

**TENDERLOIN NEIGHBORHOOD  
DEVELOPMENT CORPORATION  
AND AFFILIATES**

**COMBINED FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED DECEMBER 31, 2023 AND 2022**

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
COMBINED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022

TABLE OF CONTENTS

	Page
Independent Auditor’s Report .....	1
Combined Statements of Financial Position.....	4
Combined Statements of Activities .....	6
Combined Statements of Functional Expenses .....	10
Combined Statements of Cash Flows.....	12
Notes to Combined Financial Statements .....	14
Supplementary Information.....	48
Combining Schedules of Financial Position .....	49
Combining Schedules of Activities.....	53
Schedules of Notes Payable (Tenderloin Neighborhood Development Corporation Only).....	57
Schedule of Properties Developed .....	60
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	62

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Tenderloin Neighborhood Development Corporation and Affiliates  
San Francisco, California

**INDEPENDENT AUDITOR'S REPORT**

**Report on the Audit of the Combined Financial Statements**

**Opinion**

We have audited the accompanying combined financial statements of Tenderloin Neighborhood Development Corporation, a California nonprofit public benefit corporation, and Affiliates, which comprise the combined statements of financial position as of December 31, 2023 and 2022, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

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

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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 Combined Financial Statements section of our report. We are required to be independent of Tenderloin Neighborhood Development Corporation 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.

**Emphasis of Matter – New Accounting Standard**

As discussed in Note 2 to the financial statements, Tenderloin Neighborhood Development Corporation and Affiliates adopted the new accounting guidance required by accounting principles generally accepted in the United States of America on current expected credit losses. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 combined financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 Tenderloin Neighborhood Development Corporation 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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tenderloin Neighborhood Development Corporation 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 basic combined financial statements taken as a whole. The accompanying supplementary information on pages 49 through 61 is presented for purposes of additional analysis and is not a required part of the basic combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the combined 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 September 25, 2024 on our consideration of Tenderloin Neighborhood Development Corporation and Affiliates' internal control over financial reporting and on our tests of their 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 Tenderloin Neighborhood Development Corporation 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 Tenderloin Neighborhood Development Corporation and Affiliates' internal control over financial reporting and compliance.

*Lindquist, von Husen and Joyce LLP*

September 25, 2024

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
COMBINED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2023 AND 2022

	2023	2022
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 21,332,239	\$ 19,063,158
Investments in marketable securities (Note 3)	27,699,415	23,707,662
Rent receivable – net of allowance for credit losses of \$3,070,228 and \$2,434,682, for 2023 and 2022, respectively (Note 4)	4,433,920	2,128,046
Contributions receivable including government contracts (Note 5)	2,345,445	2,627,370
Other receivables – current portion (Note 6)	3,027,318	2,463,403
Related-party receivable – current portion (Note 7)	219,454	265,095
Prepaid expenses and deposits – current portion (Note 8)	7,171,811	2,817,088
Other assets – current portion (Note 23)	2,471,457	-
Total current assets	68,701,059	53,071,822
<b>Long-term assets:</b>		
Restricted cash and deposits (Note 9)	45,724,165	52,302,889
Other receivables – net of current portion (Note 6)	-	389,969
Related-party receivable – net of current portion (Note 7)	1,278,177	1,399,126
Prepaid expenses and deposits – net of current portion (Note 8)	247,442	258,109
Notes and interest receivable	488,002	454,336
Investments in other companies (Note 10)	2,183,861	2,201,468
Development in progress (Note 11)	164,493,537	197,386,577
Property and equipment – net (Note 12)	1,187,408,100	1,012,666,619
Right-of-use assets – operating lease (Note 16)	45,485,854	45,108,287
Deferred costs – net (Note 13)	967,855	747,931
Other assets – net of current portion (Note 23)	-	2,825,457
Total long-term assets	1,448,276,993	1,315,740,768
Total assets	\$ 1,516,978,052	\$ 1,368,812,590

*The accompanying notes are an integral part of these financial statements.*

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
COMBINED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2023 AND 2022

	2023	2022
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 10,471,851	\$ 7,746,171
Deferred revenue – current portion (Note 17)	2,016,931	1,812,619
Related-party payable – current portion (Note 7)	620,560	300,825
Interest payable – current portion (Note 14)	3,838,443	3,959,077
Notes payable – current portion (Note 14)	4,585,381	4,830,349
Operating lease liabilities – current portion (Note 16)	1,155,239	752,868
Total current liabilities	22,688,405	19,401,909
<b>Long-term liabilities:</b>		
Security deposits	2,406,265	1,837,956
Development costs payable	31,546,293	32,375,038
Deferred revenue – net of current portion (Note 17)	3,194,137	863,259
Related-party payable – net of current portion (Note 7)	2,774,235	3,164,869
Derivative financial instruments (Note 15)	220,335	226,469
Interest payable – net of current portion (Note 14)	99,939,795	91,214,314
Notes payable – net of current portion (Note 14)	1,082,602,709	954,925,932
Operating lease liabilities – net of current portion (Note 16)	41,084,602	40,092,545
Operating lease liabilities – interest (Note 16)	265,552	154,059
Total long-term liabilities	1,264,033,923	1,124,854,441
Total liabilities	1,286,722,328	1,144,256,350
<b>Net assets:</b>		
<b>Without donor restrictions:</b>		
Controlling interests	16,579,103	29,409,767
Non-controlling interests	210,506,470	190,621,671
Total without donor restrictions	227,085,573	220,031,438
With donor restrictions (Note 19)	3,170,151	4,524,802
Total net assets	230,255,724	224,556,240
Total liabilities and net assets	\$ 1,516,978,052	\$ 1,368,812,590

*The accompanying notes are an integral part of these financial statements.*

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
COMBINED STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023		Total
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	
Support and revenue:			
Rental income – residential (net)	\$ 66,119,044	\$ -	\$ 66,119,044
Rental income – commercial (net) (Note 22)	2,281,967	-	2,281,967
Contributions and program service fees	8,026,410	4,394,512	12,420,922
Operating subsidy grants (Note 17)	2,448,953	-	2,448,953
NeighborWorks America grants (Note 18)	838,750	-	838,750
In-kind donations (Note 2)	149,683	-	149,683
Revenue from special events	220,797	276,856	497,653
Less: cost of special events	(120,854)	(211,592)	(332,446)
Interest and investment income	1,419,340	-	1,419,340
Net realized and unrealized loss on investments	3,370,831	-	3,370,831
Other income	1,500,684	-	1,500,684
Net assets released from restrictions (Note 19)	5,814,426	(5,814,426)	-
Total support and revenue	92,070,031	(1,354,650)	90,715,381
Expenses:			
Program services:			
Housing services	116,264,326	-	116,264,326
Tenant services	10,402,257	-	10,402,257
Housing development	17,465,610	-	17,465,610
Management and general	3,824,969	-	3,824,969
Fundraising	905,208	-	905,208
Total expenses	148,862,370	-	148,862,370
Change in net assets before other gains (losses)	(56,792,339)	(1,354,650)	(58,146,989)
Other gains (losses):			
Debt forgiveness income	1,001,672	-	1,001,672
Loss on sale of land (Note 23)	(448,521)	-	(448,521)
Loss from retirement of property and equipment	(915,330)	-	(915,330)
Other loss	(289,411)	-	(289,411)
Total other gains (losses)	(651,590)	-	(651,590)
Change in net assets before capital contributions, distributions, and syndication costs	(57,443,929)	(1,354,650)	(58,798,579)
Intercompany transfers, capital contributions, distributions, and syndication costs:			
Intercompany transfers	(50,792)	-	(50,792)
Syndication costs – non-controlling interest	(536,891)	-	(536,891)
Capital contributions – non-controlling interest	65,114,517	-	65,114,517
Capital distributions – non-controlling interest	(28,771)	-	(28,771)
Change in net assets	7,054,134	(1,354,650)	5,699,484
Net assets, beginning of year	220,031,438	4,524,802	224,556,240
Net assets, end of year	\$ 227,085,572	\$ 3,170,152	\$ 230,255,724

*The accompanying notes are an integral part of these financial statements.*



TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
COMBINED STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023
Reconciliation of net assets:	
Controlling interest:	
Beginning of year	\$ 33,934,569
Change in net assets from operations	(14,185,315)
End of year	19,749,254
Non-controlling interest:	
Beginning of year	190,621,671
Capital contributions	65,114,517
Capital distributions	(28,771)
Syndication costs	(536,891)
Change in net assets from operations	(44,664,056)
End of year	210,506,470
Net assets, end of year	\$ 230,255,724

*The accompanying notes are an integral part of these financial statements.*

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
COMBINED STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2022		Total
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	
Support and revenue:			
Developer fees (Note 7)	\$ 100,000	\$ -	\$ 100,000
Rental income – residential (net)	61,446,486	-	61,446,486
Rental income – commercial (net) (Note 22)	1,907,746	-	1,907,746
Contributions and program service fees	6,623,568	2,972,855	9,596,423
Operating subsidy grants (Note 17)	1,138,681	-	1,138,681
NeighborWorks America grants (Note 18)	738,000	-	738,000
In-kind donations (Note 2)	75,247	-	75,247
Revenue from special events	320,755	478,665	799,420
Less: cost of special events	(162,789)	(259,377)	(422,166)
Interest and investment income	590,083	-	590,083
Net realized and unrealized loss on investments	(5,260,574)	-	(5,260,574)
Other income	3,538,564	-	3,538,564
Net assets released from restrictions (Note 19)	4,908,551	(4,908,551)	-
Total support and revenue	75,964,318	(1,716,408)	74,247,910
Expenses:			
Program services:			
Housing services	101,497,986	-	101,497,986
Tenant services	9,318,972	-	9,318,972
Housing development	2,598,800	-	2,598,800
Management and general	3,652,503	-	3,652,503
Fundraising	847,478	-	847,478
Total expenses	117,915,739	-	117,915,739
Change in net assets before other gains (losses)	(41,951,421)	(1,716,408)	(43,667,829)
Other gains (losses):			
Debt forgiveness income	164,000	-	164,000
Loss on sale of land (Note 23)	(2,052,298)	-	(2,052,298)
Loss from retirement of property and equipment	(300,342)	-	(300,342)
Total other gains (losses)	(2,188,640)	-	(2,188,640)
Change in net assets before capital contributions, distributions, and syndication costs	(44,140,061)	(1,716,408)	(45,856,469)
Capital contributions, distributions, and syndication costs:			
Syndication costs – non-controlling interest	(292,417)	-	(292,417)
Capital contributions – non-controlling interest	3,062,518	-	3,062,518
Capital distributions – non-controlling interest	(41,965)	-	(41,965)
Change in net assets	(41,411,925)	(1,716,408)	(43,128,333)
Net assets, beginning of year	261,443,363	6,241,210	267,684,573
Net assets, end of year	\$ 220,031,438	\$ 4,524,802	\$ 224,556,240

*The accompanying notes are an integral part of these financial statements.*

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
COMBINED STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2022
Reconciliation of net assets:	
Controlling interest:	
Beginning of year	\$ 53,211,510
Transfer of capital to non-controlling interest	(62,200)
Change in net assets from operations	(19,214,741)
End of year	33,934,569
Non-controlling interest:	
Beginning of year	214,473,063
Capital contributions	3,062,518
Capital distributions	(41,965)
Syndication costs	(292,417)
Transfer of capital from controlling interest	62,200
Change in net assets from operations	(26,641,728)
End of year	190,621,671
Net assets, end of year	\$ 224,556,240

*The accompanying notes are an integral part of these financial statements.*

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023					
	<i>Program Services</i>			<i>Supporting Services</i>		<i>Total</i>
	<i>Housing Services</i>	<i>Tenant Services</i>	<i>Housing Development</i>	<i>Management and General</i>	<i>Fundraising</i>	
Salaries and wages	\$ 16,531,332	\$ 2,332,676	\$ 611,247	\$ 2,913,369	\$ 372,117	\$ 22,760,741
Employee benefits	3,671,724	487,287	105,107	375,641	43,613	4,683,372
Management fees	312,945	-	-	-	-	312,945
Office expense	2,841,897	578,075	999,620	198,267	96,519	4,714,378
Repairs and maintenance	17,103,701	99,722	478,424	18,292	5,442	17,705,581
Utilities	7,924,133	(1,615)	22,597	(3,008)	(334)	7,941,773
Security	1,469,275	10,789	2,309	2,485	533	1,485,391
Professional fees	2,654,149	329,976	134,215	151,744	351,546	3,621,630
Supportive services and program expenses	(74,090)	6,205,857	1,784	3,699	412	6,137,662
Insurance and property taxes	9,968,118	359,490	620,792	90,856	35,360	11,074,616
Interest – mortgage loans and others	5,717,658	-	13,773,171	31,639	-	19,522,468
Total operating expenses before deferred interest, depreciation and amortization, and other (income) expenses	68,120,842	10,402,257	16,749,266	3,782,984	905,208	99,960,557
Interest – deferred loans	9,809,356	-	685,201	8,682	-	10,503,239
Depreciation and amortization	37,051,907	-	-	33,303	-	37,085,210
Ground lease	1,176,862	-	-	-	-	1,176,862
Ground lease – interest	111,493	-	-	-	-	111,493
Other non-operating (income) expenses	(6,134)	-	31,143	-	-	25,009
Total expenses as shown in the combined statements of activities	116,264,326	10,402,257	17,465,610	3,824,969	905,208	148,862,370
Fundraising event costs	-	-	-	-	332,446	332,446
Total expenses	\$ 116,264,326	\$ 10,402,257	\$ 17,465,610	\$ 3,824,969	\$ 1,237,654	\$ 149,194,816

*The accompanying notes are an integral part of these financial statements.*

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2022					
	<i>Program Services</i>			<i>Supporting Services</i>		<i>Total</i>
	<i>Housing Services</i>	<i>Tenant Services</i>	<i>Housing Development</i>	<i>Management and General</i>	<i>Fundraising</i>	
Salaries and wages	\$ 14,822,947	\$ 2,151,684	\$ 671,431	\$ 2,796,420	\$ 369,625	\$ 20,812,107
Employee benefits	3,721,944	455,881	147,023	386,734	61,113	4,772,695
Management fees	223,319	-	-	-	-	223,319
Office expense	4,831,303	497,554	305,967	132,358	103,568	5,870,750
Repairs and maintenance	14,996,753	75,624	28,545	48,543	6,871	15,156,336
Utilities	7,527,997	6,018	20,015	4,734	631	7,559,395
Security	924,953	11,972	2,668	6,061	821	946,475
Professional fees	2,039,317	577,482	147,183	139,605	263,765	3,167,352
Supportive services and program expenses	221,340	5,230,080	-	-	-	5,451,420
Insurance and property taxes	6,579,392	312,677	179,214	110,171	41,084	7,222,538
Interest – mortgage loans and others	6,157,390	-	982,738	11,327	-	7,151,455
Total operating expenses before deferred interest, depreciation and amortization, and other (income) expenses	62,046,655	9,318,972	2,484,784	3,635,953	847,478	78,333,842
Interest – deferred loans	9,664,261	-	104,387	8,188	-	9,776,836
Depreciation and amortization	28,793,540	-	-	8,362	-	28,801,902
Ground lease	1,119,557	-	-	-	-	1,119,557
Ground lease – interest	103,441	-	-	-	-	103,441
Other non-operating (income) expenses	(229,468)	-	9,629	-	-	(219,839)
Total expenses as shown in the combined statements of activities	101,497,986	9,318,972	2,598,800	3,652,503	847,478	117,915,739
Fundraising event costs	-	-	-	-	422,166	422,166
Total expenses	\$ 101,497,986	\$ 9,318,972	\$ 2,598,800	\$ 3,652,503	\$ 1,269,644	\$ 118,337,905

