HUMANGOOD AFFORDABLE HOUSING AND AFFILIATES
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2023 AND 2022

HUMANGOOD AFFORDABLE HOUSING AND AFFILIATES
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

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DAUBY
O'CONNOR &
ZALESKI, LLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
HumanGood Affordable Housing and Affiliates
(A California Non-Profit Public Benefit Corporation)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of HumanGood Affordable Housing and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, changes in net assets (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HumanGood Affordable Housing and Affiliates as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HumanGood Affordable Housing and Affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HumanGood Affordable Housing and Affiliates' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HumanGood Affordable Housing and Affiliates' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HumanGood Affordable Housing and Affiliates' 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 audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and accompanying supplementary information are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and supplementary information are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

Dauby O'Connor & Zaleski, LLC

April 22, 2024
Carmel, Indiana

Dauby O'Connor & Zaleski, LLC
Certified Public Accountants

HUMANGOOD AFFORDABLE HOUSING AND AFFILIATES
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

ASSETS

	2023	2022
Current assets		
Cash and cash equivalents	$ 42,173,667	$ 38,154,206
Investments - cash equivalents	83,862	1,545,532
Restricted cash	45,825,082	61,156,781
Total cash and investments	**88,082,611**	**100,856,519**
Resident and subsidy accounts receivable	1,256,943	1,772,271
Management and development accounts receivable	4,383,771	2,241,759
Development and operating advances receivable, net	-	389,233
Investments	9,848,643	7,720,270
Prepaid expenses, deposits, and other assets	279,713	102,277
Total current assets	**103,851,681**	**113,082,329**
Land, building, and equipment, net	**689,311,724**	**682,341,280**
Long term and other assets		
Development and operating advances receivable, net, long term	931,967	617,004
Notes receivable	3,100,000	1,625,107
Unamortized costs, net	975,492	969,170
Right-of-use assets	29,184,777	27,340,360
Goodwill	6,464,364	6,464,364
Total long term and other assets	**40,656,600**	**37,016,005**
	$ 833,820,005	**$ 832,439,614**

See notes to consolidated financial statements

HUMANGOOD AFFORDABLE HOUSING AND AFFILIATES
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

LIABILITIES AND NET ASSETS

	2023	2022
Current liabilities		
Accounts payable and accrued expenses	$ 7,825,917	$ 6,761,381
Accrued interest - servicing debt	792,275	891,082
Accounts payable - construction	9,821,348	14,314,318
Due to affiliates - NorCal	3,553,500	2,428,883
Due to affiliates - SoCal	1,101,592	828,451
Notes and bonds payable - current portion	23,701,321	33,659,418
Notes payable, affiliates - current portion	112,000	112,000
Notes and bonds payable - non-servicing debt - current portion	442,535	270,535
Prepaid and deferred revenue	289,223	416,899
Deferred CDFI Grant	3,400,000	9,037,500
Total current liabilities	**51,039,711**	**68,720,467**
Deposits	**1,751,580**	**1,657,567**
Long term liabilities		
Notes and bonds payable - net of current portion	212,038,979	237,036,463
Notes payable, affiliates - net of current portion	1,206,486	1,318,486
Notes and bonds payable - non-servicing debt - net of current portion	353,387,898	351,582,041
Less: unamortized debt issuance costs	(7,418,112)	(6,541,165)
Accrued interest - non-servicing debt	26,584,600	23,220,902
Lease liability	33,909,675	31,207,338
Fair market value of interest rate swap	553,630	449,567
Total long term liabilities	**620,263,156**	**638,273,632**
Total liabilities	**673,054,447**	**708,651,666**
Net assets without donor restrictions of the controlling interest	**6,506,422**	**(2,069,047)**
Net assets with donor restrictions of the controlling interest	**7,460,118**	**4,318,576**
Net assets without donor restrictions of the non-controlling interest	**146,799,018**	**121,538,419**
	$ 833,820,005	**$ 832,439,614**

See notes to consolidated financial statements

HUMANGOOD AFFORDABLE HOUSING AND AFFILIATES
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Revenue		
Affordable housing fees and rents	$ 68,861,669	$ 62,389,791
Affordable housing development	6,569,046	7,824,783
Contributions without donor restrictions	296,094	143,678
Other operating revenue	386,142	103,147
Total revenue	**76,112,951**	**70,461,399**
Operating expenses		
Salaries and wages	19,303,011	17,865,562
Employee benefits	4,515,482	4,910,098
Supplies	1,683,648	1,765,352
Repairs and maintenance	4,028,306	1,678,801
Marketing and advertising	280,455	303,321
Purchased services	5,210,431	5,334,511
Utilities	5,406,164	5,165,903
Travel and related expenses	989,100	1,220,557
Leases and rents	449,557	461,699
Insurance	2,180,978	1,750,672
Other operating expenses	5,036,734	6,390,997
Total operating expenses	**49,083,866**	**46,847,473**
Income from operations	**27,029,085**	**23,613,926**
Other income (expenses)		
CDFI Grant without donor restrictions	-	2,200,000
CDFI Grant with donor restrictions	5,637,500	2,000,000
Interest	(10,478,318)	(9,308,170)
Interest - deferred	(3,192,607)	(2,400,630)
Interest attributable to amortization of debt issuance costs	(282,735)	(242,933)
Depreciation and amortization	(30,378,704)	(28,973,520)
Interest and investment income, net	1,172,584	(168,098)
Income (loss) before other changes in net assets	**(10,493,195)**	**(13,279,425)**
Other changes in net assets without donor restrictions		
Change in fair market value of interest rate swap	(104,063)	1,002,435
Unrealized gain (loss) on investments	437,473	(954,235)
Change in net assets	**(10,159,785)**	**(13,231,225)**
Change in net assets without donor restrictions of the non-controlling interest	**(21,922,754)**	**(21,574,923)**
Change in net assets of the controlling interest	**$ 11,762,969**	**$ 8,343,698**

See notes to consolidated financial statements

HUMANGOOD AFFORDABLE HOUSING AND AFFILIATES
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (DEFICIT)
YEARS ENDED DECEMBER 31, 2023 AND 2022

	Net assets without donor restrictions - controlling interest	Net assets with donor restrictions - controlling interest	Net assets without donor restrictions - non-controlling interest	Total
Balance, January 1, 2022	**$ (10,362,745)**	**$ 4,324,811**	**$ 105,108,725**	**$ 99,070,791**
Contributions	-	-	38,150,247	38,150,247
Distributions	-	-	(145,630)	(145,630)
Release of net assets with donor restrictions	2,900,000	(2,956,235)	-	(56,235)
Change in net assets	5,393,698	2,950,000	(21,574,923)	(13,231,225)
Balance, December 31, 2022	**(2,069,047)**	**4,318,576**	**121,538,419**	**123,787,948**
Contributions	-	-	47,192,125	47,192,125
Distributions	-	-	(8,772)	(8,772)
Release of net assets with donor restrictions	2,450,000	(2,495,958)	-	(45,958)
Change in net assets	6,125,469	5,637,500	(21,922,754)	(10,159,785)
Balance, December 31, 2023	**$ 6,506,422**	**$ 7,460,118**	**$ 146,799,018**	**$ 160,765,558**

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash flow from operating activities		
Revenue:		
Affordable housing fees and rents	$ 67,107,309	$ 62,906,049
Affordable housing development	6,569,046	7,824,783
Unrestricted contributions	250,136	87,443
Other operating revenue	386,142	103,147
	74,312,633	**70,921,422**
Expenditures:		
Salaries and wages	(19,202,350)	(17,727,226)
Employee benefits	(4,515,482)	(4,910,098)
Vendors	(22,235,245)	(20,180,446)
Interest	(10,406,034)	(8,411,014)
	(56,359,111)	**(51,228,784)**
Net cash provided by operating activities	**17,953,522**	**19,692,638**
Cash flows from investing activities		
Interest and investment gains	539,826	683,222
Investment purchases	(1,647,563)	-
Net change in deposits	94,013	95,549
Net repayment (advances) to properties	74,270	115,364
Net note receivable advances	(1,474,893)	(1,625,107)
Acquisition of land, building, and equipment	(47,215,556)	(63,898,681)
Net cash used in investing activities	**(49,629,903)**	**(64,629,653)**
Cash flows from financing activities		
Proceeds from notes and bonds payable	17,290,232	73,235,742
Payments on notes and bonds payable	(44,217,687)	(32,854,038)
Proceeds from CDFI Grant	-	12,000,000
Contributions from non-controlling interest	47,192,125	38,150,247
Distributions to non-controlling interest	(8,772)	(145,630)
Payments for debt issuance costs	(1,248,258)	(1,628,299)
Payments for unamortized costs	(105,167)	(112,537)
Net cash provided by financing activities	**18,902,473**	**88,645,485**
Net change in cash and investments	**(12,773,908)**	**43,708,470**
Cash and investments, beginning	**100,856,519**	**57,148,049**
Cash and investments, ending	**$ 88,082,611**	**$ 100,856,519**

See notes to consolidated financial statements

HUMANGOOD AFFORDABLE HOUSING AND AFFILIATES
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	**$ (10,159,785)**	**$ (13,231,225)**
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in fair market value of interest rate swap	104,063	(1,002,435)
Depreciation and amortization	30,378,704	28,973,520
Amortization of right-of-use assets	845,931	3,866,978
Amortization of debt issuance costs	282,735	242,933
Interest and investment gains	(1,610,057)	1,122,333
Release of net assets with donor restrictions	(45,958)	(56,235)
CDFI Grant	(5,637,500)	(4,200,000)
Changes in:		
Resident and subsidy accounts receivable	515,328	(1,156,329)
Management and development accounts receivable	(2,142,012)	1,462,820
Prepaid expenses, deposits, and other assets	(177,436)	279,289
Accounts payable and accrued expenses	3,210,955	3,512,597
Accrued interest	3,264,891	3,297,786
Due to affiliates	(748,661)	(3,629,161)
Prepaid and deferred revenue	(127,676)	209,767
Net cash provided by operating activities	**$ 17,953,522**	**$ 19,692,638**

See notes to consolidated financial statements

NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PARENT ORGANIZATION

HumanGood (Parent Organization), is a California non-profit public benefit tax-exempt corporation providing housing, health care and supportive services for the elderly through its Life Plan Communities (LPC's) and affordable housing communities owned by its subsidiaries. HumanGood is the sole member of HumanGood NorCal (NorCal), HumanGood SoCal (SoCal), HumanGood Fresno (dba Terraces at San Joaquin Gardens, TSJG), and HumanGood Cornerstone (Cornerstone). NorCal is the sole member of HumanGood Foundation West (Foundation West) and SoCal is the sole member of HumanGood Foundation South (Foundation South). NorCal, SoCal, and TSJG, which collectively form the HumanGood California Obligated Group, share the common parent entity of HumanGood, and together with Foundation West and Foundation South, constitute the HumanGood California Obligated Group & Foundation Affiliates.

