assets, beginning	\$ -	\$ -	\$ 4,623,591	\$ (60,107)	\$ (82,868)	\$ (796,849)	\$ -	\$ 8,477,991
Contributions	-	-	-	-	-	-	-	-
Distributions	-	-	-	-	-	-	-	-
Syndication costs	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	82,868	796,849	-	-
Change in unrestricted net assets	-	-	334,938	(146,993)	-	-	-	465,610
Unrestricted net assets, noncontrolling interest, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,958,529</u>	<u>\$ (207,100)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,943,601</u>

Housing Development Partners of San Diego

Consolidating Statement of Changes in Net Assets Year Ended December 31, 2025

	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	\$ (2,236,071)	\$ 2,907,952	\$ (1,510,086)	\$ (773,992)	\$ (4,038,749)	\$ 1,241,273	\$ 628,849	\$ (22,239,078)	\$ (4,659,795)
Excess over carryover basis	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	15,000	-	(15,000)	-
Distributions	-	-	-	(431,209)	-	-	(181,060)	1,395,834	-
Payments of accrued interest on seller notes	(175,687)	(309,049)	-	-	(2,362,935)	(51,978)	-	689,651	(2,590,600)
Seller note payable	-	-	-	-	-	-	-	-	-
Transfers	-	1,189,893	-	-	1,798,120	-	-	-	2,108,296
Change in unrestricted net assets	(8)	(20)	746,033	212,775	(28)	81,122	1,002,576	(4,068,021)	2,118,750
Unrestricted net assets, controlling interest, ending	<u>\$ (2,411,766)</u>	<u>\$ 3,788,776</u>	<u>\$ (764,053)</u>	<u>\$ (992,426)</u>	<u>\$ (4,603,592)</u>	<u>\$ 1,285,417</u>	<u>\$ 1,450,365</u>	<u>\$ (24,236,614)</u>	<u>\$ (3,023,349)</u>
Noncontrolling interest									
Unrestricted net assets, beginning	\$ 9,878,411	\$ 3,385,809	\$ -	\$ -	\$ 21,325,249	\$ -	\$ (10,453)	\$ 14	\$ 46,740,788
Contributions	-	-	-	-	-	-	-	-	-
Distributions	-	-	-	-	-	-	(7,164)	-	(7,164)
Syndication costs	-	-	-	-	-	-	-	-	-
Transfers	-	(1,189,893)	-	-	(1,798,120)	-	-	-	(2,108,296)
Change in unrestricted net assets	(150,218)	(223,493)	-	-	(275,724)	-	-	-	4,120
Unrestricted net assets, noncontrolling interest, ending	<u>\$ 9,728,193</u>	<u>\$ 1,972,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,251,405</u>	<u>\$ -</u>	<u>\$ (17,617)</u>	<u>\$ 14</u>	<u>\$ 44,629,448</u>

Housing Development Partners of San Diego

Consolidating Statement of Changes in Net Assets Year Ended December 31, 2024

	Housing Development Partners of San Diego	HDP Mason Housing Corporation	HDP New Palace, LP	Logan Development 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	\$ 20,713,255	\$ (2,102,285)	\$ (699,142)	\$ (133)	\$ 891,175	\$ (1,160,892)	\$ 501,456	\$ (436)	\$ (2,112,985)
Distributions	-	-	-	-	(102,769)	(223,061)	(399,392)	-	-
Payments of accrued interest on seller note	-	-	-	-	-	-	-	-	(123,072)
Change in unrestricted net assets	<u>3,322,151</u>	<u>(111,959)</u>	<u>14</u>	<u>(89)</u>	<u>298,163</u>	<u>36</u>	<u>433,959</u>	<u>56</u>	<u>(14)</u>
Unrestricted net assets, controlling interest, ending	<u>\$ 24,035,406</u>	<u>\$ (2,214,244)</u>	<u>\$ (699,128)</u>	<u>\$ (222)</u>	<u>\$ 1,086,569</u>	<u>\$ (1,383,917)</u>	<u>\$ 536,023</u>	<u>\$ (380)</u>	<u>\$ (2,236,071)</u>
Noncontrolling interest									
Unrestricted net assets, beginning	\$ -	\$ -	\$ 4,480,695	\$ 825,731	\$ (82,868)	\$ (1,153,831)	\$ -	\$ 7,917,258	\$ 10,167,371
Contributions	-	-	-	-	-	-	-	-	-
Distributions	-	-	-	-	-	-	-	-	-
Change in unrestricted net assets	<u>-</u>	<u>-</u>	<u>142,896</u>	<u>(885,838)</u>	<u>-</u>	<u>356,982</u>	<u>-</u>	<u>560,733</u>	<u>(288,960)</u>
Unrestricted net assets, noncontrolling interest, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,623,591</u>	<u>\$ (60,107)</u>	<u>\$ (82,868)</u>	<u>\$ (796,849)</u>	<u>\$ -</u>	<u>\$ 8,477,991</u>	<u>\$ 9,878,411</u>

Housing Development Partners of San Diego

Consolidating Statement of Changes in Net Assets Year Ended December 31, 2024

	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	\$ 3,022,066	\$ (2,027,308)	\$ (768,260)	\$ (4,038,720)	\$ 1,227,518	\$ 395,630	\$ (19,913,524)	\$ (6,072,585)
Distributions	-	-	(307,596)	-	-	(138,471)	1,171,289	-
Payments of accrued interest on seller note	(114,090)	-	-	-	(42,599)	-	114,090	(165,671)
Change in unrestricted net assets	(24)	517,222	301,864	(29)	56,354	371,690	(3,610,933)	1,578,461
Unrestricted net assets, controlling interest, ending	<u>\$ 2,907,952</u>	<u>\$ (1,510,086)</u>	<u>\$ (773,992)</u>	<u>\$ (4,038,749)</u>	<u>\$ 1,241,273</u>	<u>\$ 628,849</u>	<u>\$ (22,239,078)</u>	<u>\$ (4,659,795)</u>
Noncontrolling interest								
Unrestricted net assets, beginning	\$ 3,656,174	\$ -	\$ -	\$ 20,568,786	\$ -	\$ (2,747)	\$ 7	\$ 46,376,576
Contributions	-	-	-	1,047,351	-	-	-	1,047,351
Distributions	-	-	-	-	-	(7,706)	7	(7,699)
Change in unrestricted net assets	(270,365)	-	-	(290,888)	-	-	-	(675,440)
Unrestricted net assets, noncontrolling interest, ending	<u>\$ 3,385,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,325,249</u>	<u>\$ -</u>	<u>\$ (10,453)</u>	<u>\$ 14</u>	<u>\$ 46,740,788</u>

(FINAL DATE)

To The Audit Committee and Board of Directors
Housing Development Partners of San Diego

We have audited the consolidated financial statements of Housing Development Partners of San Diego (the "Corporation") for the years ended December 31, 2025 and 2024, and we will issue our report thereon dated (FINAL DATE). Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 7, 2025. 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 consolidated financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2025. 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 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 financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the 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 judgments 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 they are reasonable in relation to the consolidated financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are included in Notes 1 through 15 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. There were no corrected or uncorrected misstatements detected as a result of audit procedures.

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 (FINAL DATE).

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

With respect to the supplementary information accompanying the 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 financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Audit Committee, Board of Directors and Management of Housing Development Partners of San Diego and 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

PRELIMINARY DRAFT
SUBJECT TO CHANGE