*The accompanying notes are an integral part of these financial statements.*

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
COMBINED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (58,798,579)	\$ (45,856,469)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	37,085,210	28,801,902
Ground lease – amortization of right-of-use assets – operating lease	275,422	265,922
Loss from retirement of property and equipment	915,330	300,342
Interest expense – amortization of financing costs	2,269,488	548,089
Net realized and unrealized (gain) loss on investments in marketable securities	(3,370,711)	5,260,015
Debt forgiveness income	(1,001,672)	(164,000)
Loss on sale of land	448,521	2,052,298
Gain from derivative financial instruments	(6,134)	(235,711)
Loss from investments in other companies	407	53,179
(Increase) decrease in assets:		
Receivables	(1,861,520)	(69,137)
Prepaid expenses and other deposits	(242,729)	(21,580)
Related-party receivable	166,590	907,068
Other assets	354,000	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	2,725,680	(104,089)
Related-party payable	145,305	32,827
Deferred revenue	2,535,190	(1,203,594)
Tenant security deposits	568,309	(17,771)
Interest payable	10,028,361	8,724,149
Ground lease payable	852,932	(707,197)
	(6,910,600)	(1,433,757)
Net cash used in operating activities		
Cash flows from investing activities:		
Purchase of investments in marketable securities	(683,073)	(524,351)
Proceeds from sale of investments in marketable securities	62,031	56,418
(Increase) decrease in deposits for development expenditures	(4,101,327)	5,735,543
Increase in development in progress	(126,777,703)	(110,544,506)
Purchase of property and equipment	(37,887,640)	(27,698,019)
Payment of deferred costs	(127,274)	-
Decrease in investments in other companies	17,200	-
Payment of development costs payable	(32,375,038)	(30,113,808)
Proceeds from energy savings rebate	165,647	-
Proceeds from transfer tax refunds	-	1,789,365
Increase in notes and interest receivable	(33,666)	(23,169)
	(201,740,843)	(161,322,527)
Net cash used in investing activities		

*The accompanying notes are an integral part of these financial statements.*

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
COMBINED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash flows from financing activities:		
Capital contributions – non-controlling interest	41,578,479	3,062,518
Capital distributions – non-controlling interest	(79,563)	(41,965)
Payment of developer fee	(767,452)	-
Payment of syndication costs	(10,000)	-
Proceeds from notes payable	219,592,014	157,633,023
Repayment of notes payable	(54,310,357)	(4,313,299)
Payment of financing costs	(1,661,321)	(860,233)
Net cash provided by financing activities	204,341,800	155,480,044
Decrease in cash, cash equivalents, restricted cash and deposits	(4,309,643)	(7,276,240)
Cash, cash equivalents, restricted cash and deposits, beginning of year	71,366,047	78,642,287
Cash, cash equivalents, restricted cash and deposits, end of year	\$ 67,056,404	\$ 71,366,047
Supplementary information:		
Cash paid for interest (net of capitalized interest)	\$ 16,835,964	\$ 7,540,071
Noncash investing and financing activities:		
Lease assets obtained in exchange for lease obligations – operating lease	\$ 652,989	\$ 37,401,621
Assets acquired by assuming liabilities	\$ 34,783,983	\$ 35,730,862
Development in progress reclassified to property and equipment	\$ 188,796,066	\$ 149,513,062
Deferred costs reclassified from development in progress	\$ 231,998	\$ 110,698
Financing costs reclassified from development in progress	\$ 1,963,170	\$ 458,968
Syndication costs reclassified from development in progress	\$ 526,891	\$ 292,417
Cash and cash equivalents	\$ 21,332,239	\$ 19,063,158
Restricted cash and deposits	45,724,165	52,302,889
Total cash, cash equivalents, restricted cash and deposits shown in the combined statements of cash flows	\$ 67,056,404	\$ 71,366,047

*The accompanying notes are an integral part of these financial statements.*

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Tenderloin Neighborhood Development Corporation (TNDC) was formed as a California nonprofit public benefit corporation on June 16, 1981. TNDC develops community and provides affordable housing and services for people with low incomes in the Tenderloin and throughout San Francisco to promote equitable access to opportunity and resources.

TNDC’s programs include housing management services, tenant services, housing development and community organizing. Tenant services include, among others, the Tenderloin After-School Program (TASP), social work services, and various food and wellness programs. In addition, TNDC owns real properties located in San Francisco which provide housing for low and moderate income individuals and families. These real properties are included in these combined financial statements as directly-owned properties.

TNDC is affiliated with and under common board control or majority board control with other not-for-profit corporations which have been formed either as supporting entities to TNDC, or as instruments to further TNDC’s organizational objectives. TNDC is also affiliated with limited liability companies (LLCs) holding a controlling general partner interest in their respective limited partnerships providing affordable housing, serving individuals and families, or owning community-serving commercial rentals. These entities, which are included in the combined financial statements of TNDC in accordance with generally accepted accounting principles (GAAP), are:

- TNDC Supporting Fund (TSF), a 509(a)(3) tax exempt corporation, established in December 2006 to engage in activities that support the purposes of TNDC.
- Turk Street, Inc. (TSI) is the sole stockholder or holds general partner interest in limited partnerships providing affordable housing.
- 220 Golden Gate Historic Corporation, a California C corporation with TSI as its sole stockholder.
- 1400M Consulting LLC (TSI, sole member) provides development consulting services.
- Haight Street Senior Housing, Inc., a single-purpose not-for-profit corporation, provides affordable housing.
- Not-for-profit corporations and LLCs holding a controlling general partner interest in their respective limited partnerships providing affordable housing:

<i>Not-For-Profit Corporation and LLC (Sole Member unless specified)</i>	<i>Limited Partnership</i>	<i>Ownership Interest</i>
5H GP LLC (TSI)	5th and Howard Associates, L.P.	0.01%
44 McAllister GP LLC (TSI)	44 McAllister Associates, L.P.	0.01%
430 Turk GP LLC (TSI)	430 Turk Associates, L.P.	0.01%
681 Florida TNDC GP LLC (TSI)	681 Florida Housing Associates, L.P.	0.051%
939 & 951 Eddy GP LLC (TSI)	939 & 951 Eddy Associates, L.P.	0.01%
1036 Mission GP LLC (TNDC)	1036 Mission Associates, L.P.	0.01%
1300 Fourth Street GP LLC (TSI)	1300 Fourth Street Associates, L.P.	0.01%
Alexander GP LLC (TNDC)	AR Preservation, L.P.	0.01%
Ambassador Nine Percent GP LLC (TSI)	Ambassador Nine Percent, L.P.	0.01%
Ambassador Ritz Four Percent GP LLC (TSI)	Ambassador Ritz Four Percent, L.P.	0.01%
Ambassador SRO, Inc.	Ambassador SRO Associates, L.P.	0.01%
Antonia GP LLC (TNDC)	AM Preservation, L.P.	0.10%
Clementina Towers DE GP LLC (TSI)	Clementina Towers Associates, L.P.	0.01%
E&T Housing GP LLC (TSI 79%)	Eddy & Taylor Associates, L.P.	0.01%



TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

<i>Not-For-Profit Corporation and LLC (Sole Member unless specified)</i>	<i>Limited Partnership</i>	<i>Ownership Interest</i>
Eddy Street, Inc.	Ritz Hotel, L.P.	99.00%
Ellis 350 GP LLC (TSI 90%)	Ellis 350 Associates, L.P.	0.01%
Ellis Street, Inc.	Curran House Limited Partnership	0.01%
	Ellis Street Associates	0.01%
Franciscan Towers GP LLC (TSI)	Franciscan Towers Associates, L.P.	0.01%
Howard Street Development Corporation	1166 Howard Street Associates	0.01%
Maria GP LLC (TNDC)	MM Preservation, L.P.	0.10%
McAllister Street, Inc.	McAllister Street Associates	1.00%
O'Farrell Towers GP LLC (TSI 79%)	O'Farrell Towers Associates, L.P.	0.01%
Plaza Apartments GP LLC (TSI)	Plaza Apartments Associates, L.P.	0.01%
Polk Senior Housing LLC (TNDC)	Polk Senior Housing Associates, L.P.	0.01%
Rosa Parks II GP LLC (TSI 80%)	Rosa Parks II, L.P.	0.01%
RP GP LLC (TSI 80%)	RP Associates, L.P.	0.01%
TSI	220 Golden Gate Associates, L.P.	0.01%
	Alabama Street Housing Associates	0.01%
	Alabama Street Senior Housing Associates	0.01%
	Dalt Hotel, L.P.	0.01%
	Folsom/Dore Associates	0.009%
	West Hotel, L.P.	0.01%
TNDC-GP, LLC (TNDC)	Klimm Apartments, L.P.	0.01%
Turk 500 GP LLC (TSI)	Turk 500 Associates, L.P.	0.01%
Turk & Eddy GP LLC (TSI)	Turk & Eddy Associates, L.P.	30.00%
Yosemite GP LLC (TSI)	Yosemite Apartment Associates, L.P.	0.01%

- LLCs holding a controlling general partner interest in their respective limited partnerships to provide affordable housing in the future. Taylor Family Housing, Inc. is the temporary limited partner for all below partnerships, except for Octavia RSU Associates, L.P., until permanent limited partners are admitted to the partnerships.

<i>LLC (Sole Member unless specified)</i>	<i>Limited Partnership</i>
4 <sup>th</sup> & Folsom GP LLC (TSI)	4 <sup>th</sup> & Folsom Associates, L.P.
180 Jones GP LLC (TSI)	180 Jones Street Associates, L.P.
730 Stanyan TNDC GP LLC (TSI)	730 Stanyan Associates, L.P.
2550 Irving GP LLC (TSI)	2550 Irving Associates, L.P.
4200 Geary LLC (TSI)	4200 Geary Associates, L.P.
Candlestick 10a GP LLC (TSI 80%)	Candlestick 10a Associates, L.P.
Octavia RSU GP LLC (TSI)	Octavia RSU Associates, L.P.
Sierra Madre GP LLC (TSI)	Sierra Madre Associates, L.P.

- LLCs directly owning projects or parcels:
  - 220 Golden Gate Clinic LLC (TSI, sole member) owns the ground floor commercial parcel of the Kelly Cullen Community project.
  - 270 Turk GP LLC (O'Farrell Senior Housing, Inc., sole member and an affiliate of TNDC) owns the 85-unit multi-family apartment complex.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

- 1166 Howard Street Commercial LLC (TNDC, sole member) owns the ground floor commercial parcel of the 8<sup>th</sup> and Howard project.
- 1234 Great Highway LLC (TSI, sole member) owns the parcel of the 1234 Great Highway senior housing project.
- 1300 Fourth Street Commercial LLC (TSI, sole member) owns the commercial parcel of the 626 Mission Bay Boulevard project (formerly 1300 4<sup>th</sup> Street).
- Alabama Commercial LLC (TSI, sole member) owns commercial parcels at the Mosaica projects.
- Mason 125 LLC (TSI, sole member) owns the 81-unit multi-family apartment building.
- Pennsylvania 249 Housing Associates LLC (TSI, 75% interest) owns the parcel of the 249 Pennsylvania Avenue project.

- Entities holding limited partner interests in limited partnerships providing affordable housing:

<i>Entity</i>	<i>Limited Partnership</i>	<i>Ownership Interest</i>
220 Golden Gate Historic Corporation Taylor Family Housing, Inc.	220 Golden Gate Associates, L.P.	14.99% <sup>(1)</sup>
	220 Golden Gate Associates, L.P.	85.00% <sup>(1)</sup>
	1166 Howard Street Associates	99.99%
	AR Preservation, L.P.	99.99%
	Ambassador SRO Associates, L.P.	99.99%
	AM Preservation, L.P.	99.90%
	Curran House Limited Partnership	99.99%
	Dalt Hotel, L.P.	98.99%
	Ellis Street Associates	99.99%
	Folsom/Dore Associates	99.991%
	Klimm Apartments, L.P.	99.99%
	MM Preservation, L.P.	99.90%
	Plaza Apartment Associates, L.P.	99.99%
	Ritz Hotel, L.P.	1.00%
	West Hotel, L.P.	99.99%
TNDC	McAllister Street Associates	99.00%
	Turk & Eddy Associates, L.P.	70.00%

<sup>(1)</sup> 220 Golden Gate Historic Corporation assigned 25% of its 74.99% interest to Taylor Family Housing Inc. on December 31, 2019. 220 Golden Gate Historic Corporation assigned another 16%, 11%, and 8% of its interest on December 31, 2020, 2021, and 2022, respectively, and the remaining 14.99% was assigned on December 31, 2023.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022

- Not-for-profit corporations holding ownership of land on which affordable housing projects owned by limited partnerships were built:

<i>Not-For-Profit Corporation</i>	<i>Limited Partnership</i>
Howard Street Development Corporation Taylor Family Housing, Inc. TNDC	Polk Senior Housing Associates, L.P. Curran House Limited Partnership Ambassador SRO Associates, L.P. (until September 1, 2021) Ambassador Ritz Four Percent, L.P. (the Ambassador 4% parcel starting September 1, 2021) Ambassador Nine Percent, L.P. (starting September 1, 2021) Ellis Street Associates Klimm Apartments, L.P. McAllister Street Associates West Hotel, L.P.
West Hotel SRO, Inc.	

*Entities Not Consolidated in the Combined Financial Statements*

The combined financial statements do not consolidate the following entities where TNDC's officers or board of directors are deemed not to have control. The entities are accounted for under the equity method of accounting (see Note 10):

- Mercy Eden House LLC
- 1990 Folsom Housing Associates, L.P.
- T8 Housing Partners, L.P.
- T8 Urban Housing Associates BMR, L.P.
- Related/Mariposa Development Co., LP
- 1601 Mariposa Street Housing Partners, LP
- 1500 Mission Urban Housing, LP
- 1500 Mission Housing Partners, LP
- 1990 Folsom Commercial LLC
- 681 Florida Street Commercial LLC

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Principles of Combination*

Not-for-Profit Corporations:

The combined financial statements include the accounts of TNDC and other not-for-profit entities that are commonly controlled or majority controlled by TNDC's officers or board of directors. Other not-for-profit entities, over which TNDC does not exercise majority control, are not included in the combined financial statements.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Limited Liability Companies:

The combined financial statements include the accounts of single-member LLCs that are commonly controlled and multi-member LLCs that are majority controlled by TNDC's officers or board of directors. Other multi-member LLCs, over which TNDC does not exercise majority control, are included in the combined financial statements through the equity method or at cost when fair value is not readily determinable.

Limited Partnerships:

Partnerships that are controlled by TNDC or its affiliates are included in the combined financial statements. Partnerships over which TNDC or its affiliates do not exercise majority control are included in the financial statements using the equity method or at cost when fair value is not readily determinable.

The limited partnership interests are held by one or more limited partners and are shown as non-controlling interests in net assets without donor restrictions, except for the limited partnership interests held by TNDC or its affiliates which are shown as controlling interests in net assets without donor restrictions.

All material intercompany balances and transactions have been eliminated in the combined financial statements.

Accounting Method

TNDC and Affiliates use the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

Estimates

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

Basis of Presentation

TNDC and Affiliates report information regarding their combined financial position and combined activities according to two classes of net assets, as applicable: net assets without donor restrictions and net assets with donor restrictions.

- Net assets without donor restrictions include those assets over which the board of directors has discretionary control in carrying out the operations of TNDC and Affiliates.
- Net assets with donor restrictions include contributions and grants that are restricted by donors for specific purposes or time periods and for which the applicable restrictions were not met as of the end of the current reporting period. Some donor-imposed restrictions are temporary in nature and will be met by the passage of time or other events specified by the donor. When a donor restriction is met by the passage of time or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities as *net assets released from restrictions*. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. Net assets with non-expiring donor restrictions were \$-0- as of December 31, 2023 and 2022 (see Notes 18 and 19).

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

The combined financial statements generally reflect the same classification of net assets as it appears on the individual financial statements of each affiliated entity, except for the unamortized portion of capital advance from the U.S. Department of Housing and Urban Development (HUD) under the Section 202 program received prior to 2019, which is recorded as net assets with donor restrictions in the combined financial statements (see Note 19).

Revenue Recognition

Contributions:

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recognized when the donor makes a promise to give; that is, in substance, an unconditional promise. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Consequently, at December 31, 2023 and 2022, contributions of \$15,675,295 and \$9,285,706, respectively, were not recognized in the accompanying combined statements of activities because the conditions on which they depend have not yet been met. Contributions are recorded at their fair value as support without donor restrictions or support with donor restrictions, depending on the absence or existence of donor-imposed restrictions, as applicable. Contributions restricted for the purchase of long-lived assets are reported as net assets without donor restrictions when placed in service.

In-kind Donations:

In-kind donations are segregated from cash and other financial assets in the combined statements of activities. In-kind donations are recorded at fair value where an objective basis of measurement is available. In 2023 and 2022, TNDC and Affiliates received in-kind donations of food totaling \$149,683 and \$75,247, respectively. The donated food was utilized for TNDC's supportive services program.

Government Contracts:

A portion of contribution revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditional upon meeting certain performance requirements and/or incurring qualifying expenses. Amounts received are recognized as contributions when TNDC and Affiliates incur expenditures in compliance with specific contract or grant provisions.

Rental Income:

Revenue from resident fees, rents and services is recognized as earned in the period rendered. Rental income is shown at its maximum gross potential. Vacancy losses, concessions, and operating lease receivable deemed uncollectible are shown as reductions in rental income. Rental units occupied by employees are included in rental income and as an expense of operations.