HumanGood Cornerstone, an affiliate of the Parent Organization, is a California non-profit public benefit tax-exempt corporation and, as the sole member, exercises its direction and control through the appointment of the Board of Directors of HumanGood Arizona (dba Terraces of Phoenix, TOP), HumanGood Washington (dba Judson Park, JP), HumanGood Nevada (dba Las Ventanas), HumanGood Idaho (dba The Terraces of Boise, Boise), HumanGood Properties (formerly known as Seniority Properties), HumanGood East, and Beacon Development Group, LLC (Beacon Development or Beacon), and West Valley Nursing Homes, Inc (dba the Terraces at Summitview). On May 1, 2023, Hillside, a life plan community in McMinneville, Oregon, was acquired by a newly formed subsidiary of West Valley Nursing Homes, Inc, HG Hillside LLC. Effective February 1, 2024, HumanGood Cornerstone affiliated with Pleasant Spring Communities, the parent entity of Springhouse, Inc (Springhouse Senior Living Community, Springhouse) and Mount Pleasant Home (MPH), both located in Boston Massachusetts. HumanGood Arizona, Inc and HumanGood Washington together constitute an obligated group (HumanGood National Obligated Group). HumanGood Affordable Housing (the Corporation), HumanGood and HumanGood Cornerstone's Boards are composed of the same seven directors.

ORGANIZATION

The Corporation is a California non-profit public benefit tax-exempt corporation formed in December 1988. The Corporation was known as Carmel Senior Housing, Inc. (Carmel) prior to January 29, 2015. The Corporation provides quality housing and services for older adults and people with limited resources or disabilities in the states of California, Oregon, and Washington.

On January 1, 2015, NorCal purchased all outstanding membership interests in Beacon Development Group, LLC (Beacon Development or Beacon) and assigned its rights to the Corporation. NorCal then entered into an inter-affiliate note with Beacon Development to assign the cost of purchase to the acquired entity. Effective January 1, 2019, the Parent Organization assigned the member interest in Beacon Development to HumanGood Cornerstone, removing it as a consolidating subsidiary of the Corporation. In March 2021, HumanGood Cornerstone approved a resolution to transfer Beacon Development back to the Corporation as its sole member.

Also on January 1, 2015, the Corporation entered into a master transfer agreement with NorCal where NorCal affordable housing employees became employees of the Corporation and all operational activities, assets and liabilities associated with NorCal's affordable housing line of business were also transferred to the Corporation. The master transfer agreement details the form of two non-interest bearing inter-affiliate notes. See Note 9.

In 2015, following United States Department of Housing and Urban Development (HUD) approval, NorCal transferred its sole memberships in all of NorCal's owned affordable housing communities as well as the management agreements for all of its owned and managed communities to the Corporation.

SoCal is a California non-profit public benefit tax-exempt corporation which owns, operates and manages LPC's and rental housing communities, primarily in Southern California, in which housing, health care, and supportive services are provided for the elderly. SoCal served as the majority general partner and controlling organization for 11 low-income senior housing tax credit communities and as the sole corporate member of 16 wholly owned subsidiaries.

SoCal had provided non-interest-bearing advances to partially finance the construction of their low-income senior housing tax credit communities. Pursuant to a master transfer agreement dated December 31, 2018 between the Corporation and SoCal, these advances along with other assets and liabilities related to SoCal's affordable housing business line were all transferred from SoCal to the Corporation in 2018. Effective January 1, 2019, SoCal's community ownership interests and management contracts were also transferred to the Corporation.

The consolidated financial statements include the transactions and accounts of HumanGood Affordable Housing, 26 wholly owned affiliates, and 28 low-income housing tax credit partnerships in which the Corporation has the only or majority general partner interest:

Wholly owned subsidiaries

- Beacon Development Group, LLC
- Andres Duarte Terrace (d.b.a. Andres Duarte Terrace)
- Bandera Senior Housing Corporation (d.b.a. George McDonald Court)
- Beacon Senior Housing Corporation (d.b.a. Rosewood Court)
- Good Shepherd Senior Housing (d.b.a. Shepherd's Garden)
- Hillcrest Senior Housing Corporation (d.b.a. Hillcrest Gardens)
- Judson Terrace Lodge, Inc. (d.b.a. Judson Terrace Lodge)
- L.C. Hotchkiss Terrace (d.b.a. L.C. Hotchkiss Terrace)
- Lil Jackson Senior Community (d.b.a. Lil Jackson Senior Community)
- Mountain Park Terrace, Inc. (d.b.a. Clark Terrace)
- Oak Knolls Haven Corporation (d.b.a. Oak Knolls Haven)
- Redding Mountain Vistas II (d.b.a. Mountain Vistas II)
- Redlands Senior Housing, Inc. (d.b.a. Casa de la Vista)
- Redlands Senior Housing Two (d.b.a. Fern Lodge)
- Rose View Terrace (d.b.a. Rose View Terrace)
- Salishan Senior Housing, Inc. (d.b.a. Salishan Gardens)
- San Leandro Senior Housing, Inc. (d.b.a. Broadmoor Plaza)
- Senior Affordable Housing Corporation No. 1 (d.b.a. The Otto Gruber House)
- Senior Affordable Housing Corporation No. 2 (d.b.a. Clark Terrace II)

- Senior Affordable Housing Corporation No. 3 (d.b.a. Hadley Villas)
- Senior Affordable Housing Corporation No. 4 (d.b.a. Mountain Vistas)
- Senior Affordable Housing Corporation No. 6 (d.b.a. William C. Arthur Terrace)
- Sierra Gateway Senior Residence (d.b.a. Sierra Gateway Senior Residence)
- Sierra Gateway Senior Residence II (d.b.a. Sierra Gateway Senior Residence II)
- Tahoe Senior Plaza, Inc. (d.b.a. Tahoe Senior Plaza)
- Venice Senior Housing Corporation (d.b.a. Adda & Paul Safran Senior Housing)

Low-income housing tax credit partnerships

- 333 Monterey Road LP (d.b.a. The Gardens)
- Andres Duarte Terrace II, LP (d.b.a. Andres Duarte Terrace II)
- Bay Vista Partners LLLP (d.b.a. The Pearl on Oyster Bay)
- Canterbury Village LP (d.b.a. Canterbury Village)
- Casa de la Paloma, LP (d.b.a. Casa de la Paloma)
- Castle Argyle, LP (d.b.a. Castle Argyle)
- Covenant Manor, LP (d.b.a. Covenant Manor)
- Ethiopian Village LLLP (d.b.a Ethiopian Village)
- FD Haynes Apartments, LP (d.b.a. FD Haynes Apartments)
- Filipino Community Village LLLP (d.b.a. Filipino Community Village)
- Harborview Manor LLLP (d.b.a. Harborview Manor)
- Judson Terrace Homes Senior Housing, L.P. (d.b.a. Judson Terrace Homes)
- Miller Avenue Senior Housing LP (d.b.a. Miller Avenue Senior Housing)
- Morgan Hill Senior Housing, L.P. (d.b.a. Morgan Hill)
- Mt. Rubidoux Manor, L.P. (d.b.a. Mt. Rubidoux Manor)
- Northaven Three Northgate Limited Partnership (d.b.a. Northaven Three)
- Pacific Meadows Senior Housing, L.P. (d.b.a. Pacific Meadows)
- Palmer House, LP (d.b.a. Palmer House)
- Park Paseo, LP (d.b.a. Park Paseo)
- Rotary Plaza, LP (d.b.a. Rotary Plaza)
- Royal Vista Terrace Apartments, LP (d.b.a. Royal Vista Terrace)
- Sun Tower Partners, LLLP (d.b.a. Sun Tower)
- Sunnyvale Life, LP (d.b.a. Life's Garden)
- Sycamore Terrace Upland, LP (d.b.a. Sycamore Terrace)
- Tahoe Senior Housing II, L.P. (d.b.a. Kelly Ridge)
- Three Rivers Senior Housing LLLP (d.b.a. Three Rivers Village)
- Valley Vista Senior Housing, L.P. (d.b.a. Valley Vista)
- Westminster Court LP (d.b.a. Westminster Court)

Beacon Development is a professional services firm that consults in the development and construction of affordable housing communities. Beacon Development provides services to the Corporation, other non-profits, and housing authorities.

The other wholly owned affiliates are separately incorporated affordable housing entities in California and Washington. The affordable housing entities received HUD direct loans or grants to fund construction and receive HUD rental assistance to subsidize the residents' rents, and therefore, their operations are regulated by HUD.

The Corporation owns the only or majority general partner interests in the low-income housing tax credit partnerships noted above. Generally, the low-income housing tax credit is provided pursuant to Section 42 of the Internal Revenue Code and is computed as a percentage of the qualified basis of the property and is allowed annually during a period of ten years commencing with the year the buildings are placed in service. Capital contributed to the partnership from limited partners (as a result of the low-income housing tax credit) allows for the property to be developed and funded with lower debt service, which in turn, allows the owner to provide housing to low-income residents at below market rents. Each low-income housing tax credit partnership has executed regulatory agreements with state and/or local agencies which govern the operation of the properties.

Collectively, the wholly owned affordable housing entities and the low-income housing tax credit partnerships are referred to as Properties. The Corporation currently provides affordable housing management services to 12 properties owned or sponsored by unaffiliated organizations in addition to the affordable housing management services provided to the Properties.

In addition to the above, the Corporation also provides oversight to the HumanGood East affordable housing portfolio. HumanGood East is the sponsor and sole corporate member of 10 wholly owned affordable housing communities, a joint venture sponsor and the majority corporate member in one affordable housing community, and has five affiliate general partners and one affiliate limited partner with controlling interest in 7 low-income senior housing tax credit communities. HumanGood East is also the sole corporate member of HumanGood Pennsylvania. HumanGood Pennsylvania is the management agent for the 18 HumanGood East affordable housing communities as well as the 18 affordable housing communities owned or sponsored by unaffiliated organizations.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the consolidated financial statements

The consolidated financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America, and are in conformity with the provisions required by the Not-for-Profit Entities Presentation of Financial Statements topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205. This topic established standards for external financial reporting for Not-for-Profit Organizations.

The Not-for-Profit Entities Presentation of Financial Statements topic primarily affects the display of the consolidated financial statements and requires that the amounts for each of the classes of net assets - with or without donor restrictions - be displayed in the consolidated statements of financial position and the amounts of the change in each of those classes of net assets be displayed in the consolidated statements of changes in net assets (deficit). Net assets with donor restrictions primarily consists of grants awarded to the Properties. The grants are being released to net assets without donor restrictions on a straight-line basis over the compliance period of the applicable grant.

FASB issued ASC Topic 958-810, Consolidation of Not-for-Profit Entities, which requires that a recognized non-controlling interest in another entity, whether a business or a not-for-profit entity, be measured at its fair value at the acquisition date. In addition, this statement also provides guidance on the presentation of non-controlling interest in a not-for-profit entity's financial statements. Non-controlling interest in net assets of consolidated subsidiaries are reported as a separate component of the appropriate class of net assets in the consolidated statements of activities and changes in net assets (deficit).

New accounting pronouncements

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses. The standard sets forth a current expected credit loss (CECL) model which requires impacted entities to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets. The Corporation determined its receivables are not included in the scope of the CECL model as its material receivables are due from affiliates under common control. Accordingly, the adoption of the standard did not have a material impact on the financial statements.

Consolidation

In accordance with FASB ASC 810, the consolidated financial statements include the accounts of the Corporation and its wholly owned operating entities, after elimination of all material intercompany accounts, transactions, and profits.

The financial statements also consolidate the assets, liabilities, and activities of the various low-income housing tax credit limited partnerships for which the Corporation, as a general partner, is the primary beneficiary. All material intercompany accounts and transactions have been eliminated in consolidation.

Cash

For the statements of cash flows, all unrestricted investments with original maturities of three months or less are cash equivalents. At December 31, 2023 and 2022, cash consists of unrestricted checking and savings accounts held at numerous banks.

Accounts receivable and bad debt policy

Accounts receivable consists of amounts due to the Properties from resident rents and amounts due to the Corporation from unaffiliated affordable housing properties for property management fees and reimbursable management services such as payroll. Rental income and property management fee income are typically due the first of the month. The Corporation and the Properties do not accrue interest on accounts receivable balances.

Accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not material to the financial statements for the years ended December 31, 2023 and 2022. Bad debts expense totaled $232,063 and $144,762 the years ended December 31, 2023 and 2022, respectively.

Other receivables and bad debt policy

Other receivables are amounts due to the Corporation from the Properties or Beacon Development and are stated at unpaid balances less any applicable allowance for doubtful accounts. Other receivables due from the Properties consist of revenues from management fees, reimbursable management services such as payroll, development advances, and operating advances. Other receivables due from Beacon Development consist of reimbursable management services such as payroll. The Corporation does not accrue interest on the intercompany receivable balances.

Management periodically reviews intercompany receivables and uses an allowance for doubtful accounts to recognize bad debts. There was no bad debts expense for the years ended December 31, 2023 and 2022. The allowance for doubtful accounts totaled $0 and $94,398 as of December 31, 2023 and 2022, respectively.

Development fee revenue recognition, contract assets, receivables and liabilities

Beacon performs various development services in connection with the design, construction and development of affordable housing complexes. Development fee revenue is earned upon the satisfaction of the following performance obligations:

- Management's approval to proceed with development of the underlying property, admission of the investor limited partner and closing of the financing; and
- Completion of the development.

Beacon determined the first performance obligation is satisfied at a point in time because at that time the customer controls the asset and accepts the services provided. Beacon determined the second performance obligation is satisfied over time because the services create or enhance an asset that the customer controls.

Beacon is required under the provisions of ASC 606 Revenue from Contracts with Customers to estimate a standalone price when it is not directly observable. Beacon utilizes the expected cost plus a margin approach. In determining the allocation of the contract price to each performance obligation, management estimates the total employee hours it expects to incur on each performance obligation and allocates the transaction price based on the estimated hours spent to satisfy each performance obligation. The estimate of hours incurred is a significant judgment and actual hours incurred may differ from the estimate. Performance obligations which are completed, but are not contractually due at the time of completion are recognized as contract assets until they are contractually due, at which time they are recognized as contract receivables. Cash received for contracts with customers in advance for which performance obligations have not been satisfied are recognized as contract liabilities until the underlying performance obligation is satisfied.

Beacon typically is paid for services provided under the contracts at percentages agreed to with the customer. The terms often consider payment of a portion of the fee upon completion of the first performance obligation, and payment of a majority of the fee upon completion of the other performance obligations. Payments may be received sooner than completion dependent on development sources available. However, the state housing agency overseeing the low-income housing tax credit often requires a portion of Beacon's fee to be deferred and paid from the customer's cash flow. It is also possible the development is not completed within budget and a larger portion of Beacon's fee is deferred and payable from the customer's cash flow. In instances where the deferred portion is not subject to an interest rate comparable to market interest rates, Beacon's contract would contain a financing component. The financing component would be determined based on the projected payments from the customer's cash flow, which is variable and contingent on the customer's realization of cash flow.

Notes receivable

The Corporation has reflected the receivables and payables in place with the majority of the low-income housing tax credit partnerships in notes receivable and notes and bonds payable, respectively, on the statements of financial position, however, all amounts related to consolidated Properties are eliminated in consolidation. See Notes 4 and 10.

Property and equipment

The Properties' land, buildings and improvements, and equipment and furnishings are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives which are estimated to be between 3 and 40 years using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred.

The Properties are subject to the provisions of the Impairment or Disposal of Long-Lived Assets topic of the FASB ASC 360-10. Impairment or Disposal of Long-Lived Assets has no retroactive impact on the Corporation's financial statements. The standard requires impairment losses to be recorded on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets (excluding interest) are less than the carrying amount of the assets. In such cases, the carrying value of assets to be held and used are adjusted to their estimated fair value and assets held for sale are adjusted to their estimated fair value less selling expenses. No impairment loss was recognized during the years ended December 31, 2023 and 2022.

The Corporation is also subject to the provisions of FASB ASC 360-20-40 which addresses accounting for sales with gains with entities under common control. Accordingly, the Corporation eliminates the value of the Properties' land, buildings and equipment and the corresponding gain recognized in prior years. See Note 5.

Unamortized costs

Certain Properties incurred tax credit monitoring fees, which are being amortized over the 15 year compliance period using the straight-line method.

Leases

Under FASB ASU 2016-02, the Corporation determines if an arrangement is a lease at the inception of the contract. Operating leases with an initial term of 12 months or less are not recorded on the balance sheets and continue to be expensed on a straight-line basis over the lease term. All finance leases and operating leases with lease terms greater than 12 months result in the recognition of a right-of-use asset and a lease liability at the lease commencement date based on the present value of the sum of the lease payments over the lease term. Lease term renewal options are evaluated and included in the lease term if the exercise of the renewal option is deemed to be reasonably certain. In determining if a lease is an operating or finance lease, the Corporation has elected to classify a lease as a finance lease if any of the following are met: the ownership of the asset is expected to be transferred or purchased by the Corporation at the end of the lease term, the lease term represents a major part or 75% of the asset's remaining life, the present value of the sum of the lease payments equals or exceeds substantially all or 90% of the fair value of the asset, or the asset is specialized and has no use to the lessor at the end of the lease term. The Corporation has elected to include both lease and non-lease components as a single component in accounting for the lease. As most of the Corporation's leases do not provide the information required to determine the implicit rate, The Corporation has elected to use the risk-free rate of return in determining the present value of the sum of the lease payments.

At inception of the leases, the Corporation determined the ground leases should be accounted for as operating leases under ASC 840, as the land is the sole item of property leased, and the leases do not meet the transfer-of-ownership criteria or the bargain-purchase-option criteria. As a result, the Corporation has reflected right-of-use assets on the statements of financial position, net of accumulated amortization, and amortize the assets over the remaining term of the lease on a straight line basis. As further described, the Corporation has also recognized a lease liability based on the present value of the sum of the projected future lease payments over the terms of the leases.

The Corporation assesses the carrying value of its right-of-use assets whenever there are indications that a permanent impairment may have occurred. If the carrying value of a right-of-use asset exceeds the estimated value derived by management, the Corporation reduces its right-of-use asset (unless the impairment is considered to be temporary).

Goodwill

Under ASC 350 Intangibles - Goodwill and Other, an intangible asset with an indefinite useful life shall not be amortized. The intangible asset is evaluated for impairment annually and on an interim basis as events and circumstances warrant by comparing the fair value of the intangible asset with its carrying amount. No impairment loss was recognized during the years ended December 31, 2023 and 2022.

Investments in Properties, equity method

The Corporation does not consolidate the accounts and activities of Tower Park LP because the Corporation does not consider its variable interest to be the primary beneficiary under ASC 810-10 Consolidation. The Corporation accounts for the investment 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 net income or loss and by cash distributions received. The Corporation's equity investment balance represents the maximum exposure to loss in connection with such investments.

Debt issuance costs

The Corporation is subject to the provisions of the Interest-Imputation of Interest topic of the FASB ASC 835-30 which requires unamortized debt issuance costs to be presented as a reduction of the outstanding debt and the amortization of the debt issuance costs to be presented as a component of interest expense. Debt issuance costs are amortized on a straight-line basis over the term of the loans. Generally accepted accounting principles require that the effective yield method be used to amortize debt issuance costs; however, the effect of using the straight-line method is not material to the financial statements for the years ended December 31, 2023 and 2022.

Contributions

Syndication costs incurred in connection with generating contributions of the non-controlling interests are reported as a reduction of contributions received for financial reporting purposes.

Affordable housing fees and rents

The Properties' affordable housing rents are recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Properties and the residents are operating leases under ASC 842 and are not within the scope of ASC 606.

The Corporation's management fee income is earned based on the terms as outlined in the management agreements with the Properties and the unaffiliated affordable housing properties. Management fees are typically received monthly and based on previous month's collections. Management fees earned by the Corporation in management of consolidated Properties are eliminated in consolidation.

Affordable housing development

Beacon Development earns developer fees primarily for facilitating the financing and construction of affordable housing. Fees are recognized based on completion of various phases of the development, as specified in the respective agreements. Certain fees are deferred and payable from the Properties' available operating cash flow.

Grant income

The Corporation recognizes revenues from grants and contributions of cash and other assets upon satisfaction of the grantor or donor stipulations, which entitles the Corporation to the assets promised. These assets are recognized as either with or without restriction. Net assets - without donor restriction do not contain grantor or donor stipulations that limit their use. They are available currently for use based on the discretion of the Corporation's management. Grants and contributions that contain grantor or donor stipulations that limit their use are considered net assets - with donor restriction because they are available only for the use stipulated by the grantor or donor. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets - with donor restrictions are reclassified to net assets - without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon direct expenditures incurred or based upon time spent in the activities. See Note 13.

Advertising costs

Advertising costs incurred by the Properties are expensed as incurred and are included in marketing and advertising expenses in the statements of activities.

Property taxes

The Properties are exempt from some, but not all real property taxes. For those Properties that are required to pay property taxes, property taxes are expensed in the year of the lien on the property such that twelve months of expense are charged to operations each year.

Accounting for uncertainty in income taxes

The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and state income tax and has been classified as an other than private foundation. Accordingly, no provision for federal and state taxes on revenue and income has been recognized in the accompanying financial statements.

Even though the Corporation is recognized as tax exempt, it still may be liable for tax on its unrelated business income (UBI). The Corporation evaluates uncertain tax positions through its review of the sources of income to identify UBI and certain other matters, including those which may affect its tax exempt status. The effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2023 and 2022, the Corporation had no uncertain tax positions requiring accrual.