Other income is ancillary to the lease process and is recognized as revenue at the point in time such income or fees are earned.

Developer Fees:

TNDC earns fees for development of properties and generally recognizes fees as earned over the development period.

Developer fee profits recognized from combined affiliates or consolidated subsidiaries are eliminated as intercompany transactions. Developer fee project costs are likewise eliminated as intercompany transactions. TNDC estimated that 73% and 38% of its developer fees cover related project costs in 2023 and 2022, respectively. The average historical project costs from 2000 to 2023 was 42% of total developer fees during that period. Project costs include costs of development, such as consultants, allocated internal salaries and

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022

benefits, related overhead, and other non-reimbursed fees that are ordinarily capitalized. Therefore, real property costs have been reduced by developer fees, amounting to \$55,233,952 and \$52,381,877 as of December 31, 2023 and 2022, respectively.

Management Revenue and Related Accounts:

TNDC provides property management, bookkeeping, asset management, lease-up, relocation, and tenant services management services to related entities. TNDC also provides marketing and other services. Income is earned in accordance with the terms of the agreements and recorded as revenue. Such intercompany revenue has been eliminated in the combined financial statements.

Leases

TNDC and Affiliates account for leases as either finance leases or operating leases and recognize right-of-use (ROU) assets and corresponding lease liabilities on the statement of financial position for all leases other than leases with terms of 12 months or less. For finance leases, TNDC and Affiliates recognize interest expense and amortization of the ROU asset, and for operating leases, TNDC and Affiliates recognize straight-line total rent expense.

TNDC and Affiliates account for the existing leases with residential and commercial tenants as operating leases. Adoption of the new leasing standard did not result in adjustments to the financial statements for these leases.

TNDC and Affiliates account for the existing ground lease with the City and County of San Francisco (CCSF) and the San Francisco Housing Authority as operating leases. The leasing standard resulted in a recognition of ROU assets of \$37,400,925 and an increase in operating lease liabilities of \$37,376,014 as of January 1, 2022 adoption date.

Cash and Cash Equivalents

Cash is defined as cash in demand deposit accounts as well as cash on hand. Not included as cash are funds restricted as to their use, regardless of liquidity, such as tenant security deposits, replacement, operating, and other reserves. TNDC and certain affiliates maintain cash on deposit at banks in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balances, including restricted accounts, were approximately \$51,334,000 as of December 31, 2023. TNDC and Affiliates have not experienced any losses in such accounts.

Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash. Generally, money market accounts and investments with original maturities of three months or less qualify as cash equivalents.

Allowance for Credit Losses

New accounting standards on current expected credit losses, required by GAAP, significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

TNDC and Affiliates adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

TNDC and Affiliates estimate an allowance for credit losses on customer account balances that may not be collected which is an estimate based upon historical account write-off trends, facts about the current financial condition and forecasts of future operating results. A review is made for each customer balance where all or a portion of the unpaid balance exceeds 90 days from the invoice date. Based on an assessment of the customer's current creditworthiness, an estimate of the balance that may not be collected is made. In addition, an amount of estimated credit losses on the aggregate remaining accounts receivable is made based on past collection experience. Once all efforts to collect have been undertaken, the unpaid balance is written off as a charge to the allowance for credit losses.

Investments – Fair Value Measurements

Under GAAP, fair value is defined 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.

GAAP establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of TNDC and Affiliates. Unobservable inputs, if any, reflects TNDC and Affiliates' assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that TNDC and Affiliates have the ability to access at measurement date. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on significant inputs that are observable, either directly or indirectly or quoted prices in markets that are not active, that is, markets in which there are few transactions, the prices are not current or price quotations vary substantially either over time or among market makers.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed.

Derivative Financial Instrument

TNDC and Affiliates account for the derivative financial instruments in accordance with GAAP. GAAP establish accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the statement of financial position as either an asset or a liability measured at its estimated fair value. The interest rate swap and cap agreements entered into by TNDC and Affiliates qualify as derivative instruments in accordance with GAAP. The gain or loss on the swap and cap agreements is recognized in earnings in the period of change.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Investments in Other Companies

Investments in other companies, over which TNDC's officers or board of directors are deemed to have 100% or majority control, are eliminated in the combined financial statements.

Investments in other companies, over which TNDC's officers or board of directors are deemed not to have majority control but have significant influence, are accounted for using equity method of accounting. Under the equity method, investments are initially recorded at cost then adjusted for the proportionate share in undistributed earnings or losses.

Investments in other companies, over which TNDC's officers or board of directors are deemed not to have significant influence, are estimated at cost, adjusted by any impairment and changes resulting from observable price changes in orderly transactions for identical or similar investments, since fair values of these equity securities are not readily determinable. No impairment losses were recognized in 2023 and 2022, and observable price information was not readily available.

Development in Progress

TNDC and Affiliates incur costs during the predevelopment phase of each affordable housing project undertaken. Such costs include governmental fees, legal and consulting fees, and other costs needed to investigate the feasibility and arrange for the financing of each project under construction, as well as relocation and construction costs. TNDC and Affiliates capitalize these costs as assets as development in progress. Developments in progress are generally recoverable from the affiliates' loan proceeds, limited partner capital contributions or net cash flows generated by project operations.

Any funds expended on a project that does not pass beyond the predevelopment stage are recorded as expenses when further development activity on the project ceases. The write off of unrealizable development in progress was \$-0- in 2023 and 2022.

Development in progress also includes costs of construction or rehabilitation of housing projects that have not been completed. Development in progress is not depreciated until the completion of development and when a project is placed in service.

TNDC and Affiliates capitalize interest during development as a component of development in progress. TNDC and Affiliates capitalized interest of \$6,759,159 and \$4,682,189 during 2023 and 2022, respectively.

Property and Equipment and Deferred Costs

Property and equipment is stated at cost of acquisition or construction, or at fair value on the date of donation if donated. Assets with an individual cost equal to at least \$2,000 for office equipment and \$5,000 for furniture, building and improvements are capitalized. The costs of maintenance and repairs that neither significantly add to the permanent value of property and equipment nor prolong its intended useful life are charged to expense as incurred. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets.

Deferred costs are incurred in order to obtain ground leases and tax credits for the properties. Deferred costs are stated at cost and amortized on a straight-line basis. Organization costs are expensed as incurred. Ground lease acquisition costs were treated as initial direct costs and recognized as ROU asset when the new leasing standard was adopted in January 2022 (see Note 16).



TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

The useful lives of the assets are estimated as follows:

Leased land improvements	50 to 99 years
Buildings and improvements	5 to 40 years
Furniture, fixtures and equipment	3 to 15 years
Leasehold improvements	5 to 99 years
Tax credit costs	10 to 15 years

In accordance with GAAP, TNDC and Affiliates review their property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the property and equipment to the future net undiscounted cash flows expected to be generated by the rental property, including the low-income housing tax credits and any estimated proceeds from the eventual disposition of the property and equipment. If the property and equipment is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the property and equipment exceeds the fair value of such property. There were no impairment losses recognized in 2023 and 2022.

Land

Purchased land is carried at cost. Donated land is carried at estimated fair value at the date of donation.

Financing Costs

Costs incurred in order to obtain financing are stated at cost and amortized on a straight-line basis over the term of the loan, which approximates the effective interest method. Financing costs are reported as a direct deduction from the face amount of the related debt.

Ground Leases

Ground lease payments may include base, residual, and contingent portions. Ground lease payments on base rents are made from operations. Ground lease payments on residual rents are subject to the existence of excess cash in the future. Ground lease payments on contingent rent are recognized at the time that the contingency is eliminated based on the existence of excess cash (see Note 16).

Income Taxes

TNDC and all other not-for-profit corporations are tax exempt pursuant to the Internal Revenue Code Section 501(c)(3) and related California code sections, except for 220 Golden Gate Historic Corporation, E&T Housing GP LLC, and O'Farrell Towers GP LLC, which are or elected to be taxable corporations. TSF is a 509(a)(3) tax-exempt corporation.

Income or loss from partnerships and multi-member LLCs is reported by the partners on their income tax returns.

No income tax provision has been included in the combined financial statements for single-member LLCs which are generally considered disregarded entities. Income or losses of the LLCs are included in the tax returns of their respective sole members. Only the annual California limited liability company minimum tax, limited partnership tax, and the annual tax-exempt filing fee are recognized as expense in the combined financial statements.

TNDC and Affiliates believe that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the financial statements. TNDC and Affiliates' federal and state income tax returns for the years 2019 through 2022 are subject to examination by regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022

Guarantees

TNDC and Affiliates have not recorded any guarantee liabilities for guarantees issued to entities under common control or guarantees to third parties as they are not expected to result in any material obligations (see Note 23).

Allocation of Partnership Income/Loss and Tax Credits

The affiliated partnerships are generally expected to generate low-income housing credits, which will be allocated in the same manner as the income or loss of each partnership. Because the limited partners' losses are limited to their investments, the limited partners' equity will not be reduced below zero unless future capital contributions will be made in an amount sufficient to absorb the losses. All remaining losses are allocated to the general partners. Any subsequent income allocable to the limited partners is allocated to the general partners first until the general partners' share of that income offsets the losses not previously recognized by the limited partners.

Functional Expenses Allocation

The costs of program and supporting services activities have been summarized on a functional basis in the combined statements of activities. The combined statements of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting functions that require consistent allocation on a reasonable basis. Expenses that are allocated include employee salaries, employee benefits and payroll taxes, office expenses, professional fees, utilities, taxes and insurance, repairs and maintenance, program expenses, and miscellaneous expenses. These expenses have been allocated among program services and supporting services based on estimates of employees' time incurred and usage of resources.

Subsequent Events

Management has evaluated subsequent events through September 25, 2024, the date on which the combined financial statements were available to be issued.

Reclassification

Certain amounts previously reported in the 2022 financial statements were reclassified to conform to the 2023 presentation for comparative purposes and had no impact on net assets.

**NOTE 3 – INVESTMENTS IN MARKETABLE SECURITIES**

Investments are held by TSF and summarized as follows:

	2023		2022	
	<i>Cost</i>	<i>Fair Value</i>	<i>Cost</i>	<i>Fair Value</i>
Mutual funds	\$ 29,634,142	\$ 27,699,415	\$ 29,024,327	\$ 23,707,662
Total	\$ 29,634,142	\$ 27,699,415	\$ 29,024,327	\$ 23,707,662

These investments, recorded at fair value, have been categorized in level 1 of the fair value hierarchy of inputs in accordance with GAAP.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

**NOTE 4 – RENT RECEIVABLE**

Rent receivable is summarized as follows:

	<i>Properties and Other</i>	
	2023	2022
Residential – tenants	\$ 2,536,547	\$ 1,491,178
Residential – rent subsidies	3,362,677	1,114,737
Commercial – tenants	1,604,924	1,956,813
Less: allowance for credit losses – residential	(2,463,593)	(1,159,308)
Less: allowance for credit losses – commercial	(606,635)	(1,275,374)
	<u>\$ 4,433,920</u>	<u>\$ 2,128,046</u>
 Amounts expected to be received in:		
Less than one year	<u>\$ 4,433,920</u>	<u>\$ 2,128,046</u>

Changes in the allowance for credit losses for the year ended December 31, 2023 are summarized as follows:

Balance, beginning of year	\$ 2,434,682
Provision, net of write-offs and recoveries	635,546
Balance, end of year	\$ 3,070,228

**NOTE 5 – CONTRIBUTIONS RECEIVABLE INCLUDING GOVERNMENT CONTRACTS**

Contributions receivable including government contracts is summarized as follows:

	2023		
	<i>TNDC</i>	<i>Properties</i>	
	<i>General Fund</i>	<i>and Other</i>	<i>Total</i>
Contributions without donor restrictions	\$ 168,649	\$ -	\$ 168,649
Contributions with donor restrictions:			
Restricted by passage of time	769	-	769
Restricted for housing development	600,000	-	600,000
Restricted for TASP	67,122	-	67,122
Restricted for tenant services	-	1,508,905	1,508,905
	<u>\$ 836,540</u>	<u>\$ 1,508,905</u>	<u>\$ 2,345,445</u>
 Amounts expected to be received in:			
Less than one year	<u>\$ 836,540</u>	<u>\$ 1,508,905</u>	<u>\$ 2,345,445</u>

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2022		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Contributions without donor restrictions	\$ 300,301	\$ -	\$ 300,301
Contributions with donor restrictions:			
Restricted by passage of time	581,538	-	581,538
Restricted for housing development	600,000	-	600,000
Restricted for TASP	50,829	-	50,829
Restricted for leadership transition support	500,000	-	500,000
Restricted for tenant services	-	594,702	594,702
Total contributions receivable	\$ 2,032,668	\$ 594,702	\$ 2,627,370
Amounts expected to be received in:			
Less than one year	\$ 2,032,668	\$ 594,702	\$ 2,627,370

**NOTE 6 – OTHER RECEIVABLES**

Other receivables are summarized as follows:

	2023		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Property tax refunds	\$ -	\$ 570,745	\$ 570,745
Receivable – insurance claims	-	1,018,449	1,018,449
Other	433,631	1,004,493	1,438,124
Total other receivables	\$ 433,631	\$ 2,593,687	\$ 3,027,318
Amounts expected to be received in:			
Less than one year	\$ 433,631	\$ 2,593,687	\$ 3,027,318
One to five years	\$ -	\$ -	\$ -

	2022		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Property tax refunds	\$ -	\$ 403,303	\$ 403,303
Receivable – LOSP	-	271,317	271,317
Receivable – insurance claims	-	917,962	917,962
Other	610,937	649,853	1,260,790
Total other receivables	\$ 610,937	\$ 2,242,435	\$ 2,853,372
Amounts expected to be received in:			
Less than one year	\$ 610,937	\$ 1,852,466	\$ 2,463,403
One to five years	\$ -	\$ 389,969	\$ 389,969

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022

Certain affiliates advanced payments for property taxes pending receipt of the property tax exemptions for affordable housing projects. Once the property tax exemption is obtained, the process of obtaining a refund begins. While the approval process and the actual receipt of refunds involve a considerable amount of time, management believes that the full amount of property tax refunds is collectible.

TNDC and Affiliates evaluate the above receivables based on government versus non-government credit quality indicator. This indicator is reviewed and updated at least, annually. Management likewise determined that, except for property tax refunds, receivables that are past twelve months from the end of the transaction year are deemed to be past due. Property tax refunds are deemed to be past due after twelve months from the end of the transaction year that the property tax exemption is received. Details for 2023 and 2022 follow:

	2023					
	<i>Government</i>	<i>Non-Government</i>	<i>Total</i>	<i>Current</i>	<i>Past Due</i>	<i>Total</i>
Property tax refunds	\$ 570,745	\$ -	\$ 570,745	\$ 317,932	\$ 252,813	\$ 570,745
Receivable – insurance claims	-	1,018,449	1,018,449	1,018,449	-	1,018,449
Other	-	1,438,124	1,438,124	1,438,124	-	1,438,124
Total	\$ 570,745	\$ 2,456,573	\$ 3,027,318	\$ 2,774,505	\$ 252,813	\$ 3,027,318

	2022					
	<i>Government</i>	<i>Non-Government</i>	<i>Total</i>	<i>Current</i>	<i>Past Due</i>	<i>Total</i>
Property tax refunds	\$ 403,303	\$ -	\$ 403,303	\$ 177,984	\$ 225,319	\$ 403,303
Receivable – LOSP	271,317	-	271,317	271,317	-	271,317
Receivable – insurance claims	-	917,962	917,962	917,962	-	917,962
Other	-	1,260,790	1,260,790	1,260,790	-	1,260,790
Total	\$ 674,620	\$ 2,178,752	\$ 2,853,372	\$ 2,628,053	\$ 225,319	\$ 2,853,372

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

**NOTE 7 – RELATED-PARTY TRANSACTIONS**

Related-party receivable includes the following:

	<i>TNDC General Fund</i>	
	2023	2022
Receivable:		
Developer fee <sup>(1)</sup>	\$ 1,399,125	\$ 1,612,482
Partnership management fee <sup>(2)</sup>	44,155	23,329
Advances <sup>(3)</sup>	54,351	28,410
	\$ 1,497,631	\$ 1,664,221
Amounts expected to be received in:		
Less than one year	\$ 219,454	\$ 265,095
One to five years	\$ 1,278,177	\$ 1,399,126

- <sup>(1)</sup> TNDC earns fees for developing affordable housing projects, and the fees are generally paid out of the properties' loan proceeds, capital contributions from investors, other financing, and/or operating cash flows. In certain instances, fees represent reimbursement of staff and overhead costs. TNDC earned total developer fees of \$5,187,596 and \$10,484,876 in 2023 and 2022, respectively. Developer fees earned from commonly-controlled entities totaling \$5,187,596 and \$10,384,876 were eliminated from the combined financial statements in 2023 and 2022, respectively. Developer fees earned from affiliated entities that are not commonly-controlled were \$-0- and \$100,000 in 2023 and 2022, respectively, and the corresponding receivables were \$1,399,125 and \$1,612,482 as of December 31, 2023 and 2022, respectively.

TNDC evaluates developer fee receivables' credit quality based on the specific affordable housing project's operating cash flow. This indicator is reviewed and updated at least, annually. Management has determined that as of December 31, 2023, the full amount of developer fee receivables will be funded from the properties' loan proceeds, capital contributions from investors, other financing, and/or operating cash flows, and are fully collectible based on the agreed timing of developer fee payments.

Management fees earned from commonly-controlled entities totaling \$8,097,727 and \$7,603,511 were eliminated from the combined financial statements in 2023 and 2022, respectively. TNDC's general fund earned management fees totaling \$7,025,947 and \$7,021,670 in 2023 and 2022, respectively, after elimination of fees from properties directly owned by TNDC.

- <sup>(2)</sup> TNDC is entitled to receive annual partnership management fee from 1990 Folsom Housing Associates, L.P., an affiliated entity that is not commonly-controlled by TNDC. The fee will be received by TNDC from the project's excess/distributable cash.
- <sup>(3)</sup> TNDC provided advances to 1990 Folsom Housing Associates, L.P., an affiliated entity that is not commonly-controlled by TNDC.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022

Related-party payable includes the following:

		2023		
		<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Payable:				
	Developer fee	\$ -	\$ 2,994,544	\$ 2,994,544
	Advances	-	162,452	162,452
	Other	-	237,799	237,799
		\$	\$ 3,394,795	\$ 3,394,795
Amounts expected to be paid in:				
	Less than one year	\$ -	\$ 620,560	\$ 620,560
	One year or more	\$ -	\$ 2,774,235	\$ 2,774,235
		2022		
		<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Payable:				
	Developer fee	\$ -	\$ 3,210,748	\$ 3,210,748
	Advances	-	200,869	200,869
	Other	-	54,077	54,077
		\$ -	\$ 3,465,694	\$ 3,465,694
Amounts expected to be paid in:				
	Less than one year	\$ -	\$ 300,825	\$ 300,825
	One year or more	\$ -	\$ 3,164,869	\$ 3,164,869

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022

**NOTE 8 – PREPAID EXPENSES AND DEPOSITS**

Prepaid expenses and deposits consist of the following:

	2023		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Funds held by bond trustees	\$ -	\$ 6,176,619	\$ 6,176,619
Insurance	38,335	204,794	243,129
Impound deposits	-	570,785	570,785
Other	80,463	348,257	428,720
<b>Total</b>	<b>\$ 118,798</b>	<b>\$ 7,300,455</b>	<b>\$ 7,419,253</b>
Amounts for use in:			
Less than one year	\$ 118,798	\$ 7,053,013	\$ 7,171,811
More than one year	\$ -	\$ 247,442	\$ 247,442
	2022		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Funds held by bond trustees	\$ -	\$ 2,075,292	\$ 2,075,292
Insurance	40,322	140,305	180,627
Impound deposits	-	379,709	379,709
Other	90,837	348,732	439,569
<b>Total</b>	<b>\$ 131,159</b>	<b>\$ 2,944,038</b>	<b>\$ 3,075,197</b>
Amounts for use in:			
Less than one year	\$ 131,159	\$ 2,685,929	\$ 2,817,088
More than one year	\$ -	\$ 258,109	\$ 258,109



TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022

**NOTE 9 – RESTRICTED CASH AND DEPOSITS**

Restricted cash and deposits are summarized as follows:

	2023		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Property development	\$ 2,170,337	\$ 5,892,940	\$ 8,063,277
Operating reserves	-	13,471,503	13,471,503
Replacement reserves	-	14,570,131	14,570,131
Debt service reserves	-	675,551	675,551
Section 8 reserves	304,898	611,329	916,227
Other reserves	332,584	5,313,506	5,646,090
Tenant security deposits	-	2,381,386	2,381,386
Total restricted cash and deposits	<u>\$ 2,807,819</u>	<u>\$ 42,916,346</u>	<u>\$ 45,724,165</u>

	2022		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Property development	\$ 11,777,003	\$ 5,008,102	\$ 16,785,105
Operating reserves	-	14,019,061	14,019,061
Replacement reserves	-	13,168,140	13,168,140
Debt service reserves	-	238,857	238,857
Section 8 reserves	365,693	611,329	977,022
Other reserves	330,953	4,934,503	5,265,456
Tenant security deposits	-	1,849,248	1,849,248
Total restricted cash and deposits	<u>\$ 12,473,649</u>	<u>\$ 39,829,240</u>	<u>\$ 52,302,889</u>

Property Development

TNDC and certain affiliates hold cash that is restricted for development of various properties, or for payment of construction loans at permanent loan conversion.

Operating, Replacement, and Debt Service Reserves

Certain affiliates are required to maintain operating reserves, replacement reserves for property and equipment, and debt service reserves in accordance with partnership and other lenders' regulatory agreements.

Section 8 Reserves

TNDC and certain affiliates are required to maintain Section 8 reserves as a source of operating subsidies for certain properties. In the event of termination of Section 8 subsidy programs, the reserves are intended to enable the properties to continue charging tenant rents at affordable rates while the properties restructure for long-term sustainability.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Other Reserves

Certain other restricted cash reserves are maintained by TNDC and certain affiliates for property development, restricted contributions and other purposes.

Tenant Security Deposits

TNDC and Affiliates are required to hold security deposits in separate bank accounts in the name of the properties.

**NOTE 10 – INVESTMENTS IN OTHER COMPANIES**

TNDC and Affiliates have financial interests in the following companies:

	<i>Percentage Interest</i>		<i>Amount of Investment</i>		<i>Gain (Loss) <sup>(14)</sup></i>	
	2023	2022	2023	2022	2023	2022
Mercy Eden House LLC <sup>(1)</sup>	21.00%	21.00%	\$ (67,156)	\$ (67,156)	\$ -	\$ (52,752)
Housing Partnership Insurance Exchange <sup>(2)</sup>	13.90%	13.90%	199,453	199,453	-	-
Housing Partnership Insurance Exchange <sup>(3)</sup>	1.37%	1.37%	148,013	148,013	-	-
HPN Select, LLC <sup>(4)</sup>	3.45%	3.45%	132,800	150,000	-	-
1990 Folsom Housing Associates, L.P. <sup>(5)</sup>	0.005%	0.005%	1,271,056	1,271,208	(152)	(189)
T8 Housing Partners, L.P. <sup>(6)</sup>	0.002%	0.002%	499,784	499,830	(46)	(45)
T8 Urban Housing Associates BMR, L.P. <sup>(7)</sup>	0.001%	0.001%	(95)	(80)	(15)	(15)
Related/Mariposa Development Co., LP <sup>(8)</sup>	0.00%	0.00%	-	-	-	-
1601 Mariposa Street Housing Partners, LP <sup>(9)</sup>	0.0049%	0.0049%	376	454	(78)	(71)
1500 Mission Urban Housing, LP <sup>(10)</sup>	0.00%	0.00%	-	-	-	-
1500 Mission Housing Partners, LP <sup>(11)</sup>	0.0049%	0.0049%	(370)	(254)	(116)	(107)
1990 Folsom Commercial LLC <sup>(12)</sup>	50.00%	50.00%	-	-	-	-
681 Florida Street Commercial LLC <sup>(13)</sup>	49.00%	49.00%	-	-	-	-
Total			<u>\$ 2,183,861</u>	<u>\$ 2,201,468</u>	<u>\$ (407)</u>	<u>\$ (53,179)</u>

<sup>(1)</sup> During 2013, TSI and Mercy Housing Calwest (MHC) became co-members of Mercy Eden House LLC, which is the general partner of Eden House, L.P. and owns a 0.01% interest in the partnership. TSI and MHC own 21% and 79% of Mercy Eden House LLC, respectively.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

- (2) During 2013, TNDC invested in Housing Partnership Insurance Exchange (HPIEx) for the purpose of gaining access to affordable worker's compensation insurance from a reciprocal insurance company. During 2014, TNDC invested additional funds of \$92,779. During 2021, TNDC received cash distributions of \$140,284 which was included in other income in the accompanying combined statements of activities. The investment is estimated at cost since its fair value is not readily determinable.
- (3) During 2016, TNDC invested in HPIEx for the purpose of gaining access to affordable property and liability insurance from a reciprocal insurance company. The investment is estimated at cost since its fair value is not readily determinable.
- (4) During 2015, TNDC invested in HPN Select, LLC, a group procurement company. In May 2018, TNDC invested additional funds of \$15,000. In August 2019, TNDC invested additional funds of \$15,000. The investment is estimated at cost since its fair value is not readily determinable. During 2021 and 2023, TNDC received cash distributions of \$30,000 and \$17,200, respectively, representing the return of principal invested in preferred equity in prior years.
- (5) During 2016, 1990 Folsom TNDC GP LLC, an affiliate of TNDC, and MEDA 1990 Folsom LLC, an affiliate of Mission Economic Development Agency, became equal co-general partners of 1990 Folsom Housing Associates, L.P. with general partner interests of 0.005% each. Also during 2016, Taylor Family Housing, Inc. became an initial co-limited partner of this partnership with a 49.995% interest. During 2019, Taylor Family Housing, Inc. was replaced by permanent limited partners, and its remaining capital balance was transferred to 1990 Folsom TNDC GP LLC.
- (6) During 2015, T8 Housing Partners MGP, LLC, an affiliate of TNDC, and TRCC/T8 Development Co., LLC, an affiliate of Related California Residential, LLC, became co-general partners of T8 Housing Partners, L.P. and hold interests of 0.002% and 0.008% in the partnership, respectively.
- (7) During 2015, T8 Urban Residential MGP, LLC, an affiliate of TNDC, and T8 Urban Development Co., LLC, an affiliate of Related California Residential, LLC, became co-general partners of T8 Urban Housing Associates BMR, L.P. and hold interests of 0.001% and 0.009% in the partnership, respectively.
- (8) During 2017, Mariposa Housing Partners GP LLC, an affiliate of TNDC, and Mariposa Holdco, LLC, an affiliate of Related California Residential, LLC, became equal co-general partners of Related/Mariposa Development Co., LP with general partner interests of 0.00% each.
- (9) During 2017, Mariposa Housing Partners GP LLC, an affiliate of TNDC, and Related/Mariposa Housing Partners, LLC, an affiliate of Related California Residential, LLC, became co-general partners of 1601 Mariposa Street Housing Partners, LP and hold interests of 0.0049% and 0.0051% in the partnership, respectively.
- (10) During 2018, 1500 Mission Housing Partners GP LLC, an affiliate of TNDC, and 1500 Holdco, LLC, an affiliate of Related California Residential, LLC, became equal co-general partners of 1500 Mission Urban Housing, LP with general partner interests of 0.00% each.
- (11) During 2018, 1500 Mission Housing Partners GP LLC, an affiliate of TNDC, and 1500 Mission Development Co., LLC, an affiliate of Related California Residential, LLC, became co-general partners of 1500 Mission Housing Partners, LP and hold interests of 0.0049% and 0.0051% in the partnership, respectively.
- (12) 1990 Folsom Commercial LLC, an affiliate of TNDC, was formed on October 31, 2022 to own and operate the commercial space of 1990 Folsom. TSI and Mission Economic Development Agency became equal co-members with interests of 50% each.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

<sup>(13)</sup> 681 Florida Street Commercial LLC, an affiliate of TNDC, was formed on October 12, 2020 to own and operate the commercial space of 681 Florida Street. TSI and Mission Economic Development Agency became co-members with interests of 49% and 51%, respectively.

<sup>(14)</sup> This amount is included in other income in the accompanying combined statements of activities.

The following includes a summary of the unaudited financial position for 2023 and 2022 of the above listed companies except for Housing Partnership Insurance Exchange and HPN Select, LLC, which are accounted for using the cost method since their fair value is not readily determinable, and 681 Florida Street Commercial LLC, which did not have activities during the year:

	2023	2022
Total assets	\$ 695,856,373	\$ 730,132,360
Total liabilities	856,815,870	840,757,408
Total equity:		
TNDC and Affiliates	1,703,595	1,704,002
Other	(162,663,092)	(112,329,050)

**NOTE 11 – DEVELOPMENT IN PROGRESS**

Development in progress consists of the following:

	2023		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
4th & Folsom Associates L.P.	\$ -	\$ 1,523,192	\$ 1,523,192
5H GP, LLC (future development)	-	1,423,863	1,423,863
Mason 125 LLC	-	339,957	339,957
180 Jones Associates L.P.	-	43,833,394	43,833,394
220 Golden Gate Associates, L.P.	-	42,148	42,148
430 Turk Associates, L.P.	-	135,219	135,219
730 Stanyan Associates, L.P.	-	44,472,719	44,472,719
1036 Mission Associates, L.P.	-	30,690	30,690
1166 Howard Street Associates	-	6,982	6,982
1234 Great Highway LLC	-	2,316,726	2,316,726
1300 Fourth Associates, L.P.	-	115,342	115,342
1300 Fourth Street Commercial LLC	-	586,807	586,807
2550 Irving Associates, L.P.	-	8,310,588	8,310,588
4200 Geary Associates, L.P.	-	27,663,692	27,663,692
Aarti	-	23,455	23,455
Alabama Street Senior Housing Associates	-	41,810	41,810
Candlestick 10a Associates, L.P.	-	2,259,844	2,259,844
Curran House, Limited Partnership	-	78,865	78,865
Dalt Hotel, L.P.	-	51,065	51,065
Folsom Dore Associates, L.P.	-	106,847	106,847
Haight Street Senior Housing, Inc.	-	33,930	33,930
MM Preservation L.P.	-	103,857	103,857
O'Farrell Towers Associates, L.P.	-	65,908	65,908
Octavia RSU Associates L.P.	-	11,347,702	11,347,702

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Pennsylvania 249 Housing Associates LLC	-	486,421	486,421
Plaza Apartments Associates, L.P.	-	41,272	41,272
Rosa Parks II, L.P.	-	37,416	37,416
RP Associates, L.P.	-	40,779	40,779
Sierra Madre	-	245,130	245,130
West Hotel, L.P.	-	53,091	53,091
Yosemite Apartments Associates, L.P.	-	18,628,006	18,628,006
Future projects	46,820	-	46,820
Total development in progress	<u>\$ 46,820</u>	<u>\$ 164,446,717</u>	<u>\$ 164,493,537</u>

	2022		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
4th & Folsom Associates L.P.	\$ -	\$ 1,478,107	\$ 1,478,107
5H GP, LLC (future development)	-	1,423,863	1,423,863
5th and Howard Associates, L.P.	-	107,216,733	107,216,733
180 Jones Associates L.P.	-	13,112,823	13,112,823
220 Golden Gate Associates, L.P.	-	35,340	35,340
730 Stanyan Associates, L.P.	-	4,699,628	4,699,628
1300 Fourth Street Commercial LLC	-	500,407	500,407
2550 Irving Associates, L.P.	-	3,939,953	3,939,953
4200 Geary Associates, L.P.	-	4,919,981	4,919,981
Alabama Street Housing Associates	-	157,285	157,285
Alabama Street Senior Housing Associates	-	41,810	41,810
Ambassador Nine Percent, L.P.	-	12,200,257	12,200,257
Ambassador Ritz Four Percent, L.P.	-	31,441,355	31,441,355
AM Preservation L.P.	-	492,481	492,481
Candlestick 10a Associates, L.P.	-	2,198,742	2,198,742
Ellis 350 Associates, L.P.	-	21,960	21,960
Ellis Street Associates	-	25,769	25,769
Folsom Dore Associates, L.P.	-	344,519	344,519
Haight Street Senior Housing, Inc.	-	33,930	33,930
McAllister Street Associates	-	12,545	12,545
MM Preservation L.P.	-	491,866	491,866
O'Farrell Towers Associates, L.P.	-	18,958	18,958
Octavia RSU Associates L.P.	-	8,893,885	8,893,885
Plaza Apartments Associates, L.P.	-	25,560	25,560
Sierra Madre	-	106,565	106,565
Turk & Eddy Associates, L.P.	-	1,266,028	1,266,028
Yosemite Apartments Associates, L.P.	-	2,172,502	2,172,502
Future projects	113,725	-	113,725
Total development in progress	<u>\$ 113,725</u>	<u>\$ 197,272,852</u>	<u>\$ 197,386,577</u>

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022

**NOTE 12 – PROPERTY AND EQUIPMENT**

Property and equipment is summarized as follows:

	2023		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Land and leased land improvements	\$ 5,298,165	\$ 97,333,224	\$ 102,631,389
Buildings and improvements	470,578	1,355,638,254	1,356,108,832
Furniture, fixtures and equipment	822,749	16,941,601	17,764,350
Leasehold improvements	2,894,470	545,984	3,440,454
	9,485,962	1,470,459,063	1,479,945,025
Less: accumulated depreciation	(2,241,007)	(290,295,918)	(292,536,925)
Total property and equipment	\$ 7,244,955	\$ 1,180,163,145	\$ 1,187,408,100
	2022		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Land and leased land improvements	\$ 5,298,165	\$ 71,134,843	\$ 76,433,008
Buildings and improvements	470,578	1,174,810,300	1,175,280,878
Furniture, fixtures and equipment	815,627	14,816,567	15,632,194
Leasehold improvements	2,894,470	599,024	3,493,494
	9,478,840	1,261,360,734	1,270,839,574
Less: accumulated depreciation	(2,027,058)	(256,145,897)	(258,172,955)
Total property and equipment	\$ 7,451,782	\$ 1,005,214,837	\$ 1,012,666,619

Depreciation expense of property and equipment totaled \$36,945,862 and \$28,694,163 for 2023 and 2022, respectively.