Generally, the Federal and State tax filings are subject to examinations for three years after the later of the original or extended due date or the date filed with the applicable tax authorities.

Concentration of credit risk

The Corporation maintains various cash balances with various regional and national financial institutions. The balances in the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. As of December 31, 2023 and 2022, the cash balances held at some of these financial institutions exceeded the FDIC insurance limit. The Corporation has not experienced any losses in such accounts. Management believes that the Corporation is not exposed to any significant credit risk on cash and cash equivalents.

The Corporation's operations are concentrated in the multifamily real estate market. In addition, the Corporation operates in a heavily regulated environment. The operations of the Corporation, specifically, the Properties, are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, if any, to comply with a change.

Use of estimates in the preparation of consolidated financial statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Derivatives

One of the Properties, Pacific Meadows Senior Housing L.P. entered into an interest rate swap agreement as a free standing derivative as allowed under the applicable accounting standard to appropriately reflect the prospective intentions of holding the interest rate swap. The fair value of the interest rate swap is reported on the statements of financial position. Changes in fair value are included in change in fair market value of interest rate swap in the statements of activities. The valuation technique is classified as Level 2 (see below) under the fair value measurements fair value hierarchy.

Fair value

The Corporation is subject to the provisions of the Fair Value Measurement topic of the FASB ASC 820-10 which provides guidance for assets and liabilities which are required to be measured at fair value and requires expanded disclosure for fair value measurement. The standard applies whenever other standards require or permit assets or liabilities to be measured at fair value and does not require any new fair value measurements. The standard establishes a fair value hierarchy based on three levels:

Level 1 - Quoted prices in active markets for identical assets or liabilities
Level 2 - Quoted prices for similar assets or liabilities in active markets
Level 3 - Unobservable inputs for the asset or liability based on the best available information

For instances in which the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the fair value measurement will fall within the lowest level input that is significant to the fair value measurement in its entirety. See Note 6.

Subsequent events

Management performed an evaluation of the Corporation's activity through April 22, 2024, the audit report date, and has concluded that there are no significant subsequent events requiring disclosure through the date these consolidated financial statements were available to be issued.

NOTE 2-RESTRICTED CASH

The Properties have various cash balances which are segregated and restricted and consist of resident security deposits, tax and insurance escrow deposits, replacement reserves, and operating reserves which are required to be maintained by various operating, regulatory, or lending agreements.

The Properties' designated restricted cash balances held as of December 31, 2023 and 2022, consisted of the following:

	2023	2022
Resident security deposits	$ 1,994,800	$ 1,786,245
Tax and insurance escrow deposits	1,145,734	879,639
Replacement reserves	13,841,607	12,827,933
Operating reserves	14,360,517	12,460,039
Restricted construction escrow	2,609,429	18,292,012
Other reserves	11,872,995	14,910,913
	$45,825,082	**$61,156,781**

NOTE 3-LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Corporation manages its liquidity by completing annual operating budgets that provide sufficient funds for general expenditures, which includes operating expenses, capital replacements, and required debt service, in meeting liabilities and other obligations as they become due and maintains cash and cash equivalents that may be drawn upon as needed during the year to manage cash flow and make necessary expenditures. The Corporation's cash and cash equivalents is available within one year of the statements of financial position date to meet cash needs for general expenditures. There are restricted funds that may be drawn upon in the event of certain capital replacements, financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities with ownership approval.

The following reflects the Corporation's consolidated financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general use within one year of December 31, 2023 and 2022 because of internal designations. Amounts not available include amounts set aside as collateral and investments designated by the Board of Directors as reserved for additional investments into the Properties. These amounts could be drawn upon if needed with approval from the Board of Directors.

	2023	2022
Cash and cash equivalents	$ 42,173,667	$ 38,154,206
Accounts receivable and other receivables, net	5,640,714	4,403,263
Investments	9,932,505	9,265,802
Total	**$57,746,886**	**$51,823,271**

NOTE 4-NOTES RECEIVABLE

The Corporation, as general partner in Bay Vista Partners LLLP and Valley Vista Senior Housing, L.P. entered into capital advance agreements with HUD under Section 202 of the National Housing Act to assist in financing the affordable housing properties. As required by the capital advance program agreements, the Corporation loaned the proceeds from the capital advances to Bay Vista Partners LLLP and Valley Vista Senior Housing, L.P. Bay Vista Partners LLLP was loaned $9,769,000, and Valley Vista Senior Housing, L.P. was loaned $12,282,400. The notes bear no interest and mature on October 1, 2069 (Bay Vista) and March 1, 2067 (Valley Vista).

The corporation also has outstanding notes receivable from three properties, Janey Street, El Centro Columbia City, Mary Field, and Mt. Vernon, which do not eliminate in consolidation. The total outstanding notes receivable at December 31, 2023 and 2022 totaled $3,100,000 and $1,625,107, respectively.

The Corporation also has outstanding notes receivable from various other Properties which were typically necessary to fund development costs. Principal and interest payments on these notes are made from available net cash flows from these Properties annually, based on the individual partnerships' agreements on distribution of these cash flows. The Corporation's notes and interest receivable from these tax credit partnerships at December 31, 2023 and 2022 totaled $93,099,370 and $93,792,824, respectively. The notes receivable balances by Property are as follows at December 31, 2023:

Property	Outstanding Principal	Outstanding Interest	Current Year Payments
333 Monterey Road LP	$ 7,192,500	$ 211,460	$ -
Canterbury Village LP	2,000,000	80,508	-
Casa de la Paloma, LP	15,191,246	1,095,513	1,324,138
Covenant Manor, LP	3,433,835	803,067	-
Ethiopian Village LLLP	850,000	-	-
Filipino Community Village LLLP	900,000	-	-
Harborview Manor LLLP	7,966,759	1,261,903	335,528
Judson Terrace Homes Senior Housing, L.P.	17,774,593	2,097,888	132,014
Morgan Hill Senior Housing, L.P.	1,000,000	-	-
Northaven Three Northgate L.P.	1,320,479	-	-
Pacific Meadows Senior Housing L.P.	5,069,299	2,937,934	-
Park Paseo, LP	8,243,565	2,141,882	278,784
Royal Vista Terrace Apartments, LP	3,390,553	180,868	226,800
Sycamore Terrace Upland, LP	3,914,670	196,530	454,850
Tahoe Senior Housing II, L.P.	496,941	-	-
Three Rivers Senior Housing LLLP	277,283	191,388	-
Westminster Court, LP	2,683,961	194,745	76,384
	$ 81,705,684	**$ 11,393,686**	**$ 2,828,498**

All notes receivable and interest balances eliminate in consolidation.

NOTE 5-PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost and as of December 31, 2023 and 2022, consisted of the following:

	2023	2022
Land	$ 82,071,860	$ 82,043,090
Land improvements	28,053,940	26,930,259
Building and improvements	689,554,997	638,959,143
Furnishings and equipment	92,554,102	87,384,731
Construction in progress	23,820,401	43,576,349
Total	916,055,300	878,893,572
Less: accumulated depreciation	(226,743,576)	(196,552,292)
Balance	**$689,311,724**	**$682,341,280**

Depreciation expense for the years ended December 31, 2023 and 2022 totaled $30,191,284 and $21,517,110, respectively.

During the years ended December 31, 2023 and 2022, property and equipment of $121,135,401 and $121,135,401, net of accumulated depreciation of $16,821,641 and $13,910,041, was eliminated against intercompany gains recognized in prior years, all respectively. During the year ended December 31, 2022, property and equipment was eliminated against an intercompany gain of $31,995,000 related to Soroptimist Gardens Housing Corp. selling The Gardens property to 333 Monterey Road LP on June 9, 2022 and Canterbury Village Retirement Corp selling the Canterbury Village property to Canterbury Village LP on May 20, 2022. The gains were generated by asset sales between entities under common control associated with the syndication of low-income housing tax credits.

As of December 31, 2023, construction contracts and commitments of approximately $57,332,000 exist with various counterparties for the development or redevelopment of Ethiopian Village and Morgan Hill, of which approximately $15,586,000 remains unspent as of December 31, 2023.

At December 31, 2023 and 2022, accounts payable - construction totaled $9,821,348 and $14,314,318, respectively.

NOTE 6-FAIR VALUE

FASB ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or net asset value per share (or its equivalent) with the ability to redeem the investments in the near term.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Investments - Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include cash and cash equivalents held for investment, commercial paper, mutual funds, and equity securities. Level 2 securities include corporate debt securities and U.S. government securities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with identical characteristics, discounted cash flows, or net asset value as described below. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Interest Rate Swap Agreements - The fair value is estimated by a third party using inputs that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the FASB ASC Topic 820 fair value hierarchy in which the fair value measurements fall at December 31, 2023 and 2022:

	Level 1	**Level 2**	**Level 3**	**Fair Value at December 31, 2023**
Investments				
Cash	$ 83,862	$ -	$ -	$ 83,862
Mutual funds and ETF's	-	2,513,675	-	2,513,675
Municipal bonds	-	1,434,410	-	1,434,410
Domestic corporate debt	-	2,878,052	-	2,878,052
U.S. government securities	-	3,022,506	-	3,022,506
Total investments	$ 83,862	$ 9,848,643	$ -	$ 9,932,505
Interest rate swaps	$ -	$(553,630)	$ -	$(553,630)

	Level 1	Level 2	Level 3	Fair Value at December 31, 2022
Investments				
Cash	$ 1,545,532	$ -	$ -	$ 1,545,532
Mutual funds and ETF's	-	2,292,837	-	2,292,837
Municipal bonds	-	1,099,522	-	1,099,522
Domestic corporate debt	-	2,150,248	-	2,150,248
U.S. government securities	-	2,177,663	-	2,177,663
Total investments	$ 1,545,532	$ 7,720,270	$ -	$ 9,265,802
Interest rate swaps	$ -	$(449,567)	$ -	$(449,567)

NOTE 7-INVESTMENTS

Investments below with maturities of three months or less are cash equivalents. Investments at December 31, 2023 and 2022, consisted of the following at fair value:

	2023	2022
Cash	$ 83,862	$ 1,545,532
Mutual funds and ETF's	2,513,675	2,292,837
Municipal bonds	1,434,410	1,099,522
Domestic corporate debt	2,878,052	2,150,248
U.S. government securities	3,022,506	2,177,663
Total	**$ 9,932,505**	**$ 9,265,802**

Investment income, excluding any investment income of the Properties, for the year ended December 31, 2023 and 2022, is as follows:

	2023	2022
Dividend, interest, and other investment income	$ 822,596	$ 306,019
Net realized gain (loss) on investments	14,955	(35,006)
Net unrealized gain (loss) on investments	437,437	(954,235)
Total investment income - net	**$ 1,274,988**	**$(683,222)**

Investment income is net of investment expenses of $15,940 and $16,729 for the years ended December 31, 2023 and 2022, respectively.