**NOTE 13 – DEFERRED COSTS**

Deferred costs are summarized as follows:

	<i>Properties and Other</i>	
	2023	2022
Lease acquisition costs	\$ 122,274	\$ -
Tax credit costs	2,630,437	2,393,439
	2,752,711	2,393,439
Less: accumulated amortization	(1,784,856)	(1,645,508)
Total	\$ 967,855	\$ 747,931

Amortization expense of deferred costs totaled \$139,348 and \$107,739 for 2023 and 2022, respectively.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

**NOTE 14 – NOTES PAYABLE**

Notes payable are generally secured by the respective properties and under simple interest rates unless otherwise noted:

	2023		2022	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<b><u>TNDC General Fund Loans:</u></b>				
Amortizing loan, bearing simple interest of 5%, principal and interest due monthly, and was repaid in full in 2022. Interest expense was \$-0- and \$395 in 2023 and 2022, respectively.	\$ -	\$ -	\$ -	\$ -
Deferred loans from City and County of San Francisco, bearing interest ranging from 0% to 3%, generally payable out of excess cash, to be repaid in full on various dates through 2069. Interest expense was \$85,933 annually in 2023 and 2022.	2,036,609	3,669,446	1,950,676	3,669,446
Deferred loans from City and County of San Francisco, bearing interest of 5.67%, with principal and interest payments to be repaid in full by 2049. Interest expense was \$113,400 annually in 2023 and 2022.	2,830,072	2,000,000	2,716,672	2,000,000
Deferred loan from Bank of America – AHP, bearing no interest, with entire principal to be repaid in full by 2069.	-	1,040,000	-	1,040,000
Deferred loan from Pacific Premier Bank – AHP, bearing no interest, with entire principal to be repaid in full by 2061.	-	1,250,000	-	1,250,000
Working capital loans, bearing variable and fixed interest ranging from 2% to 2.25%, with interest due monthly or quarterly, to be repaid in full through 2026. Interest expense was \$31,638 and \$11,685 in 2023 and 2022, respectively.	22,942	4,127,367	358	500,000
Subtotal – TNDC General Fund loans	4,889,623	12,086,813	4,667,706	8,459,446

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023		2022	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<b><u>Properties and Other Loans:</u></b>				
Permanent amortizing loans, bearing fixed interest ranging from 3.53% to 7%, generally with principal and interest due monthly, to be repaid in full through 2077. Interest expense was \$4,883,442 and \$4,791,670 in 2023 and 2022, respectively.	185,149	126,798,185	120,400	117,508,806
Predevelopment / construction loans, bearing interest from 0% to 5.75%, generally with interest only payments due monthly or deferred, to be repaid in full or partially converted to permanent loans through 2078. Interest capitalized was \$6,759,159 and \$4,682,189 in 2023 and 2022, respectively. Interest expense was \$13,055,390 and \$1,969,415 in 2023 and 2022, respectively.	8,259,181	422,476,851	5,036,841	343,506,082
Bond loans, bearing variable interest rates, generally with interest paid monthly, to be repaid in full through 2033. Principal payments are generally accumulated in a principal fund held by a trustee. Interest expense, including swap settlements, was \$83,537 and \$91,074 in 2023 and 2022, respectively (see Note 15).	10,207	1,375,000	10,535	1,375,000
City and county loans, bearing interest from 0% to 6.5%, generally payable out of excess cash, to be repaid in full through 2074. Interest expense was \$7,474,202 and \$7,513,896 in 2023 and 2022, respectively.	81,440,171	376,833,537	75,806,014	356,302,135
State loans, bearing interest from 0% to 3%, with principal payments generally deferred through 2078. Interest expense was \$1,748,035 and \$1,654,100 in 2023 and 2022, respectively.	8,993,907	73,106,965	9,531,895	56,347,070



TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023		2022	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
Federal loans, bearing no interest, generally with principal and interest deferred through 2074. Interest expense was \$-0- in 2023 and 2022.	-	80,311,919	-	80,703,919
Subtotal – Properties and Other loans	98,888,615	1,080,902,457	90,505,685	955,743,012
Total loans	103,778,238	1,092,989,270	95,173,391	964,202,458
Less: unamortized financing costs <sup>(1)</sup>	-	(5,801,180)	-	(4,446,177)
Total loans – net	103,778,238	1,087,188,090	95,173,391	959,756,281
Less: current portion	(3,838,443)	(4,585,381)	(3,959,077)	(4,830,349)
Long-term portion	\$ 99,939,795	\$1,082,602,709	\$ 91,214,314	\$ 954,925,932

<sup>(1)</sup> Costs incurred in order to obtain construction and permanent financing were \$11,747,547 and \$8,123,056 as of December 31, 2023 and 2022, respectively. Interest expense from amortization of construction and permanent financing costs was \$2,269,488 and \$548,089 and in 2023 and 2022, respectively.

Principal payments toward notes payable for the next five years are subject to changes in net cash flow which is a contingency that cannot be reasonably estimated. Minimum required payments are estimated as follows:

<i>Year</i>	<i>Principal Payments</i>		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
2024	\$ 165,326	\$ 4,420,055	\$ 4,585,381
2025	169,151	3,090,193	3,259,344
2026	42,890	6,962,618	7,005,508
2027	-	3,286,371	3,286,371
2028	-	3,620,612	3,620,612

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

**NOTE 15 – DERIVATIVE FINANCIAL INSTRUMENTS**

Interest Rate Swap

Two of TNDC’s affiliated partnerships entered into interest rate swap agreements with Citibank, N.A to potentially minimize the effect of changes in the variable interest rate of the affiliated partnerships’ bonds. The swap agreements were effective December 2003, and the original notional amount of the swap agreements was \$6,245,631. Under the swap agreements, the affiliated partnerships pay interest at a fixed rate of 6.5% and receive interest from Citibank, N.A. at a variable interest rate which is the weekly interest rate determined by the remarketing agent. Citibank, N.A. has estimated the fair value of the swap agreements, discounting an estimate of the amounts of interest to be paid and an estimate of the amounts of interest to be received, during the swap agreement period, to be \$220,335 and \$226,469 net interest payments as of December 2023 and 2022, respectively, and is included as a liability in the combined statements of financial position. The net change in fair value was \$6,134 and \$235,711 for 2023 and 2022, respectively and is included in controlling interests in net assets without donor restrictions. The swap agreements will terminate on December 7, 2033.

The following table presents information about TNDC’s affiliated partnerships’ fair value hierarchy inputs used in determining fair value of interest rate swap as of December 31, 2023 and 2022:

	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>	<i>Balance as of December 31, 2023</i>
Derivative financial instrument (liability)	\$ -	\$ (220,335)	\$ -	\$ (220,335)
Total	\$ -	\$ (220,335)	\$ -	\$ (220,335)

	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>	<i>Balance as of December 31, 2022</i>
Derivative financial instrument (liability)	\$ -	\$ (226,469)	\$ -	\$ (226,469)
Total	\$ -	\$ (226,469)	\$ -	\$ (226,469)

The following table sets forth the detailed changes in fair value for TNDC’s affiliated partnerships’ Level 2 derivative financial instrument:

Balance, December 31, 2021	\$ (462,180)
Unrealized gain on derivative financial instruments	<u>235,711</u>
Balance, December 31, 2022	(226,469)
Unrealized gain on derivative financial instruments	<u>6,134</u>
Balance, December 31, 2023	<u>\$ (220,335)</u>

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Interest Rate Cap

In March 2023, two of TNDC's affiliated partnerships entered into interest rate cap agreements with local banks to potentially minimize the effect of changes in the variable interest rate of the construction loans. The cap agreements were effective in March and September 2023, and the original notional amount of the cap agreements was \$73,416,850. Under the cap agreements, the affiliated partnerships pay interest at a variable interest rate and receive interest from local banks equal to the excess of the variable rate over the fixed rates of 4% and 4.5%. The interest rate cap agreements terminate on September 30, 2024 and October 1, 2024. The affiliated partnerships paid cap premium totaling \$1,185,200 in March 2023, which was capitalized in building improvements. The cap's fair value, as estimated by Management, approximates the cost of the premium paid, net of cap settlements, amounting to \$1,109,017 as of December 31, 2023.

The following table presents information about the affiliated partnerships' fair value hierarchy inputs used in determining fair value of interest rate cap as of December 31, 2023:

	<i>Quoted Prices in</i>	<i>Significant Other</i>	<i>Significant</i>	<i>Balance as of</i>
	<i>Active Markets</i>	<i>Observable</i>	<i>Unobservable</i>	<i>December 31,</i>
	<i>for Identical</i>	<i>Inputs</i>	<i>Inputs</i>	<i>2023</i>
	<i>Assets</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	
	<i>(Level 1)</i>			
Derivative financial instrument capitalized as project cost in buildings and improvements	\$ -	\$ -	\$ 1,109,017	\$ 1,109,017
Total	\$ -	\$ -	\$ 1,109,017	\$ 1,109,017

**NOTE 16 – GROUND LEASES**

Certain affiliated partnerships lease the land on which the respective affordable housing properties were developed from the City and County of San Francisco and the San Francisco Housing Authority. The terms of the ground leases generally require annual base rents payable from operations ranging from \$10,000 to \$15,000 and residual and contingent rents ranging from \$85,000 to \$424,900, through the end of the respective lease terms (ranging from 50 years to 99 years, including optional renewal period which the affiliated partnerships are reasonably certain to exercise). The residual rents ranging from \$85,000 to \$424,900 are accruable and payable from excess/distributable cash. The contingent rent of \$120,000 is payable to the extent the affiliated partnership has excess/distributable cash and is not accruable if sufficient excess/distributable cash is not generated. Certain ground lease agreement requires base rent and residual rent increases at the fifth and tenth year anniversaries of the lease.

The leases have remaining lease term ranging from 77 to 97 years. The lease asset and liability were calculated utilizing the risk-free discount rate (2.01%), according to the affiliated partnership's elected policy.

Certain affiliated partnerships lease the land on which the projects are located and are required to prepay the rent on the land covering the entire lease term which was recorded as prepaid ground lease. Certain affiliated partnerships also incurred ground lease acquisition costs which were recognized as deferred costs. These lease assets were recognized as ROU assets when the new leasing standard was adopted in January 2022 and are amortized over the term of the lease.

Ground lease expense and related interest for the years ended December 31, 2023 and 2022 of \$1,288,355 and \$1,222,998, respectively, were included in income from continuing operations.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022

Ground lease and related interest expense consist of the following:

	2023	2022
Base rent	\$ 190,000	\$ 145,000
Residual rent	742,271	729,967
Contingent rent	120,000	120,000
Amortization of prepaid land lease	124,591	124,590
Total ground lease expense	\$ 1,176,862	\$ 1,119,557
Compound interest on unpaid rent based on Applicable Federal Rate (AFR)	\$ 111,493	\$ 103,441

The line items in the combined statement of financial position which include amounts for the operating lease as of December 31, 2023 are summarized as follows:

Right-of-use asset – operating lease	\$ 45,485,854
Total operating lease liability	\$ 42,239,841
Less: current portion	(1,155,239)
Long-term portion	\$ 41,084,602
Operating lease liability – interest <sup>(1)</sup>	\$ 265,552

<sup>(1)</sup> Operating lease liability – interest consists of the accrued compound interest on unpaid rent based on AFR.

The future minimum lease payments for the base rents are \$10,000 to \$15,000 annually. The future minimum lease payments for residual rents and additional residual rents are subject to the existence of excess/distributable cash which is a contingency that cannot be reasonably predicted.

The maturities of lease liabilities are estimated as follows:

2024	\$ 894,900
2025	894,900
2026	894,900
2027	894,900
2028	894,900
Thereafter	75,937,450
Total maturities	80,411,950
Add base, residual, and contingent rents outstanding as of December 31, 2023	4,477,395
Less amount representing interest	(42,649,504)
Present value of lease liability	\$ 42,239,841

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Certain affiliates lease the land on which the respective affordable housing properties were built from TNDC. TNDC's general fund accrued ground lease revenues from these affiliates totaling \$283,693 and \$360,440 which were eliminated from the combined financial statements in 2023 and 2022, respectively.

**NOTE 17 – DEFERRED REVENUE**

Deferred revenue as of December 31, 2023 and 2022 consists of the following:

	2023	2022
Tenant deferred rent	\$ 516,719	\$ 362,988
Unearned subsidy	26,643	114,355
Commercial deferred rent <sup>(1)</sup>	43,920	50,587
Government grant – conditional contribution <sup>(2)</sup>	863,260	1,604,646
Operating subsidy <sup>(3)</sup>	295,595	-
Sierra Madre insurance proceeds	3,069,368	-
Other	395,563	543,302
	5,211,068	2,675,878
Less: current portion	(2,016,931)	(1,812,619)
Non-current portion	\$ 3,194,137	\$ 863,259

<sup>(1)</sup> San Francisco Senior Center (SFSC) entered into an agreement with O'Farrell Senior Housing Inc. to sublease a portion of the building for the operation of a multi-purpose senior citizen activity center with a monthly fee of \$1,000 during the 30-year sublease term. In return, SFSC agreed to forgive and cancel a loan amounting to \$473,625 made to the previous owner which was assumed by O'Farrell Senior Housing Inc. The loan had a fair market value of \$273,625. The remaining balance of \$200,000 was recorded as deferred rental income and is being amortized over the remaining sublease term. During 2015, O'Farrell Senior Housing Inc. sold the building and assigned the lease agreement to O'Farrell Towers Associates, L.P. Total amortization of \$6,667 in 2023 and 2022 was included in other income in the accompanying combined statements of activities. The unamortized balance of deferred rental income was \$43,920 and \$50,587 as of December 31, 2023 and 2022, respectively.

<sup>(2)</sup> During 2010, Turk & Eddy Associates, L.P. (Turk & Eddy) was awarded an American Recovery and Reinvestment Act grant in the amount of \$11,120,814 through the California Tax Credit Allocation Committee (TCAC) for the purpose of financing the acquisition, construction or renovation of the low-income housing project. In the event the project is not operated in compliance with program regulations at any time during the 15-year compliance period, TCAC reserves the right to recapture all or some portion of the grant proceeds disbursed to the partnership. Thus, the grant is amortized on a straight-line basis over the 15-year compliance period. Turk & Eddy amortized \$741,388 annually in 2023 and 2022, which is included as contribution in the accompanying combined statements of activities. The remaining unamortized portion of \$863,260 and \$1,604,646 as of December 31, 2023 and 2022, respectively, is included in deferred revenue since it represents a conditional contribution to be recognized as contributions in future years when the grant compliance requirements are met.

<sup>(3)</sup> Six of TNDC's affiliated partnerships received conditional commitments of multi-year grants from the CCSF under the CCSF's Local Operating Subsidy Program (LOSP). The grants, which are effective from November 1, 2008 through December 31, 2036, allow the partnerships to receive operating subsidy on all LOSP-assisted units consisting of 234 residential units. Total income was \$1,782,161 and \$1,138,681 in 2023 and 2022, respectively, and is included as operating subsidy grants in the accompanying combined statements of activities. The operating subsidy, at any given year, is calculated as the excess of the costs to operate the assisted units over the income obtained from the assisted units and related sources. The calculation of operational costs allocated to the assisted units for subsequent years will be determined by CCSF in its reasonable discretion. The subsidy is pre-paid

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

annually based on estimated costs. Any subsidy received but not earned, is shown as deferred revenue, which was \$295,595 and \$-0- as of December 31, 2023 and 2022, respectively. The remaining subsidy disbursements for 2024 to 2036 are expected to be \$18,698,535 as of December 31, 2023.