NOTE 8-OTHER ASSETS

Investments in Properties, equity method

The Corporation holds a 0.0049% ownership interest in Tower Park LP. Tower Park owns a 50 unit affordable housing community for seniors known as Tower Park in Modesto, California. The balance of the equity investment at December 31, 2023 and 2022 totaled $0 and $0, respectively.

Unamortized costs

Certain Properties incurred tax credit monitoring fees and other fees of $1,777,521 and $1,583,779 as of December 31, 2023 and 2022, respectively, in connection with the development of the affordable housing properties. Amortization expense for the years ended December 31, 2023 and 2022 totaled $187,420 and $111,065, respectively. Accumulated amortization at December 31, 2023 and 2022 totaled $802,029 and $614,609, respectively.

Ground leases

The Corporation rents the land underneath two of its communities through contractual commitments or noncancelable operating lease agreements with related and unrelated entities through Pacific Meadows Senior Housing, LP and FD Haynes Apartments, LP.

The lease term for Pacific Meadows is 90 years with an option to extend. The lease requires variable payments of the lesser of $60,000 or property residual receipts, as defined in the ground lease agreement. In the event there are insufficient residual receipts available, the shortfall shall be extinguished. Regardless of the amount of the property residual receipts, lease payments of $60,000 increasing by 3% per year shall begin to accrue after the earliest to occur: (1) Payment in full of the deferred developer fee; (2) The first day of the fourteenth year following the ground lease commencement date; or (3) Material change in the Property's financing, ownership, or ability to operate as a low-income housing complex as further described in the ground lease agreement.

The lease term for FD Haynes Apartments 65 years. The lease requires payments of $655,000 and shall be paid from available cash flow and shall accrue to the end of the lease if not paid in any given year. Outstanding payments are due and payable in 2077. All subsequent payments shall be due and payable annually in arrears.

Operating lease costs for the years ended December 31, 2023 and 2022 were $842,873 and $842,873, respectively. The remaining lease term for the operating lease as of December 31, 2023 and 2022 was 77 years and 78 years for Pacific Meadows and 62 years and 63 years for FD Haynes Apartments, all respectively. The discount rate for the operating leases as of December 31, 2023 was 2.01%.

Future payments of the operating lease for each of the following five years and thereafter are as follows:

2024	$ 655,000
2025	715,000
2026	716,800
2027	718,654
2028	720,564
Thereafter	55,957,569
	$59,483,587

Goodwill

The Corporation recognized goodwill of $2,109,162 in connection with the acquisition of Beacon Development in 2015 related to the value of the expected synergies from combining operations, and its employees, industry specific knowledge and client relationships in place on the acquisition date.

Pacific Meadows Senior Housing, L.P. recognized goodwill totaling $4,355,202 in connection with the acquisition of the property and equipment in 2010.

Through December 31, 2023 and 2022, the Corporation has not identified any impairment losses in the carrying value of goodwill. As of December 31, 2023 and 2022, the goodwill value totaled $6,464,364 and $6,464,364, respectively.

NOTE 9-CORPORATION NOTES PAYABLE AND OTHER OBLIGATIONS

NorCal - Master Transfer Agreement

The Corporation entered into a master transfer agreement dated January 1, 2015 with NorCal in exchange for the transfer of affordable housing related assets and liabilities.

The master transfer agreement details the form of two non-interest bearing interaffiliate notes:

The first note payable to NorCal totaled $2,242,486 and calls for quarterly payments of $28,000 until September 30, 2034 and a final quarterly payment of $30,486 upon maturity on December 31, 2034.

The second note payable to NorCal totaled $1,364,447 and calls for payments annually contingent upon the Corporation's ability to achieve certain levels of cash flow and operating margin. The second note payable to NorCal does not have a stated maturity date. This note was repaid in full during the year ended December 31, 2021.

Outstanding principal at December 31, 2023 and 2022 totaled $1,318,486 and $1,430,486, respectively.

NorCal - Beacon Development

Beacon Development entered into a promissory note payable to NorCal in an original amount of $2,350,000 and a term of 12 years maturing on January 1, 2027. The note bears interest at 4.5% per annum and requires annual principal payments of $200,000 plus accrued interest with unpaid principal due on the maturity date. Interest expense for the years ended December 31, 2023 and 2022 totaled $45,000 and $45,000, respectively. Outstanding principal at December 31, 2023 and 2022 totaled $1,000,000 and $1,000,000, respectively. Outstanding accrued interest at December 31, 2023 and 2022 totaled $151,313 and $106,313, respectively.

Housing Authority of the County of Monterey

The Corporation entered into a development fee sharing agreement with the Housing Authority of the County of Monterey (HACM) in connection with the development of Pacific Meadows Senior Housing, L.P. The Corporation is required to pay HACM 50% of each deferred fee payment received from Pacific Meadows Senior Housing, L.P. for further consideration of HACM's lease of the property to Pacific Meadows Senior Housing, L.P. Deferred development fees due to the Corporation from Pacific Meadows Senior Housing, L.P. at December 31, 2023 and 2022 totaled $1,661,810 and $1,661,810, however, only $935,002 and $935,002 is covered by the development fee sharing agreement, all respectively. Deferred development fees payable to HACM from the Corporation at December 31, 2023 and 2022 totaled $467,501 and $467,501, respectively, which is included in notes and bonds payable-non servicing debt on the statements of financial position.

Scheduled maturities of corporation notes payable and other obligations are approximately as follows:

2024	$ 112,000
2025	112,000
2026	112,000
2027	1,112,000
2028	112,000
Thereafter	1,225,987
	$ 2,785,987

NOTE 10-PROPERTIES' MORTGAGES AND LONG TERM DEBT

The following mortgage loans and notes payable are collateralized by various trust deeds covering the Properties' land, buildings, and improvements. The Corporation has elected to present servicing debt and non-servicing debt separately in the following tables. Servicing debt requires recurring monthly payments from operations or payments from other permanent sources (i.e. construction financing). Non-servicing debt either requires payments from the Properties' excess cash flow or has no near term payment obligations.

The following represents the debt terms and balances as of December 31, 2023:

Servicing Debt

Property Maturity	Face	Interest Rate	Long-Term Portion	Current Portion
333 Monterey Road LP				
2025	16,496,000	Variable approximately 7.19%	$ -	$ 16,496,000
Canterbury Village LP				
2055	3,866,000	5.16%	3,639,869	35,131
Casa de la Paloma, L.P.				
2030	8,000,000	4.81%	6,789,743	142,518
Castle Argyle, L.P.				
2040	16,654,000	2.87%	16,247,569	222,913
Covenant Manor, L.P.				
2030	12,500,000	5.15%	11,207,463	179,498
Ethiopian Village LLLP				
2039	17,600,000	LIBOR 1 Month + 1.55%	5,808,362	3,522,382
FD Haynes Apartments, LP				
2053	45,000,000	2.67%	43,636,111	637,912
Filipino Community Village LLLP				
2037	6,662,757	3.80%	5,208,524	77,270
Harborview Manor LLLP				
2029	2,081,728	6.85%	1,271,608	100,524
Judson Terrace Homes Senior Housing, LP				
2036	6,500,000	5.13%	6,190,894	80,305
Miller Avenue Senior Housing LP				
2036	5,330,000	4.81%	4,980,115	73,614
Morgan Hill Senior Housing, L.P.				
2025	26,418,139	5.79%	55,000	-
Mt. Rubidoux Manor, L.P.				
2049	10,500,000	4.67%	9,674,536	147,731
Northaven Three Northgate Limited Partnership				
2038	5,000,000	3.34%	3,093,758	64,289
Oak Knolls Haven, Inc.				
2042	1,863,000	4.95%	1,361,321	45,203
Pacific Meadows Senior Housing L.P.				
2047	10,953,360	Variable approximately 3.90%	5,838,608	96,132
Park Paseo, L.P.				
2035	15,324,000	4.73%	14,375,043	211,247
Redlands Senior Housing, Inc.				
2045	3,898,000	4.75%	2,979,677	84,025
Rotary Plaza LP				
2047	20,847,500	4.36%	18,604,224	343,050
Royal Vista Terrace Apartments, L.P.				
2032	6,045,000	5.04%	5,374,807	94,841
Sun Tower Partners, LLLP				
2056	1,334,006	1.00%	951,883	25,661
Sunnyvale Life, LP				
2049	34,900,000	3.65%	30,733,538	778,587
Sycamore Terrace Upland, L.P.				
2033	13,000,000	4.63%	7,504,080	129,207
Westminster Court, L.P.				
2034	7,100,000	4.19%	6,480,546	113,281
Total Servicing Debt			**$212,007,279**	**$ 23,701,321**

Non-Servicing Debt

Property Maturity	Face	Interest Rate	Long-Term Portion	Current Portion
Bay Vista Partners LLLP				
2069	9,769,000	0.00%	$ 9,769,000	$ -
FD Haynes Apartments, LP				
2078	11,208,520	5% compounding annually	10,721,845	-
2078	351,610	0.00%	351,610	-
Filipino Community Village LLLP				
2071	8,648,046	1.00%	8,648,046	-
2071	5,000,000	1.00%	5,000,000	-
2071	1,000,000	1% compounding annually	1,000,000	-
Good Shepherd Senior Housing				
2050	5,077,587	0.00%	5,077,587	-
2050	1,999,629	0.00%	1,999,629	-
2050	462,453	0.00%	462,453	-
Hillcrest Senior Housing, Inc.				
2047	5,620,000	0.00%	5,620,000	-
2063	2,051,612	0.00%	2,048,898	-
2063	480,000	0.00%	479,349	-
2063	227,227	0.00%	222,307	-
2063	853,266	3.00%	852,180	-
2063	510,000	3.00%	509,349	-
2023	270,535	0.00%	-	270,535
Judson Terrace Lodge, Inc.				
2043	2,593,900	0.00%	2,593,900	-
2034	200,000	3.00%	200,000	-
2034	700,000	3.00%	700,000	-
2033	417,000	6.308%	417,000	-
Miller Avenue Senior Housing LP				
2074	1,500,000	3.00%	1,500,000	-
2074	952,000	3.00%	907,849	-
2074	12,250,000	0.35%	12,250,000	-
2072	810,000	0.00%	810,000	-
Mt. Rubidoux Manor, L.P.				
2074	10,368,688	2.6% compounding annually	10,368,688	-
2074	824,803	0.00%	824,803	-
2072	32,400	2.75% compounding annually	32,400	-
2072	200,000	2.75% compounding annually	200,000	-
Pacific Meadows Senior Housing L.P.				
2047	3,100,000	3.00%	3,100,000	-
2065	625,334	3.00%	625,334	-
Redlands Senior Housing Two				
2039	4,889,200	0.00%	4,889,200	-
Rotary Plaza LP				
2072	23,465,741	2.67% compounding annually	14,847,770	-
Salishan Senior Housing, Inc.				
2051	7,647,299	0.00%	7,647,299	-
2039	200,000	0.00%	200,000	-
2049	200,000	0.00%	200,000	-
2049	1,000,000	0.00%	1,000,000	-
2051	2,250,000	0.00%	2,250,000	-
San Leandro Senior Housing, Inc.				
2044	5,647,700	0.00%	5,647,700	-
2061	887,538	3.00%	887,538	-
2064	1,000,000	3.00%	1,000,000	-
2062	541,642	3.00%	541,642	-
Sunnyvale Life, LP				
2073	21,900,000	4.8% compounding annually	8,439,590	-
2073	1,890,274	0.00%	1,890,274	-