**NOTE 18 – NEIGHBORWORKS AMERICA GRANTS**

TNDC received the following grants:

Support Without Donor Restrictions

NeighborWorks America (NWA) provided \$838,750 and \$738,000 expendable grants during 2023 and 2022, respectively, to support program activities.

**NOTE 19 – NET ASSETS WITH DONOR RESTRICTIONS**

The net assets with donor restrictions are for the following purposes or periods:

	<i>December 31,</i> <i>2022</i>	<i>Contributions</i>	<i>Releases from</i> <i>Restrictions</i>	<i>December 31,</i> <i>2023</i>
HUD Section 202 capital advance	\$ 3,125,771	\$ -	\$ (127,150)	\$ 2,998,621
Housing development activities	600,000	900,000	(1,500,000)	-
Tenant services	4,990	3,243,322	(3,243,323)	4,989
Other	794,041	250,000	(877,499)	166,542
	<u>\$ 4,524,802</u>	<u>\$ 4,393,322</u>	<u>\$ (5,747,972)</u>	<u>\$ 3,170,152</u>

	<i>December 31,</i> <i>2021</i>	<i>Contributions</i>	<i>Releases from</i> <i>Restrictions</i>	<i>December 31,</i> <i>2022</i>
HUD Section 202 capital advance	\$ 3,252,921	\$ -	\$ (127,150)	\$ 3,125,771
Housing development activities	1,241,667	776,388	(1,418,055)	600,000
Tenant services	100,824	2,093,255	(2,189,089)	4,990
Other	1,645,798	322,500	(1,174,257)	794,041
	<u>\$ 6,241,210</u>	<u>\$ 3,192,143</u>	<u>\$ (4,908,551)</u>	<u>\$ 4,524,802</u>

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022

**NOTE 20 – LIQUIDITY AND AVAILABILITY**

Financial assets as of December 31, 2023 and 2022 consist of the following:

	2023		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Cash and cash equivalents	\$ 6,365,795	\$ 14,966,444	\$ 21,332,239
Investments in marketable securities	-	27,699,415	27,699,415
Rent receivable – net	-	4,433,920	4,433,920
Contributions receivable including government contracts – without restrictions	168,649	-	168,649
Other receivables	433,631	2,593,687	3,027,318
Related-party receivable	219,454	-	219,454
Other assets	-	2,471,457	2,471,457
<b>Total</b>	<b>\$ 7,187,529</b>	<b>\$ 52,164,923</b>	<b>\$ 59,352,452</b>

	2022		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Cash and cash equivalents	\$ 10,148,440	\$ 8,914,718	\$ 19,063,158
Investments in marketable securities	-	23,707,662	23,707,662
Rent receivable – net	-	2,128,046	2,128,046
Contributions receivable including government contracts – without restrictions	300,301	-	300,301
Other receivables	610,937	1,852,466	2,463,403
Related-party receivable	265,095	-	265,095
<b>Total</b>	<b>\$ 11,324,773</b>	<b>\$ 36,602,892</b>	<b>\$ 47,927,665</b>

TNDC and Affiliates have \$59,352,452 and \$47,927,665 as of December 31, 2023 and 2022, respectively, of financial assets available within one year of the combined statement of financial position dates consisting of the amounts described above. Financial assets include amounts that will be used to pay accounts payable, accrued expenses and other distributions from operating cash flow, if any, in the subsequent year. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the combined statement of financial position date.

TNDC liquidity management policy requires the maintenance of 90 days of operating cash needs, which is defined as operating expenses minus recurring revenue, in its general fund operating account.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

**NOTE 21 – RETIREMENT PLAN**

TNDC established a 403(b) retirement plan effective March 1, 2003 covering employees of TNDC and Affiliates. Employees are not required to contribute to the plan. As defined in the plan, employees may contribute as of their date of hire and are immediately vested on their contributions. Employer contributions were fully vested after three years. Effective January 1, 2021, TNDC modified the 403(b) plan which is now a safe harbor plan and employer contributions vest immediately. The plan allows for both safe harbor matching contributions and an additional discretionary (non-matching) contribution from the employer for eligible employees who have worked a minimum of 1,000 hours and have completed one year of service. The employer discretionary contributions to the plan are funded on a quarterly basis. Contributions totaled \$782,146 and \$957,732 for the years ended December 31, 2023 and 2022, respectively.

**NOTE 22 – COMMERCIAL RENT INCOME**

TNDC and certain affiliates entered into agreements to lease commercial spaces ranging from 1 to 30 years. The future minimum commercial lease payments due to TNDC and certain affiliates are estimated as follows:

<i>Year Ended December 31,</i>	<i>Lease Payments</i>		<i>Total</i>
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	
2024	\$ -	\$ 813,382	\$ 813,382
2025	-	711,616	711,616
2026	-	682,238	682,238
2027	-	526,494	526,494
2028	-	350,824	350,824
Thereafter	-	142,050	142,050
Total	\$ -	\$ 3,226,604	\$ 3,226,604

Commercial rent income received during 2023 and 2022 was \$2,087,309 and \$1,907,746, respectively.

**NOTE 23 – COMMITMENTS, CONTINGENCIES AND OTHER MATTERS**

*Operating Deficit and Other Guarantees*

TNDC has provided loan and operating deficit guarantees as well as indemnifications with regard to tax benefits projected for its various affiliates and projects. TNDC will be responsible for repaying a loan if, when the loan becomes due, the respective affiliate or project does not make payment on the loan. TNDC will cover operating deficits as needed up to stated limits which vary by project. TNDC does not require any collateral or other security from its affiliates and projects related to these guarantees nor has TNDC pledged any specific collateral or security to the guaranteed parties. Estimation of the amount of such guarantees is required by GAAP. A reasonable estimate of the outstanding loan, construction completion guarantees, and operating deficit guarantees at December 31, 2023 amounted to approximately \$373,119,000. In addition, TNDC has guaranteed an aggregate amount of approximately \$268,822,000 to the investor limited partners for tax credits and other tax benefits for various affiliated limited partnerships as of December 31, 2023. Management believes that the likelihood of funding a material amount of any of the guarantees is remote.



TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022

In connection with the development of affordable housing projects which are owned by limited partnerships, TNDC has acquired the options to purchase the projects and/or the limited partner interests at the close of the projects' 15-year compliance periods.

Incidental Operation and Loss on Sale of Land

Turk 500 Associates, L.P., an affiliate of TNDC, acquired a parcel of land from a third party in December 2016 for \$12,250,000 financed by a loan. The land was used to generate commercial rental income during the pre-development phase from December 2016 to January 2020, with \$329,901 of incidental operation income. The land was subsequently sold to the CCSF for \$12,250,000. Turk 500 Associates, L.P. had capitalized interest of \$974,037, loan closing, escrow and legal costs of \$400,019, and property taxes and other costs incurred during the holding period totaling \$1,008,143, resulting in a loss on sale of \$2,382,199 in 2022. The incidental operation income earned was applied as a reduction of the loss on sale of land recognized.

4200 Geary Associates, L.P., an affiliate of TNDC, acquired a parcel of land from a third party in May 2020 for \$10,500,000 financed by a loan with San Francisco Housing Accelerator Fund. The loan was refinanced in May 2021 through a loan with CCSF. The land was subsequently sold to CCSF for \$9,210,000. 4200 Geary Associates, L.P. had capitalized interest of \$973,834, \$607,603 of which was forgiven by CCSF in 2023, loan closing, escrow and legal costs of \$261,860, and property taxes of \$384,686, resulting in a loss on sale of \$448,521 in 2023.

Transfer Tax

1166 Howard Street Associates (1166 Howard) paid transfer tax totaling \$2,364,720 (inclusive of penalty and interest) in 2021 as a result of the exit of the limited partners in 2019. The transfer tax paid is included in Other assets in the accompanying combined statements of financial position as 1166 Howard was awaiting the outcome of the new transfer tax legislation, which was passed in December 2023. The new legislation reduced the transfer tax bill amount to \$354,000, which was recognized as an expense in 2023. The remaining transfer tax amounting to \$2,010,720 was refunded to 1166 Howard in March 2024.

Plaza Apartment Associates, L.P. (Plaza Apartment) paid transfer taxes (inclusive of penalty and interest) in 2021 amounting to \$460,737, also included in Other assets, as a result of an upper tier ownership transfer prior to the exit of the former limited partner in 2019. The new legislation reduced the transfer tax bill amount to \$79,031, which was reimbursed by the former limited partner in May 2024. The remaining transfer tax amounting to \$381,706 was refunded to Plaza Apartment in April 2024.

In 2022, Plaza Apartment, West Hotel, L.P., Dalt Hotel, L.P., and MM Preservation, L.P., received transfer tax bills (inclusive of penalty and interest) amounting to \$1,147,932, \$298,720, \$613,098, and \$338,442, respectively, as a result of the exit of limited partners in 2019 and 2020. As of December 31, 2022, no payment was made, and the transfer tax bills were not recorded in the books as the partnerships were awaiting the outcome of the new legislation. The new legislation reduced the transfer tax bills to \$185,250, \$59,625, \$100,125, and \$66,750, respectively, which were accrued as of December 31, 2023 and paid in 2024.

Subsequent to December 31, 2023, Klimm Apartments, L.P., AR Preservation, L.P., AM Preservation, L.P., Curran House Limited Partnership, Ellis 350 Associates, L.P., and 220 Golden Gate Associates, L.P., received transfer tax bills (inclusive of penalty and interest) amounting to \$67,500, \$87,000, \$106,500, \$75,000, \$213,750, and \$300,000, respectively, as a result of the exit of limited partners in 2019 through 2021. The transfer tax bills were accrued as of December 31, 2023 and paid in 2024.

Contingencies

TNDC and Affiliates were named in various complaints in the normal course of business. No amounts have been accrued since the outcome of these matters is uncertain and the amount of liability, if any, cannot be determined or established, including any potential insurance recovery.

**SUPPLEMENTARY INFORMATION**

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
COMBINING SCHEDULES OF FINANCIAL POSITION  
DECEMBER 31, 2023 AND 2022

		2023						
		<i>TNDC</i>	<i>Operating</i>	<i>Other</i>			<i>Eliminations</i>	
		<i>General Fund</i>	<i>Properties</i> <sup>(1)</sup>	<i>Entities</i> <sup>(2)</sup>	<i>TSF</i>	<i>Subtotal</i>		<i>Total</i>
ASSETS								
Current assets:								
Cash and cash equivalents	\$	6,365,795	\$ 14,963,338	\$ 3,106	\$ -	\$ 21,332,239	\$ -	\$ 21,332,239
Investments in marketable securities		-	-	-	27,699,415	27,699,415	-	27,699,415
Rent receivable – net of allowance for credit losses		-	4,483,233	-	-	4,483,233	(49,313)	4,433,920
Contributions receivable including government contracts		1,046,193	1,299,252	-	-	2,345,445	-	2,345,445
Other receivables		566,890	2,614,246	130,269	-	3,311,405	(284,087)	3,027,318
Related-party receivable – current portion		25,464,515	1,911,308	1,517,351	-	28,893,174	(28,673,720)	219,454
Prepaid expenses and deposits – current portion		118,798	7,053,094	-	-	7,171,892	(81)	7,171,811
Other assets		-	2,471,457	-	-	2,471,457	-	2,471,457
Total current assets		33,562,191	34,795,928	1,650,726	27,699,415	97,708,260	(29,007,201)	68,701,059
Long-term assets:								
Restricted cash and deposits		2,807,819	42,916,346	-	-	45,724,165	-	45,724,165
Contributions receivable including government contracts – net of current portion		-	224	481,101	-	481,325	(481,325)	-
Related-party receivable – net of current portion		41,920,044	1,000,000	542,579	-	43,462,623	(42,184,446)	1,278,177
Prepaid expenses and deposits – net of current portion		-	247,490	-	-	247,490	(48)	247,442
Notes and interest receivable		21,603,977	32,633,449	9,391,860	-	63,629,286	(63,141,284)	488,002
Investments in other companies		5,329,004	(3,992,981)	(97,629,583)	-	(96,293,560)	98,477,421	2,183,861
Development in progress		46,820	164,608,176	-	-	164,654,996	(161,459)	164,493,537
Property and equipment – net		7,244,956	1,228,590,447	6,806,650	-	1,242,642,053	(55,233,953)	1,187,408,100
Right-of-use assets – operating lease		-	48,296,748	-	-	48,296,748	(2,810,894)	45,485,854
Deferred costs – net		-	967,855	-	-	967,855	-	967,855
Total long-term assets		78,952,620	1,515,267,754	(80,407,393)	-	1,513,812,981	(65,535,988)	1,448,276,993
Total assets	\$	112,514,811	\$ 1,550,063,682	\$ (78,756,667)	\$ 27,699,415	\$ 1,611,521,241	\$ (94,543,189)	\$ 1,516,978,052

<sup>(1)</sup> Includes limited partnerships and nonprofit corporation providing or in process of developing affordable housing, LLCs that own commercial spaces, and real properties directly owned by TNDC.

<sup>(2)</sup> Includes affiliated nonprofit corporations and LLCs that control affordable housing partnerships, or own land on which the affordable housing projects were built or in process of development.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
COMBINING SCHEDULES OF FINANCIAL POSITION  
DECEMBER 31, 2023 AND 2022

	2023						
	<i>TNDC General Fund</i>	<i>Operating Properties <sup>(1)</sup></i>	<i>Other Entities <sup>(2)</sup></i>	<i>TSF</i>	<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</i>
LIABILITIES AND NET ASSETS							
Current liabilities:							
Accounts payable and accrued expenses	\$ 2,067,036	\$ 8,457,095	\$ 17,650	\$ -	\$ 10,541,781	\$ (69,930)	\$ 10,471,851
Deferred revenue – current portion	76,509	1,940,503	88	-	2,017,100	(169)	2,016,931
Related-party payable – current portion	3,320,391	22,999,780	2,038,259	7,810	28,366,240	(27,745,680)	620,560
Interest payable – current portion	-	3,838,443	-	-	3,838,443	-	3,838,443
Notes payable – current portion	165,326	4,420,055	-	-	4,585,381	-	4,585,381
Operating lease liabilities – current portion	-	1,155,239	-	-	1,155,239	-	1,155,239
Total current liabilities	5,629,262	42,811,115	2,055,997	7,810	50,504,184	(27,815,779)	22,688,405
Long-term liabilities:							
Security deposits	-	2,406,265	-	-	2,406,265	-	2,406,265
Development costs payable	6,115	31,540,178	-	-	31,546,293	-	31,546,293
Deferred revenue – net of current portion	-	3,194,137	-	-	3,194,137	-	3,194,137
Related-party payable – net of current portion	-	41,301,257	-	-	41,301,257	(38,527,022)	2,774,235
Derivative financial instruments	-	220,335	-	-	220,335	-	220,335
Interest payable – net of current portion	5,758,471	100,181,219	3,998,604	-	109,938,294	(9,998,499)	99,939,795
Notes payable – net of current portion	12,373,987	1,111,290,590	12,080,917	-	1,135,745,494	(53,142,785)	1,082,602,709
Operating lease liabilities – net of current portion	-	48,766,246	-	-	48,766,246	(7,681,644)	41,084,602
Operating lease liabilities – interest	-	276,125	-	-	276,125	(10,573)	265,552
Contribution to affiliates	481,131	-	481,295	-	962,426	(962,426)	-
Total long-term liabilities	18,619,704	1,339,176,352	16,560,816	-	1,374,356,872	(110,322,949)	1,264,033,923
Total liabilities	24,248,966	1,381,987,467	18,616,813	7,810	1,424,861,056	(138,138,728)	1,286,722,328
Net assets:							
Without donor restrictions:							
Controlling interests	88,094,315	(46,158,577)	(96,643,779)	27,691,605	(27,016,436)	43,595,539	16,579,103
Non-controlling interests	-	211,236,171	(729,701)	-	210,506,470	-	210,506,470
Total without donor restrictions	88,094,315	165,077,594	(97,373,480)	27,691,605	183,490,034	43,595,539	227,085,573
With donor restrictions	171,530	2,998,621	-	-	3,170,151	-	3,170,151
Total net assets	88,265,845	168,076,215	(97,373,480)	27,691,605	186,660,185	43,595,539	230,255,724
Total liabilities and net assets	\$ 112,514,811	\$ 1,550,063,682	\$ (78,756,667)	\$ 27,699,415	\$ 1,611,521,241	\$ (94,543,189)	\$ 1,516,978,052

<sup>(1)</sup> Includes limited partnerships and nonprofit corporation providing or in process of developing affordable housing, LLCs that own commercial spaces, and real properties directly owned by TNDC.