Property Maturity	Face	Interest Rate	Long-Term Portion	Current Portion
Sun Tower Partners, LLLP				
2056	5,763,959	7.00%	$ 5,763,959	$ -
2056	886,800	1% compounding annually	886,800	-
Tahoe Senior Plaza, Inc.				
2039	3,576,000	0.00%	3,576,000	-
2037	952,381	0.00%	952,381	-
2037	75,000	0.00%	75,000	-
Tahoe Senior Housing II, L.P.				
2064	3,400,000	3.00%	3,399,997	-
2064	906,722	3.00%	906,722	-
2024	172,000	0.00%	-	172,000
Three Rivers Senior Housing LLLP				
2054	1,100,000	1% compounding quarterly	1,100,000	-
2054	800,000	1% compounding quarterly	800,000	-
Valley Vista Senior Housing, L.P.				
2067	12,282,400	0.00%	12,282,400	-
2066	5,500,000	3% - 30 years, 0% thereafter	5,500,000	-
2066	2,500,000	3% - 30 years, 0% thereafter	2,500,000	-
2065	945,000	0.00%	945,000	-
2065	725,000	0.00%	725,000	-
Andres Duarte Terrace				
2045	9,104,350	0.00%	9,104,350	-
2044	445,000	3.00%	445,000	-
Andres Duarte Terrace II, L.P.				
2056	7,013,000	0.00%	7,013,000	-
2070	1,200,000	0.00%	1,200,000	-
Adda and Paul Safran Senior Housing				
2042	5,806,800	0.00%	5,806,800	-
2041	3,662,069	0.00%	3,662,069	-
2041	165,000	0.00%	165,000	-
Clark Terrace				
2037	3,287,000	0.00%	3,219,000	-
Clark Terrace II				
2041	3,312,700	0.00%	3,312,700	-
Ethiopian Village LLLP				
2078	6,417,567	1.00%	6,022,464	-
2078	3,400,000	1% compounding annually	3,040,324	-
2078	2,144,543	2.07% compounding annually	2,144,543	-
George McDonald Court				
2039	4,868,100	0.00%	4,868,100	-
2040	907,900	0.00%	907,900	-
Hadley Villas				
2045	9,577,400	0.00%	9,577,400	-
L.C. Hotchkiss Terrace				
2046	8,252,700	0.00%	8,252,700	-
2059	406,468	3.00%	406,468	-
Lil Jackson Senior Community				
2051	9,981,800	0.00%	9,981,800	-
2064	2,968,093	3.00%	2,968,093	-
2064	4,138,443	5.00%	4,138,443	-
Morgan Hill Senior Housing, L.P.				
2025	11,867,444	2.09% compounding annually	11,867,444	-
2078	6,000,000	2.09% compounding annually	2,500,000	-
2080	5,632,556	2.09% compounding annually	5,632,556	-
Mountain Vistas				
2044	5,525,700	0.00%	5,525,700	-
2058	275,000	1.00%	275,000	-

Property Maturity	Face	Interest Rate	Long-Term Portion	Current Portion
Mountain Vistas II				
2047	4,918,000	0.00%	$ 4,918,000	$ -
2060	450,000	1.00%	450,000	-
Northaven Three Northgate Limited Partnership				
2075	3,029,470	0.00%	3,029,470	-
2077	9,275,000	1.00%	9,275,000	-
The Otto Gruber House Apartments				
2039	3,192,200	0.00%	3,192,200	-
2040	1,076,071	0.00%	1,055,770	-
Palmer House				
2065	1,002,160	0.00%	1,000,132	-
Rose View Terrace, Inc.				
2052	8,425,400	0.00%	8,373,200	-
Rosewood Court				
2043	5,209,300	0.00%	5,209,300	-
2044	625,694	3.00%	625,694	-
2044	500,000	2.00%	500,000	-
Sierra Gateway Senior Residence				
2047	8,860,900	0.00%	8,860,900	-
2060	1,250,000	0.00%	1,250,000	-
Sierra Gateway Senior Residence II				
2052	9,409,500	0.00%	9,409,500	-
2070	990,000	0.00%	990,000	-
William C. Arthur Terrace				
2045	4,588,100	0.00%	4,588,100	-
2058	1,041,481	0.00%	1,041,481	-
Total Non-Servicing Debt			**$351,952,100**	**$ 442,535**

Interest expense for the years ended December 31, 2023 and 2022 totaled $13,625,925 and $11,663,797, respectively. Accrued interest at December 31, 2023 and 2022 totaled $27,503,088 and $24,206,447, respectively.

Scheduled maturities of mortgage loans and notes payable are approximately as follows:

2024	$ 24,143,856
2025	15,834,072
2026	4,075,485
2027	4,246,727
2028	4,417,644
Thereafter	536,852,949
Total	**$ 589,570,733**

Debt issuance costs

The Properties incurred financing costs totaling $9,400,655 and $8,240,973 as of December 31, 2023 and 2022, respectively, in connection with obtaining long term financing. These fees are being amortized using the straight-line method over the terms of agreements. Amortization expense for the years ended December 31, 2023 and 2022 totaled $282,735 and $242,933, respectively, and is included in interest on the statements of activities. Accumulated amortization at December 31, 2023 and 2022 totaled $1,982,543 and $1,699,808, respectively.

NOTE 11-FAIR MARKET VALUE OF INTEREST RATE SWAP

Pacific Meadows Senior Housing L.P. entered into an interest rate swap agreement converting the variable interest rate to a fixed rate of 4.36%. The agreement has an effective date of April 1, 2012 and matures April 1, 2030. The mark-to-market adjustments for the years ended December 31, 2023 and 2022 on this interest rate swap agreement resulted in an unrealized loss of $104,063 and unrealized gain of $1,002,435, respectively.

The net effect of this interest rate swap was an increase in interest expense totaling $67,552 and $194,282 for the years ended December 31, 2023 and 2022, respectively.

The activity and balance of the interest rate swap agreement as of and for the year ended December 31, 2023 and 2022 is as follows:

	2023	2022
Fair value of interest rate swap agreement, January 1	$ 449,567	$ 1,452,002
Decrease (increase) from fair value adjustment	104,063	(1,002,435)
Fair value of interest rate swap agreement, December 31	**$ 553,630**	**$ 449,567**

NOTE 12-RELATED PARTIES

The Corporation provides affordable housing management and development services in connection with the operation of the Properties. Fees earned under management and development contracts are typically regulated by HUD or state agencies.

The employees of Beacon Development and the Properties are employees of the Corporation. All payroll and related expenses are recorded and paid by the Corporation, and Beacon Development and the Properties reimburse the Corporation for these expenses throughout the year as they are incurred.

The Properties' insurance coverage is provided for under consolidated policies issued through conventional insurance providers and maintained by NorCal. The Properties reimburse the Corporation, who then reimburses NorCal for these expenses as premiums are incurred.

All material intercompany accounts and transactions have been eliminated in consolidation.

Additionally, as part of the master transfer agreement described in Note 1, it was agreed that the Corporation would reimburse NorCal for its portion of corporate office rent and, on a contingent basis, would reimburse NorCal for certain costs incurred in support of the Corporation's operations dependent upon the Corporation's ability to achieve certain levels of cash flow and operating margin. As part of the SoCal master transfer agreement described in Note 1, the corporate office rent and the contingent operating cost reimbursement provisions of the NorCal master transfer agreement were superseded, and additional costs were permanently assigned to the Corporation. Amounts due to NorCal for reimbursements and other advances at December 31, 2023 and 2022 totaled $3,553,500 and $2,428,883, respectively. Amounts due to SoCal for reimbursements and other advances at December 31, 2023 and 2022 totaled $1,101,592 and $828,451, respectively.

NOTE 13-FUNCTIONAL EXPENSES

Management of the Corporation presents operating expenses in its accompanying statements of activities by natural class categories. Operating expenses classified by functional categories for the years ended December 31, 2023 and 2022 are as follows:

	Residential Services	General and Administrative	2023 Total
Salaries and wages	$ 11,876,653	$ 7,426,358	$ 19,303,011
Employee benefits	3,030,158	1,485,324	4,515,482
Supplies	1,651,692	31,956	1,683,648
Repairs and maintenance	4,028,043	263	4,028,306
Marketing and advertising	280,455	-	280,455
Purchased services	4,535,811	674,620	5,210,431
Utilities	5,406,164	-	5,406,164
Travel and related expenses	494,278	494,822	989,100
Leases and rents	285,886	163,671	449,557
Insurance	2,165,729	15,249	2,180,978
Other operating expenses	3,725,972	1,310,762	5,036,734
Total	**$37,480,841**	**$11,603,025**	**$49,083,866**

	Residential Services	General and Administrative	2022 Total
Salaries and wages	$ 11,096,413	$ 6,769,149	$ 17,865,562
Employee benefits	3,255,590	1,654,508	4,910,098
Supplies	1,724,216	41,136	1,765,352
Repairs and maintenance	1,676,538	2,263	1,678,801
Marketing and advertising	303,321	-	303,321
Purchased services	4,120,601	1,213,910	5,334,511
Utilities	5,165,903	-	5,165,903
Travel and related expenses	543,064	677,493	1,220,557
Leases and rents	281,392	180,307	461,699
Insurance	1,735,643	15,029	1,750,672
Other operating expenses	5,724,992	666,005	6,390,997
Total	**$35,627,673**	**$11,219,800**	**$46,847,473**

NOTE 14-MANAGEMENT OF AFFORDABLE HOUSING

The Corporation provides housing management services to affordable housing communities. The fee revenue for the services provided to properties owned or sponsored by unaffiliated organizations are included in affordable housing fees and rents on the Statements of Activities and for the years ended December 31, 2023 and 2022:

	2023	2022
Allen Temple Arms I	$ 56,597	$ 75,328
Allen Temple Arms II	36,405	47,138
Allen Temple Arms III	47,661	33,280
Allen Temple Arms IV	23,128	21,345
El Bethel Arms	267,750	267,750
El Bethel Terrace	108,600	108,600
Irene Cooper Terrace	34,612	5,840
JL Richard	80,294	-
Lomita Manor	53,130	53,130
Olive Plaza	113,725	109,231
San Rafael Rotary Manor	-	55,691
Sojourner Truth Manor	75,488	19,185
Tower Park	40,332	38,232
Total fee revenue	**$ 937,722**	**$ 834,750**

The Corporation is due amounts for fee revenue for the services provided as well as reimbursable amounts such as payroll, insurance, benefits and other costs. Amounts owed by these properties are included in management and development accounts receivable on the Statements of Financial Position and at December 31, 2023 and 2022:

	2023	2022
Allen Temple Arms I	$ 50,389	$ 50,605
Allen Temple Arms II	33,647	92,991
Allen Temple Arms III	281,702	225,492
Allen Temple Arms IV	62,458	46,393
El Bethel Arms	147,337	158,951
El Bethel Terrace	70,521	73,489
Irene Cooper Terrace	40,553	31,294
JL Richard	44,862	42,797
Lomita Manor	65,160	44,915
Olive Plaza	79,415	69,932
San Rafael Rotary Manor	1,831	-
Sojourner Truth Manor	91,730	38,575
Tower Park	24,428	27,421
Total receivables	**$ 994,033**	**$ 902,855**

NOTE 15-CDFI GRANT INCOME

In June 2022 and February 2021, the Corporation was awarded grants of $12,000,000 and $5,250,000, respectively, from the Community Development Financial Institutions Fund (CDFI), with funds made available through the Department of Treasury. The Corporation intends to utilize the grant proceeds to provide permanent loans for the preservation and development of affordable housing. As of December 31, 2023 and 2022, grant proceeds totaled $17,250,000 and $17,250,000, loans committed to certain Properties totaled $6,137,500 and $2,950,000, and loans to certain Properties totaled $6,850,000 and $4,400,000, all respectively.

The Corporation recognizes revenue under the grant as net assets - with donor restrictions once the loans are committed, and reclassifies the revenue to net assets - without donor restrictions once the loans are funded. As of December 31, 2023 and 2022, deferred revenue totaled $3,400,000 and $9,037,500, net assets - with donor restrictions totaled $6,137,500 and $2,950,000, and net assets - without donor restrictions totaled $5,762,500 and $5,262,500, all respectively.

NOTE 16-COMMITMENTS AND CONTINGENCIES

Guarantees

The Corporation, SoCal, and NorCal have issued guarantees to cover operating deficits and to ensure compliance with certain on-going aspects of the amended and restated limited partnership agreements of the low-income housing tax credit partnerships. Management periodically evaluates the potential exposure from these on-going guarantees. The Corporation has not provided support under these guarantees in the past and based on the current evaluation, management believes they cumulatively do not constitute a material future financial risk exposure for the Corporation.

The Corporation, SoCal, and/or NorCal, as guarantors, have also issued unconditional project completion guarantees for tax-credit financed affordable housing partnerships in which the Corporation serves as a general partner. These guarantees coincide with the completion of the Properties under construction as disclosed in Note 5.

Low-income housing tax credits

Certain Properties have received allocations of low-income housing tax credits. The tax credits are contingent on the applicable Properties' 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 non-compliance within a specified time period could result in recapture of previously taken tax credits. In addition, such potential noncompliance may require adjustments as disclosed in the Properties' partnership agreements.

Use or regulatory agreements

Substantially all of the Properties have executed a use or regulatory agreement in connection with the financing. The agreements require the Properties to maintain certain affordability and rental restrictions.

SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

ASSETS	HumanGood Affordable Housing	Beacon Development Group, LLC	Properties	Eliminations	Total
Current assets					
Cash and cash equivalents	$ 20,169,848	$ 238,823	$ 21,764,996	$ -	$ 42,173,667
Investments - cash equivalents	83,862	-	-	-	83,862
Restricted cash	-	9,980	45,815,102	-	45,825,082
Total cash and investments	20,253,710	248,803	67,580,098	-	88,082,611
Resident and subsidy accounts receivable	-	-	1,256,943	-	1,256,943
Management and development accounts receivable	1,558,059	15,164,850	-	(12,339,138)	4,383,771
Development and operating advances receivable, net	-	-	-	-	-
Intercompany	3,789,832	-	-	(3,789,832)	-
Investments	9,848,643	-	-	-	9,848,643
Prepaid expenses, deposits, and other assets	19,261	-	260,452	-	279,713
Total current assets	**35,469,505**	**15,413,653**	**69,097,493**	**(16,128,970)**	**103,851,681**
Land, building, and equipment, net	**-**	**59,519**	**807,476,006**	**(118,223,801)**	**689,311,724**
Long term and other assets					
Investments in properties, equity method	1,309,296	-	1,458,393	(2,767,689)	-
Development and operating advances receivable, net, long term	3,067,743	-	17,400	(2,153,176)	931,967
Notes receivable, net	121,390,158	-	47,580,588	(165,870,746)	3,100,000
Unamortized costs, net	-	-	975,492	-	975,492
Right-of-use assets	-	-	29,184,777	-	29,184,777
Goodwill	-	2,109,162	4,355,202	-	6,464,364
Total long term and other assets	**125,767,197**	**2,109,162**	**83,571,852**	**(170,791,611)**	**40,656,600**
Total assets	**$ 161,236,702**	**$ 17,582,334**	**$ 960,145,351**	**$ (305,144,382)**	**$ 833,820,005**
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable and accrued expenses	$ 1,057,139	$ 1,248,257	$ 6,644,900	$ (1,124,379)	$ 7,825,917
Accrued interest - servicing debt	-	-	792,275	-	792,275
Accounts payable - construction	34,115	-	23,060,485	(13,273,252)	9,821,348
Due to affiliates - NorCal	1,873,539	1,683,516	-	(3,555)	3,553,500
Due to affiliates - SoCal	1,169,189	-	2,110,073	(2,177,670)	1,101,592
Intercompany	103,945	363,967	3,185,142	(3,653,054)	-
Notes and bonds payable - current portion	-	-	23,701,321	-	23,701,321
Notes payable, affiliates - current portion	112,000	-	-	-	112,000
Notes and bonds payable - non-servicing debt - current portion	-	-	442,535	-	442,535
Prepaid and deferred revenue	-	-	289,223	-	289,223
Deferred CDFI Grant	3,400,000	-	-	-	3,400,000
Total current liabilities	**7,749,927**	**3,295,740**	**60,225,954**	**(20,231,910)**	**51,039,711**
Deposits	**-**	**-**	**1,751,580**	**-**	**1,751,580**
Long term liabilities					
Notes and bonds payable - net of current portion	-	-	212,038,979	-	212,038,979
Notes payable, affiliates - net of current portion	1,206,486	-	-	-	1,206,486
Notes and bonds payable - non-servicing debt - net of current portion	22,518,901	1,000,000	481,233,615	(151,364,618)	353,387,898
Less: unamortized debt issuance costs	-	-	(7,418,112)	-	(7,418,112)
Accrued interest - non-servicing debt	-	151,313	39,409,140	(12,975,853)	26,584,600
Lease liability	-	-	33,909,675	-	33,909,675
Fair market value of interest rate swap	-	-	553,630	-	553,630
Total long term liabilities	**23,725,387**	**1,151,313**	**759,726,927**	**(164,340,471)**	**620,263,156**
Total liabilities	**31,475,314**	**4,447,053**	**821,704,461**	**(184,572,381)**	**673,054,447**
Net assets without donor restrictions of the controlling interest	**132,948,888**	**13,135,281**	**(19,005,746)**	**(120,572,001)**	**6,506,422**
Net assets with donor restrictions of the controlling interest	**(3,187,500)**	**-**	**10,647,618**	**-**	**7,460,118**
Net assets without donor restrictions of the non-controlling interest	**-**	**-**	**146,799,018**	**-**	**146,799,018**
	$ 161,236,702	**$ 17,582,334**	**$ 960,145,351**	**$ (305,144,382)**	**$ 833,820,005**

HUMANGOOD AFFORDABLE HOUSING AND AFFILIATES
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS	HumanGood Affordable Housing	Beacon Development Group, LLC	Properties	Eliminations	Total
Current assets					
Cash and cash equivalents	$ 17,374,515	$ 474,967	$ 20,304,724	$ -	$ 38,154,206
Investments - cash equivalents	1,545,532	-	-	-	1,545,532
Restricted cash	-	9,980	61,146,801	-	61,156,781
Total cash and investments	18,920,047	484,947	81,451,525	-	100,856,519
Resident and subsidy accounts receivable	-	-	1,772,271	-	1,772,271
Management and development accounts receivable	1,284,756	14,334,332	-	(13,377,329)	2,241,759
Development and operating advances receivable, net	3,448,578	-	-	(3,059,345)	389,233
Intercompany	3,719,231	-	-	(3,719,231)	-
Investments	7,720,270	-	-	-	7,720,270
Prepaid expenses, deposits, and other assets	-	-	102,277	-	102,277
Total current assets	**35,092,882**	**14,819,279**	**83,326,073**	**(20,155,905)**	**113,082,329**
Land, building, and equipment, net	**-**	**42,535**	**803,434,146**	**(121,135,401)**	**682,341,280**
Long term and other assets					
Investments in properties, equity method	1,309,296	-	1,458,393	(2,767,689)	-
Development and operating advances receivable, net, long term	1,622,517	-	-	(1,005,513)	617,004
Notes receivable, net	118,924,401	-	46,612,853	(163,912,147)	1,625,107
Unamortized costs, net	-	-	969,170	-	969,170
Right-of-use assets	-	-	27,340,360	-	27,340,360
Goodwill	-	2,109,162	4,355,202	-	6,464,364
Total long term and other assets	**121,856,214**	**2,109,162**	**80,735,978**	**(167,685,349)**	**37,016,005**
Total assets	**$ 156,949,096**	**$ 16,970,976**	**$ 967,496,197**	**$ (308,976,655)**	**$ 832,439,614**
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable and accrued expenses	$ 1,150,411	$ 599,502	$ 5,756,154	$ (744,686)	$ 6,761,381
Accrued interest - servicing debt	-	-	891,082	-	891,082
Accounts payable - construction	(842,787)	-	28,840,117	(13,683,012)	14,314,318
Due to affiliates - NorCal	1,798,902	631,537	-	(1,556)	2,428,883
Due to affiliates - SoCal	896,048	-	2,701,311	(2,768,908)	828,451
Intercompany	-	280,051	3,244,905	(3,524,956)	-
Notes and bonds payable - current portion	-	-	33,659,418	-	33,659,418
Notes payable, affiliates - current portion	112,000	-	-	-	112,000
Notes and bonds payable - non-servicing debt - current portion	-	-	270,535	-	270,535
Prepaid and deferred revenue	-	-	416,899	-	416,899
Deferred CDFI Grant	9,037,500	-	-	-	9,037,500
Total current liabilities	**12,152,074**	**1,511,090**	**75,780,421**	**(20,723,118)**	**68,720,467**
Deposits	**-**	**-**	**1,657,567**	**-**	**1,657,567**
Long term liabilities					
Notes and bonds payable - net of current portion	-	-	237,036,463	-	237,036,463
Notes payable, affiliates - net of current portion	1,318,486	-	-	-	1,318,486
Notes and bonds payable - non-servicing debt - net of current portion	22,518,901	1,000,000	481,314,461	(153,251,321)	351,582,041
Less: unamortized debt issuance costs	-	-	(6,541,165)	-	(6,541,165)
Accrued interest - non-servicing debt	-	106,313	34,249,326	(11,134,737)	23,220,902
Lease liability	-	-	31,207,338	-	31,207,338
Fair market value of interest rate swap	-	-	449,567	-	449,567
Total long term liabilities	**23,837,387**	**1,106,313**	**777,715,990**	**(164,386,058)**	**638,273,632**
Total liabilities	**35,989,461**	**2,617,403**	**855,153,978**	**(185,109,176)**	**708,651,666**
Net assets without donor restrictions of the controlling interest	**118,009,635**	**14,353,573**	**(10,564,776)**	**(123,867,479)**	**(2,069,047)**
Net assets with donor restrictions of the controlling interest	**2,950,000**	**-**	**1,368,576**	**-**	**4,318,576**
Net assets without donor restrictions of the non-controlling interest	**-**	**-**	**121,538,419**	**-**	**121,538,419**
	$ 156,949,096	**$ 16,970,976**	**$ 967,496,197**	**$ (308,976,655)**	**$ 832,439,614**