<sup>(2)</sup> Includes affiliated nonprofit corporations and LLCs that control affordable housing partnerships, or own land on which the affordable housing projects were built or in process of development.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
COMBINING SCHEDULES OF FINANCIAL POSITION  
DECEMBER 31, 2023 AND 2022

		2022						
		<i>TNDC</i>	<i>Operating</i>	<i>Other</i>			<i>Eliminations</i>	<i>Total</i>
		<i>General Fund</i>	<i>Properties</i> <sup>(1)</sup>	<i>Entities</i> <sup>(2)</sup>	<i>TSF</i>	<i>Subtotal</i>		
ASSETS								
Current assets:								
Cash and cash equivalents	\$	10,148,440	\$ 8,910,933	\$ 3,785	\$ -	\$ 19,063,158	\$ -	\$ 19,063,158
Investments in marketable securities		-	-	-	23,707,662	23,707,662	-	23,707,662
Rent receivable – net of allowance for credit losses		-	2,128,046	-	-	2,128,046	-	2,128,046
Contributions receivable including government contracts – current portion		2,032,668	594,702	-	-	2,627,370	-	2,627,370
Other receivables – current portion		732,856	2,097,612	210,060	-	3,040,528	(577,125)	2,463,403
Related-party receivable – current portion		17,760,230	1,932,281	1,401,392	-	21,093,903	(20,828,808)	265,095
Prepaid expenses and deposits – current portion		131,159	2,686,011	-	-	2,817,170	(82)	2,817,088
Total current assets		<u>30,805,353</u>	<u>18,349,585</u>	<u>1,615,237</u>	<u>23,707,662</u>	<u>74,477,837</u>	<u>(21,406,015)</u>	<u>53,071,822</u>
Long-term assets:								
Restricted cash and deposits		12,473,649	39,829,240	-	-	52,302,889	-	52,302,889
Contributions receivable including government contracts – net of current portion		-	224	481,101	-	481,325	(481,325)	-
Other receivables – net of current portion		-	389,969	-	-	389,969	-	389,969
Related-party receivable – net of current portion		38,521,327	1,154,059	354,202	-	40,029,588	(38,630,462)	1,399,126
Prepaid expenses and deposits – net of current portion		-	258,158	-	-	258,158	(49)	258,109
Notes and interest receivable		12,061,026	31,438,732	9,286,862	-	52,786,620	(52,332,284)	454,336
Investments in other companies		6,257,365	(2,649,055)	(73,439,233)	-	(69,830,923)	72,032,391	2,201,468
Development in progress		113,725	197,580,467	-	-	197,694,192	(307,615)	197,386,577
Property and equipment – net		7,451,782	1,050,790,064	6,806,650	-	1,065,048,496	(52,381,877)	1,012,666,619
Right-of-use assets – operating lease		-	47,979,137	-	-	47,979,137	(2,870,850)	45,108,287
Deferred costs – net		-	747,931	-	-	747,931	-	747,931
Other assets		-	2,825,457	-	-	2,825,457	-	2,825,457
Total long-term assets		<u>76,878,874</u>	<u>1,370,344,383</u>	<u>(56,510,418)</u>	<u>-</u>	<u>1,390,712,839</u>	<u>(74,972,071)</u>	<u>1,315,740,768</u>
Total assets	\$	<u>107,684,227</u>	<u>\$ 1,388,693,968</u>	<u>\$ (54,895,181)</u>	<u>\$ 23,707,662</u>	<u>\$ 1,465,190,676</u>	<u>\$ (96,378,086)</u>	<u>\$ 1,368,812,590</u>

<sup>(1)</sup> Includes limited partnerships and nonprofit corporation providing or in process of developing affordable housing, LLCs that own commercial spaces, and real properties directly owned by TNDC.

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TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
COMBINING SCHEDULES OF FINANCIAL POSITION  
DECEMBER 31, 2023 AND 2022

	2022				Subtotal	Eliminations	Total
	TNDC General Fund	Operating Properties <sup>(1)</sup>	Other Entities <sup>(2)</sup>	TSF			
LIABILITIES AND NET ASSETS							
Current liabilities:							
Accounts payable and accrued expenses	\$ 2,019,457	\$ 5,964,942	\$ 17,650	\$ -	\$ 8,002,049	\$ (255,878)	\$ 7,746,171
Deferred revenue – current portion	82	1,812,619	90	-	1,812,791	(172)	1,812,619
Related-party payable – current portion	2,706,861	11,052,209	1,726,681	5,735	15,491,486	(15,190,661)	300,825
Interest payable – current portion	-	3,959,077	-	-	3,959,077	-	3,959,077
Notes payable – current portion	122,633	4,707,716	-	-	4,830,349	-	4,830,349
Operating lease liabilities – current portion	-	752,868	-	-	752,868	-	752,868
Total current liabilities	4,849,033	28,249,431	1,744,421	5,735	34,848,620	(15,446,711)	19,401,909
Long-term liabilities:							
Security deposits	-	1,837,956	-	-	1,837,956	-	1,837,956
Development costs payable	138,588	32,236,450	-	-	32,375,038	-	32,375,038
Deferred revenue – net of current portion	-	863,259	-	-	863,259	-	863,259
Related-party payable – net of current portion	-	42,979,483	-	-	42,979,483	(39,814,614)	3,164,869
Derivative financial instruments	-	226,469	-	-	226,469	-	226,469
Interest payable – net of current portion	5,472,692	90,504,326	3,810,633	-	99,787,651	(8,573,337)	91,214,314
Notes payable – net of current portion	8,764,313	977,839,649	12,080,917	-	998,684,879	(43,758,947)	954,925,932
Operating lease liabilities – net of current portion	-	47,767,269	-	-	47,767,269	(7,674,724)	40,092,545
Operating lease liabilities – interest	-	157,814	-	-	157,814	(3,755)	154,059
Contribution to affiliates	481,131	-	481,295	-	962,426	(962,426)	-
Total long-term liabilities	14,856,724	1,194,412,675	16,372,845	-	1,225,642,244	(100,787,803)	1,124,854,441
Total liabilities	19,705,757	1,222,662,106	18,117,266	5,735	1,260,490,864	(116,234,514)	1,144,256,350
Net assets:							
Without donor restrictions:							
Controlling interests	86,579,439	(28,445,098)	(72,282,929)	23,701,927	9,553,339	19,856,428	29,409,767
Non-controlling interests	-	191,351,189	(729,518)	-	190,621,671	-	190,621,671
Total without donor restrictions	86,579,439	162,906,091	(73,012,447)	23,701,927	200,175,010	19,856,428	220,031,438
With donor restrictions	1,399,031	3,125,771	-	-	4,524,802	-	4,524,802
Total net assets	87,978,470	166,031,862	(73,012,447)	23,701,927	204,699,812	19,856,428	224,556,240
Total liabilities and net assets	\$ 107,684,227	\$ 1,388,693,968	\$ (54,895,181)	\$ 23,707,662	\$ 1,465,190,676	\$ (96,378,086)	\$ 1,368,812,590

<sup>(1)</sup> Includes limited partnerships and nonprofit corporation providing or in process of developing affordable housing, LLCs that own commercial spaces, and real properties directly owned by TNDC.

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TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
COMBINING SCHEDULES OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023						
	<i>TNDC General Fund</i>	<i>Operating Properties<sup>(1)</sup></i>	<i>Other Entities<sup>(2)</sup></i>	<i>TSF</i>	<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</i>
Support and revenue:							
Developer fees	\$ 5,187,596	\$ -	\$ -	\$ -	\$ 5,187,596	\$ (5,187,596)	\$ -
Rental income – residential (net)	-	66,168,357	-	-	66,168,357	(49,313)	66,119,044
Rental income – commercial (net)	-	2,401,426	-	-	2,401,426	(119,459)	2,281,967
Contributions and program service fees	4,315,242	8,105,680	-	-	12,420,922	-	12,420,922
Operating subsidy grants	-	2,448,953	-	-	2,448,953	-	2,448,953
NeighborWorks America grants	838,750	-	-	-	838,750	-	838,750
In-kind donations	149,683	-	-	-	149,683	-	149,683
Revenue from special events	497,653	-	-	-	497,653	-	497,653
Less: cost of special events	(207,966)	-	-	-	(207,966)	(124,480)	(332,446)
Interest and investment income	189,187	1,867,245	104,997	683,073	2,844,502	(1,425,162)	1,419,340
Net realized and unrealized loss on investments	122	-	-	3,370,709	3,370,831	-	3,370,831
Loss from investment in other companies	(936,092)	(1,343,926)	(32,612,391)	-	(34,892,409)	34,892,002	(407)
Management revenue	7,343,502	81,255	1,407,485	-	8,832,242	(8,525,841)	306,401
Ground leases	153,483	-	130,211	-	283,694	(283,694)	-
Other income	1,207,975	1,283,851	92,608	1	2,584,435	(1,389,745)	1,194,690
Total support and revenue	18,739,135	81,012,841	(30,877,090)	4,053,783	72,928,669	17,786,712	90,715,381
Expenses	19,553,802	142,214,252	1,703,554	64,105	163,535,713	(14,673,343)	148,862,370
Change in net assets before other gains (losses)	(814,667)	(61,201,411)	(32,580,644)	3,989,678	(90,607,044)	32,460,055	(58,146,989)

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
COMBINING SCHEDULES OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023				Subtotal	Eliminations	Total
	TNDC General Fund	Operating Properties <sup>(1)</sup>	Other Entities <sup>(2)</sup>	TSF			
Other gains (losses):							
Debt forgiveness income	-	1,001,672	-	-	1,001,672	-	1,001,672
Loss on sale of land	-	(448,521)	-	-	(448,521)	-	(448,521)
Loss from retirement of property and equipment	-	(915,330)	-	-	(915,330)	-	(915,330)
Other loss	(289,411)	-	-	-	(289,411)	-	(289,411)
Total other gains (losses)	(289,411)	(362,179)	-	-	(651,590)	-	(651,590)
Change in net assets before intercompany transfers, capital contributions, distributions, and syndication costs	(1,104,078)	(61,563,590)	(32,580,644)	3,989,678	(91,258,634)	32,460,055	(58,798,579)
Intercompany transfers, capital contributions, distributions, and syndication costs:							
Contributions from affiliates	6,246,330	60,000	4,849,132	-	11,155,462	(11,155,462)	-
Contributions to affiliates	(4,854,877)	(4,881,949)	(1,469,428)	-	(11,206,254)	11,155,462	(50,792)
Capital contributions – controlling interest	-	4,864,907	4,839,907	-	9,704,814	(9,704,814)	-
Capital contributions – non-controlling interest	-	65,114,517	-	-	65,114,517	-	65,114,517
Syndication costs – non-controlling interest	-	(536,891)	-	-	(536,891)	-	(536,891)
Capital distributions – controlling interest	-	(983,870)	-	-	(983,870)	983,870	-
Capital distributions – non-controlling interest	-	(28,771)	-	-	(28,771)	-	(28,771)
Change in net assets	287,375	2,044,353	(24,361,033)	3,989,678	(18,039,627)	23,739,111	5,699,484
Net assets, beginning of year	87,978,470	166,031,862	(73,012,447)	23,701,927	204,699,812	19,856,428	224,556,240
Net assets, end of year	\$ 88,265,845	\$ 168,076,215	\$ (97,373,480)	\$ 27,691,605	\$ 186,660,185	\$ 43,595,539	\$ 230,255,724

<sup>(1)</sup> Includes limited partnerships and nonprofit corporation providing or in process of developing affordable housing, LLCs that own commercial spaces, and real properties directly owned by TNDC.

<sup>(2)</sup> Includes affiliated nonprofit corporations and LLCs that control affordable housing partnerships, or own land on which the affordable housing projects were built or in process of development.



TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
COMBINING SCHEDULES OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2022				<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</i>
	<i>TNDC General Fund</i>	<i>Operating Properties<sup>(1)</sup></i>	<i>Other Entities<sup>(2)</sup></i>	<i>TSF</i>			
Support and revenue:							
Developer fees	\$ 10,484,876	\$ -	\$ -	\$ -	\$ 10,484,876	\$ (10,384,876)	\$ 100,000
Rental income – residential (net)	-	61,446,486	-	-	61,446,486	-	61,446,486
Rental income – commercial (net)	-	1,979,891	-	-	1,979,891	(72,145)	1,907,746
Contributions and program service fees	4,889,604	4,706,819	-	-	9,596,423	-	9,596,423
Operating subsidy grants	-	1,138,681	-	-	1,138,681	-	1,138,681
NeighborWorks America grants	738,000	-	-	-	738,000	-	738,000
In-kind donations	75,247	-	-	-	75,247	-	75,247
Revenue from special events	799,420	-	-	-	799,420	-	799,420
Less: cost of special events	(422,166)	-	-	-	(422,166)	-	(422,166)
Interest and investment income	143,550	1,152,312	101,070	524,350	1,921,282	(1,331,199)	590,083
Net realized and unrealized loss on investments	(560)	-	-	(5,260,014)	(5,260,574)	-	(5,260,574)
Loss from investment in other companies	(1,528,537)	(1,231,842)	(10,440,720)	-	(13,201,099)	13,147,920	(53,179)
Management revenue	7,359,359	60,896	1,246,947	-	8,667,202	(8,276,301)	390,901
Ground leases	150,420	-	210,020	-	360,440	(360,440)	-
Other income	939,537	3,238,166	129,297	-	4,307,000	(1,106,158)	3,200,842
Total support and revenue	23,628,750	72,491,409	(8,753,386)	(4,735,664)	82,631,109	(8,383,199)	74,247,910
Expenses	18,794,227	112,777,214	1,777,539	58,393	133,407,373	(15,491,634)	117,915,739
Change in net assets before other gains (losses)	4,834,523	(40,285,805)	(10,530,925)	(4,794,057)	(50,776,264)	7,108,435	(43,667,829)

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
COMBINING SCHEDULES OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2022				<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</i>
	<i>TNDC General Fund</i>	<i>Operating Properties<sup>(1)</sup></i>	<i>Other Entities<sup>(2)</sup></i>	<i>TSF</i>			
Other gains (losses):							
Debt forgiveness income	-	164,000	-	-	164,000	-	164,000
Loss on sale of land	-	(2,052,298)	-	-	(2,052,298)	-	(2,052,298)
Loss from retirement of property and equipment	-	(300,342)	-	-	(300,342)	-	(300,342)
Total other gains (losses)	-	(2,188,640)	-	-	(2,188,640)	-	(2,188,640)
Change in net assets before intercompany transfers, capital contributions, distributions, and syndication costs	4,834,523	(42,474,445)	(10,530,925)	(4,794,057)	(52,964,904)	7,108,435	(45,856,469)
Intercompany transfers, capital contributions, distributions, and syndication costs:							
Contributions from affiliates	1,091,783	140,000	271,806	-	1,503,589	(1,503,589)	-
Contributions to affiliates	(390,373)	-	(1,092,083)	-	(1,482,456)	1,482,456	-
Capital contributions – controlling interest	-	243,443	86,423	-	329,866	(329,866)	-
Capital contributions – non-controlling interest	-	3,062,498	20	-	3,062,518	-	3,062,518
Syndication costs – non-controlling interest	-	(292,417)	-	-	(292,417)	-	(292,417)
Capital distributions – controlling interest	-	(1,004,406)	(93,705)	-	(1,098,111)	1,098,111	-
Capital distributions – non-controlling interest	-	(41,965)	-	-	(41,965)	-	(41,965)
Change in net assets	5,535,933	(40,367,292)	(11,358,464)	(4,794,057)	(50,983,880)	7,855,547	(43,128,333)
Net assets, beginning of year	82,442,537	206,399,154	(61,653,983)	28,495,984	255,683,692	12,000,881	267,684,573
Net assets, end of year	\$ 87,978,470	\$ 166,031,862	\$ (73,012,447)	\$ 23,701,927	\$ 204,699,812	\$ 19,856,428	\$ 224,556,240

<sup>(1)</sup> Includes limited partnerships and nonprofit corporation providing or in process of developing affordable housing, LLCs that own commercial spaces, and real properties directly owned by TNDC.

<sup>(2)</sup> Includes affiliated nonprofit corporations and LLCs that control affordable housing partnerships, or own land on which the affordable housing projects were built or in process of development.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
SCHEDULES OF NOTES PAYABLE  
(TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION ONLY)  
YEARS ENDED DECEMBER 31, 2023 AND 2022

Notes payable are generally secured by the respective properties and under simple interest rates unless otherwise noted:

<i>Lender</i>	<i>Total Commitment</i>	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Payment Terms</i>	<i>Principal Balance</i>	
					2023	2022
<b><u>Amortizing Loan</u></b>						
Enterprise BAM loan	\$ 202,375	April 2022	5.00%	-0- <sup>(3)</sup>	\$ -	\$ -
Total amortizing loan					-	-
<b><u>Deferred Loans</u></b>						
<b><u>City and County of San Francisco</u></b>						
Yosemite Apartments	479,501	December 2005	6%	-0- <sup>(2)</sup>	-	479,501
Yosemite Apartments	85,937	July 1999	6%	-0- <sup>(2)</sup>	-	85,937
Yosemite Apartments	1,800,000	October 2074	3%	-0- <sup>(5)</sup>	-	1,800,000
Sierra Madre Apartments	3,169,849	November 2054	0% <sup>(4)(6)</sup>	-0- <sup>(6)</sup>	2,211,260	2,211,260
Aarti Hotel	638,256	December 2069	0% <sup>(4)</sup>	-0- <sup>(1)</sup>	638,256	638,256
Aarti Hotel	838,880	April 2066	3%	-0- <sup>(1)</sup>	838,880	838,880
Klimm Apartments	500,000	March 2060	3%	-0- <sup>(5)</sup>	500,000	500,000
Pierce Apartments	728,274	March 2056	3%	-0- <sup>(5)</sup>	728,274	728,274
Haight Street Apartments	602,785	August 2072	3%	-0- <sup>(1)</sup>	602,785	602,785
Haight Street Apartments	228,750	June 2018	0% <sup>(4)</sup>	-0- <sup>(2)</sup>	225,000	225,000
Haight Street Apartments	491,686	August 2072	0%	-0- <sup>(1)</sup>	491,686	491,686
Howard Street Apartments	1,006,534	January 2054	0% <sup>(4)</sup>	-0- <sup>(1)</sup>	790,803	790,803
Cameo Apartments	2,107,108	September 2071	0% <sup>(4)</sup>	-0- <sup>(1)</sup>	2,009,425	2,009,425
Ellis Street Apartments	600,000	November 2055	2%	-0- <sup>(1)</sup>	600,000	600,000
Plaza and Ramona Apartments	605,000	December 2069	0% <sup>(4)</sup>	-0- <sup>(1)</sup>	605,000	605,000
Ambassador Hotel	2,508,186	March 2049	3%	-0- <sup>(1)</sup>	2,508,185	2,508,185
Ambassador Hotel	2,000,000	February 2049	5.67%	-0- <sup>(1)</sup>	2,000,000	2,000,000
					14,749,554	17,114,992
<b><u>California Department of Housing and Community Development</u></b>						
Aarti Hotel	630,100	November 2044	3%	-0- <sup>(5)</sup>	630,100	630,100
					630,100	630,100
<b><u>First Citizens Bank</u></b>						
Aarti Hotel	676,000	December 2027	0%	-0- <sup>(1)</sup>	676,000	676,000
					676,000	676,000
<b><u>Bank of America</u></b>						
Franciscan Towers	1,040,000	February 2069	0%	-0- <sup>(1)</sup>	1,040,000	1,040,000
					1,040,000	1,040,000
<b><u>Pacific Premier Bank</u></b>						
681 Florida	1,250,000	November 2061	0%	-0- <sup>(5)</sup>	1,250,000	1,250,000
					1,250,000	1,250,000
Total deferred loans					18,345,654	20,711,092

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
SCHEDULES OF NOTES PAYABLE  
(TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION ONLY)  
YEARS ENDED DECEMBER 31, 2023 AND 2022

<u>Lender</u>	<u>Total</u> <u>Commitment</u>	<u>Maturity Date</u>	<u>Interest</u> <u>Rate</u>	<u>Payment</u> <u>Terms</u>	<u>Principal Balance</u>	
					2023	2022
<b><u>Other Notes Payable</u></b>						
<b><u>Wells Fargo Bank Equity Equivalent Investments (EO2)</u></b>						
1036 Mission Project						
Working Capital	1,000,000	August 2022	2%	-0- <sup>(7)</sup>	-	-
<b><u>Capital One Loan</u></b>						
Working Capital	500,000	December 2022 <sup>(8)</sup>	2.25%	-0- <sup>(7)(8)</sup>	377,367	500,000
<b><u>Bank of America Line of Credit</u></b>						
Working Capital	7,500,000	November 2024	BSBY Daily Floating Rate	-0- <sup>(9)</sup>	3,750,000	-
					4,127,367	500,000
Grand total					<b>\$ 22,473,021</b>	<b>\$ 21,211,092</b>

- (1) Principal and interest, if any, are deferred until maturity date.
- (2) The City had given its informal approval for the extension of these notes and is currently in the process of extending the maturity dates. Pending the loan extensions, TNDC continues to accrue interest on these notes in compliance with the City's policy.
- (3) Principal and interest payments were due monthly.
- (4) Interest is only due upon violation of loan terms, accordingly, no interest expense is accrued.
- (5) Principal and interest, if any, are due annually to the extent of surplus cash generated from the project.
- (6) This note replaced an earlier interest-bearing note and the accrued interest under the previous note is carried over and remains payable under the new note. Principal and interest are due annually to the extent of surplus cash generated from the project.
- (7) Principal is deferred until maturity date. Interest is due quarterly.
- (8) In January 2023, the loan was renewed for a term of 3 years bearing a fixed interest of 2.25%. Principal and interest will be due quarterly until maturity in January 2026.
- (9) Principal is deferred until maturity date. Interest is due monthly.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
SCHEDULES OF NOTES PAYABLE  
(TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION ONLY)  
YEARS ENDED DECEMBER 31, 2023 AND 2022

Interest expense incurred on notes for which payments are expected to be deferred totaled \$321,629 and \$382,314 in 2023 and 2022, respectively. Mortgage and other interest expense was \$31,638 and \$12,082 in 2023 and 2022, respectively. Management anticipates that city and state loans will be extended or refinanced as each loan matures. Interest payable for all notes was \$8,758,948 and \$9,863,193 at December 31, 2023 and 2022, respectively.

Principal payments on notes payable for the next five years are subject to changes in net cash flow and are estimated as follows:

2024	\$	165,326
2025		169,151
2026		42,890
2027		-
2028		-

**TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
SCHEDULE OF PROPERTIES DEVELOPED  
YEAR ENDED DECEMBER 31, 2023**

Units	Project Owner	Notes
<b>Operating Projects</b>		
Cameo Apartments	31 TNDC	
Haight Street Apartments	12 TNDC	
Howard Street	12 TNDC	
Pierce Street Apartments	8 TNDC	
Yosemite Apartments	32 TNDC	
Aarti Hotel	40 TNDC	Four units master leased to Larkin Street Youth Services
Franciscan Towers	105 Franciscan Towers Associates, L.P. (limited partnership)	TNDC affiliate corporation is sole member of General Partner LLC, City and County of San Francisco owns land
249 Eddy	55 Turk & Eddy Associates, L.P. (limited partnership)	TNDC affiliate corporation is General Partner, City and County of San Francisco owns land <sup>(1)</sup>
161 Turk	27 Turk & Eddy Associates, L.P. (limited partnership)	TNDC affiliate corporation is General Partner, City and County of San Francisco owns land <sup>(1)</sup>
44 McAllister	211 44 McAllister Associates, L.P. (limited partnership)	TNDC affiliate corporation is sole member of General Partner LLC
Klimm Apartments	42 Klimm Apartments LP (limited partnership)	TNDC is sole member of General Partner LLC, TNDC owns land
Plaza and Ramona Apartments	29 McAllister Street Associates (limited partnership)	TNDC affiliate corporation is General Partner, TNDC owns land
Plaza and Ramona Apartments	34 McAllister Street Associates (limited partnership)	TNDC affiliate corporation is General Partner, TNDC owns land
864 Ellis Street	25 Ellis Street Associates (limited partnership)	TNDC affiliate corporation is General Partner, TNDC owns land
Dalt Hotel	178 Dalt Hotel LP (limited partnership)	TNDC affiliate corporation is General Partner
Folsom Dore Apartments	98 Folsom Dore Associates (limited partnership)	TNDC affiliate corporation is General Partner
Ambassador/Ritz 4%	187 Ambassador Ritz Four Percent LP (limited partnership)	TNDC affiliate corporation is sole member of General Partner LLC
Ambassador 9%	36 Ambassador Nine Percent LP (limited partnership)	TNDC affiliate corporation is sole member of General Partner LLC
Alexander Residence	179 AR Preservation LP (limited partnership)	TNDC is sole member of General Partner LLC, City and County of San Francisco owns land <sup>(1)</sup>
Antonia Manor	134 AM Preservation LP (limited partnership)	TNDC is sole member of General Partner LLC, City and County of San Francisco owns land <sup>(1)</sup>
Maria Manor	119 MM Preservation LP (limited partnership)	TNDC is sole member of General Partner LLC, City and County of San Francisco owns land <sup>(1)</sup>
8th & Howard Streets (residential)	162 1166 Howard Street Associates LP (limited partnership)	TNDC affiliate corporation is General Partner, City and County of San Francisco owns land <sup>(1)</sup>
8th & Howard Streets (commercial)	1166 Howard Street Commercial LLC	TNDC is sole member of LLC, City and County of San Francisco owns land <sup>(1)</sup>
West Hotel	105 West Hotel LP (limited partnership)	TNDC affiliate corporation is General Partner, TNDC affiliate corporation owns land
Curran House	67 Curran House Limited Partnership	TNDC affiliate corporation is General Partner, TNDC affiliate corporation owns land
990 Polk	110 Polk Senior Housing Associates, LP (limited partnership)	TNDC is sole member of General Partner LLC, TNDC affiliate corporation owns land
Alabama Senior	24 Alabama Street Senior Housing Associates (limited partnership)	TNDC affiliate corporation is General Partner
Alabama Family	93 Alabama Street Housing Associates (limited partnership)	TNDC affiliate corporation is General Partner
Alabama Commercial	Alabama Commercial LLC	TNDC affiliate corporation is sole member of LLC
O'Farrell Towers	101 O'Farrell Towers Associates, LP (limited partnership)	TNDC affiliate corporation is managing member of General Partner LLC, City and County of San Francisco owns land
Buena Vista Terrace	40 Haight Street Senior Housing, Inc. (non-profit corporation)	TNDC affiliate corporation
Kelly Cullen Community	174 220 Golden Gate Associates, LP (limited partnership)	TNDC affiliate corporation is General Partner
Plaza Apartments	106 Plaza Apartments Associates, L.P. (limited partnership)	TNDC affiliate corporation is sole member of General Partner LLC, City and County of San Francisco owns land
939 & 951 Eddy	60 939 & 951 Eddy Associates, L.P. (limited partnership)	TNDC affiliate corporation is sole member of General Partner LLC, San Francisco Housing Authority owns land
430 Turk	89 430 Turk Associates, L.P. (limited partnership)	TNDC affiliate corporation is sole member of General Partner LLC, San Francisco Housing Authority owns land
350 Ellis Street	96 Ellis 350 Associates, L.P. (limited partnership)	TNDC affiliate corporation is managing member of General Partner LLC, San Francisco Housing Authority owns land
Rosa Parks	203 RP Associates, L.P. (limited partnership)	TNDC affiliate corporation is managing member of General Partner LLC, San Francisco Housing Authority owns land
Clementina Towers	276 Clementina Towers Associates, L.P. (limited partnership)	TNDC affiliate corporation is sole member of General Partner LLC, San Francisco Housing Authority owns land
Willie B. Kennedy Apartments	98 Rosa Parks II, L.P. (limited partnership)	TNDC affiliate corporation is managing member of General Partner LLC, San Francisco Housing Authority owns land
1036 Mission	83 1036 Mission Associates, LP (limited partnership)	TNDC affiliate corporation is sole member of General Partner LLC, City and County of San Francisco owns land
1300 4th Street	143 1300 4th Street Associates, L.P. (limited partnership)	TNDC is sole member of General Partner LLC, City and County of San Francisco owns land <sup>(1)</sup>
1300 Fourth Street Commercial	1300 Fourth Street Commercial LLC	TNDC affiliate corporation is sole member of LLC

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION  
AND AFFILIATES  
SCHEDULE OF PROPERTIES DEVELOPED  
YEAR ENDED DECEMBER 31, 2023

Units	Project Owner	Notes
<b>Operating Projects</b>		
Eddy & Taylor	113 Eddy & Taylor Associates, LP (limited partnership)	TNDC affiliate corporation is sole member of General Partner LLC, City and County of San Francisco owns land
270 Turk	85 270 Turk GP LLC	TNDC affiliate corporation is sole member of LLC
125 Mason	81 Mason 125 LLC	TNDC affiliate corporation is sole member of LLC
1990 Folsom	143 1990 Folsom Housing, L.P. (limited partnership)	TNDC affiliate corporation is co-member of General Partner LLC
681 Florida	130 681 Florida Housing Associates, LP (limited partnership)	TNDC affiliate corporation is co-member of General Partner LLC, City and County of San Francisco owns land
500 Turk	108 Turk 500 Associates, L.P. (limited partnership)	TNDC affiliate corporation is sole member of LLC, City and County of San Francisco owns land
Transbay Block 8 (mixed income)	80 T8 Housing Partners, L.P. (limited partnership)	TNDC affiliate corporation is Managing General Partner (joint venture with Related Companies)
Transbay Block 8 (affordable)	71 T8 Urban Housing Associates BMR, L.P. (limited partnership)	TNDC affiliate corporation is Managing General Partner (joint venture with Related Companies)
5th & Howard	203 5th and Howard Associates LP (limited partnership)	TNDC affiliate corporation is sole member of General Partner LLC
<b>Projects Under Development</b>		
Candlestick Point 10a	156 Candlestick 10a Associates, LP (limited partnership)	Pre-development for construction. TNDC affiliate corporation is sole member of General Partner LLC
78 Haight	63 Octavia RSU Associates, L.P. (limited partnership)	In construction. TNDC affiliate corporation is sole member of General Partner LLC, City and County of San Francisco owns land
4th & Folsom	70 4TH & Folsom Associates, L.P. (limited partnership)	Pre-development for construction. TNDC affiliate corporation is sole member of General Partner LLC
180 Jones	69 180 Jones Associates LP (limited partnership)	In construction. TNDC affiliate corporation is sole member of General Partner LLC, City and County of San Francisco owns land
Yosemite	33 Yosemite Associates LP (limited partnership)	Substantial renovation (see operating projects above). TNDC affiliate corporation is sole member of General Partner LLC
Sierra Madre Apartments	47 TNDC	This building is vacant in 2022 due to the fire in 2021
4200 Geary Street	98 4200 Geary Associates LP (limited partnership)	In construction. TNDC affiliate corporation is sole member of General Partner LLC
730 Stanyan	120 730 Stanyan Associates LP (limited partnership)	In construction. TNDC affiliate corporation is co-member of General Partner LLC
2550 Irving	98 2550 Irving Associates LP (limited partnership to be formed in 2021)	Pre-development for construction. TNDC affiliate corporation is sole member of General Partner LLC
1234 Great Highway	TBD 1234 Great Highway LLC	Pre-development for construction. TNDC is sole member of General Partner LLC
249 Pennsylvania	TBD Pennsylvania 249 Housing Associates LLC	Pre-development for construction. TNDC affiliate corporation is co-member of General Partner LLC

<sup>(1)</sup> As successor agency of San Francisco Redevelopment Agency

*Note: Unless otherwise noted, Project Owner owns land and improvements*

*Note: The Yosemite Folsom was abandoned in 2020 upon failure to receive a 4% tax credit allocation. In 2021, an authorization from MOHCD was received to move the 33-unit Yosemite project forward as a 9% deal. In 2022, the 9% project has officially started preparing for construction.*

Board of Directors  
Tenderloin Neighborhood Development Corporation and Affiliates  
San Francisco, California

**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**

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 combined financial statements of Tenderloin Neighborhood Development Corporation and Affiliates, which comprise the combined statement of financial position as of December 31, 2023, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated September 25, 2024.

*Report on Internal Control over Financial Reporting*

In planning and performing our audit of the combined financial statements, we considered Tenderloin Neighborhood Development Corporation 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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tenderloin Neighborhood Development Corporation and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of Tenderloin Neighborhood Development Corporation 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 Tenderloin Neighborhood Development Corporation and Affiliates' combined financial statements are free from material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the combined 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 testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Tenderloin Neighborhood Development Corporation and Affiliates' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tenderloin Neighborhood Development Corporation and Affiliates' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Lindquist, von Huen and Joyce LLP*

September 25, 2024