HUMANGOOD AFFORDABLE HOUSING AND AFFILIATES
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	HumanGood Affordable Housing	Beacon Development Group, LLC	Properties	Eliminations	Total
Revenue					
Affordable housing fees and rents	$ 5,103,537	$ -	$ 67,923,947	$ (4,165,815)	$ 68,861,669
Affordable housing development	24,566	6,544,480	-	-	6,569,046
Contributions without donor restrictions	7,146	-	288,948	-	296,094
Other operating revenue	171,800	196,320	159,452	(141,430)	386,142
Total revenue	**5,307,049**	**6,740,800**	**68,372,347**	**(4,307,245)**	**76,112,951**
Operating expenses					
Salaries and wages	3,988,513	3,437,845	11,876,653	-	19,303,011
Employee benefits	872,888	612,436	3,038,326	(8,168)	4,515,482
Supplies	23,227	8,729	1,651,692		1,683,648
Repairs and maintenance	166	364,064	5,598,995	(1,934,919)	4,028,306
Marketing and advertising	-	-	280,455	-	280,455
Purchased services	370,259	304,361	8,752,456	(4,216,645)	5,210,431
Utilities	-	-	5,406,164	-	5,406,164
Travel and related expenses	349,597	145,225	494,278	-	989,100
Leases and rents	15,429	148,242	285,886	-	449,557
Insurance	5,659	9,590	2,165,729	-	2,180,978
Other operating expenses	867,901	200,381	3,965,666	2,786	5,036,734
Total operating expenses	**6,493,639**	**5,230,873**	**43,516,300**	**(6,156,946)**	**49,083,866**
Income (loss) from operations	**(1,186,590)**	**1,509,927**	**24,856,047**	**1,849,701**	**27,029,085**
Other income (expenses)					
CDFI Grant without donor restrictions	-	-	-	-	-
CDFI Grant with donor restrictions	5,637,500	-	-	-	5,637,500
Interest	-	-	(10,478,318)	-	(10,478,318)
Interest - deferred	-	(45,000)	(7,207,162)	4,059,555	(3,192,607)
Interest attributable to amortization of debt issuance costs	-	-	(282,735)	-	(282,735)
Depreciation and amortization	-	(19,085)	(33,271,219)	2,911,600	(30,378,704)
Contribution income (expense)	-	(2,664,134)	-	2,664,134	-
Interest and investment income, net	3,913,370	-	1,318,769	(4,059,555)	1,172,584
Income (loss) before other changes in net assets	**8,364,280**	**(1,218,292)**	**(25,064,618)**	**7,425,435**	**(10,493,195)**
Other changes in net assets without donor restrictions					
Change in fair market value of interest rate swap	-	-	(104,063)	-	(104,063)
Unrealized gain (loss) on investments	437,473	-	-	-	437,473
Change in net assets	**8,801,753**	**(1,218,292)**	**(25,168,681)**	**7,425,435**	**(10,159,785)**
Change in net assets without donor restrictions of the non-controlling interest	**-**	**-**	**(21,922,754)**	**-**	**(21,922,754)**
Change in net assets of the controlling interest	**$ 8,801,753**	**$ (1,218,292)**	**$ (3,245,927)**	**$ 7,425,435**	**$ 11,762,969**

HUMANGOOD AFFORDABLE HOUSING AND AFFILIATES
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	HumanGood Affordable Housing	Beacon Development Group, LLC	Properties	Eliminations	Total
Revenue					
Affordable housing fees and rents	$ 4,807,174	$ -	$ 61,555,041	$ (3,972,424)	$ 62,389,791
Affordable housing development	67,931	7,756,852	-	-	7,824,783
Contributions without donor restrictions	-	-	143,678	-	143,678
Other operating revenue	408,518	4,399	65,546	(375,316)	103,147
Total revenue	**5,283,623**	**7,761,251**	**61,764,265**	**(4,347,740)**	**70,461,399**
Operating expenses					
Salaries and wages	3,681,832	3,087,317	11,096,413	-	17,865,562
Employee benefits	998,168	656,340	3,255,590	-	4,910,098
Supplies	33,890	7,246	1,724,216	-	1,765,352
Repairs and maintenance	2,024	239	4,524,017	(2,847,479)	1,678,801
Marketing and advertising	-	-	303,321	-	303,321
Purchased services	841,424	372,485	8,168,338	(4,047,736)	5,334,511
Utilities	-	-	5,165,903	-	5,165,903
Travel and related expenses	530,177	147,316	543,064	-	1,220,557
Leases and rents	30,202	150,105	281,392	-	461,699
Insurance	6,003	9,026	1,735,643	-	1,750,672
Other operating expenses	157,217	434,099	6,099,685	(300,004)	6,390,997
Total operating expenses	**6,280,937**	**4,864,173**	**42,897,582**	**(7,195,219)**	**46,847,473**
Income (loss) from operations	**(997,314)**	**2,897,078**	**18,866,683**	**2,847,479**	**23,613,926**
Other income (expenses)					
CDFI Grant without donor restrictions	2,200,000	-	-	-	2,200,000
CDFI Grant with donor restrictions	2,000,000	-	-	-	2,000,000
Interest	-	-	(9,308,170)	-	(9,308,170)
Interest - deferred	-	(45,003)	(5,417,967)	3,062,340	(2,400,630)
Interest attributable to amortization of debt issuance costs	-	-	(242,933)	-	(242,933)
Depreciation and amortization	-	(17,030)	(31,327,687)	2,371,197	(28,973,520)
Gain on sale of property	-	-	31,995,000	(31,995,000)	-
Contribution income	9,192,500	-	-	(9,192,500)	-
Interest and investment income, net	3,150,102	-	306,472	(3,624,672)	(168,098)
Income (loss) before other changes in net assets	**15,545,288**	**2,835,045**	**4,871,398**	**(36,531,156)**	**(13,279,425)**
Other changes in net assets without donor restrictions					
Change in fair market value of interest rate swap	-	-	1,002,435	-	1,002,435
Unrealized gain (loss) on investments	(954,235)	-	-	-	(954,235)
Change in net assets	**14,591,053**	**2,835,045**	**5,873,833**	**(36,531,156)**	**(13,231,225)**
Change in net assets without donor restrictions of the non-controlling interest	**-**	**-**	**(21,574,923)**	**-**	**(21,574,923)**
Change in net assets of the controlling interest	**$ 14,591,053**	**$ 2,835,045**	**$ 27,448,756**	**$ (36,531,156)**	**$ 8,343,698**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

U.S. Department of the Treasury

Capital Magnet Fund (Assistance Listing 21.011)	**$ 5,637,500**

Notes to the Schedule of Expenditures of Federal Awards

Note 1: The schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

Note 2: The Corporation has elected to not use the 10% de minimis cost rate.

DAUBY
O'CONNOR &
ZALESKI, LLC

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
HumanGood Affordable Housing and Affiliates
(A California Non-Profit Public Benefit Corporation)

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

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Dauby O'Connor & Zaleski, LLC

April 22, 2024
Carmel, Indiana

Dauby O'Connor & Zaleski, LLC
Certified Public Accountants

DAUBY O'CONNOR & ZALESKI, LLC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
HumanGood Affordable Housing and Affiliates
(A California Non-Profit Public Benefit Corporation)

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, HumanGood Affordable Housing and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding HumanGood Affordable Housing and Affiliates' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of HumanGood Affordable Housing and Affiliates' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of HumanGood Affordable Housing and Affiliates' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

Purpose of This Report

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

Dauby O'Connor & Zaleski, LLC

April 22, 2024 Dauby O'Connor & Zaleski, LLC
Carmel, Indiana Certified Public Accountants

SUMMARY OF AUDITOR'S RESULTS
YEAR ENDED DECEMBER 31, 2023

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	___ yes X no
• Significant deficiencies identified that are not considered to be material weaknesses? reported	___ yes X none
Noncompliance material to financial statements noted?	___ yes X no

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	___ yes X no
• Significant deficiencies identified that are not considered to be material weaknesses?	___ yes X none reported
• Dollar threshold used to distinguish between Type A and Type B Programs	$750,000
• Auditee qualifies as a low-risk auditee?	X yes ___ no
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	___ yes X no

Identification of major programs:

Assistance Listing	Name of Federal Program or Cluster
21.011	Capital Magnet Fund

Section II-Financial Statement Findings

Our audit disclosed no findings or questioned costs that are required to be reported.

Section III-Federal Award Findings and Questioned Costs

Our audit disclosed no findings or questioned costs that are required to be reported.

CORRECTIVE ACTION PLAN
YEAR ENDED DECEMBER 31, 2023

Name of auditee: HumanGood Affordable Housing and Affiliates

Name of audit firm: Dauby O'Connor & Zaleski, LLC

Period covered by the audit: Year ended December 31, 2023

CAP prepared by

Name: Beth Burke

Position: Assistant Controller

Telephone number: 818-247-0420

Current Findings on the Schedule of Findings, Questioned Costs, and Recommendations

No corrective action plan is required to be reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2023

There were no open findings or questioned costs from the prior audit report.

HUMANGOOD AFFORDABLE HOUSING AND AFFILIATES
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

CERTIFICATION OF OFFICERS
YEAR ENDED DECEMBER 31, 2023

We hereby certify that we have examined the accompanying financial statements and supplemental data of HumanGood Affordable Housing and Affiliates and, to the best of our knowledge and belief, the same are complete and accurate.

General Officers:

DocuSigned by:
Andrew McDonald
43DCBFEFD6F7449...
(Signature of Officer)

Andrew McDonald
(Print Name of Officer)

April 22, 2024
Date

DocuSigned by:
Mary Grace Crisostomo
A5536F7B963F422...
(Signature of Officer)

Mary Grace Crisostomo
(Print Name of Officer)

April 22, 2024
Date

94-3085296
Tax I.D. Number