

**TENDERLOIN NEIGHBORHOOD
DEVELOPMENT CORPORATION
AND AFFILIATES**

COMBINED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2022 AND 2021

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND AFFILIATES
COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

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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, 2022 and 2021, 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, 2022 and 2021, 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 leases. 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 60 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 June 26, 2023 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

June 26, 2023

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND AFFILIATES
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 19,063,158	\$ 22,851,881
Investments in marketable securities (Note 3)	23,707,662	28,499,744
Rent receivable – net of allowances for uncollectible accounts of \$2,434,682 and \$3,301,917, for 2022 and 2021, respectively (Note 4)	2,128,046	1,911,612
Contributions receivable including government contracts – current portion (Note 5)	2,627,370	2,043,358
Other receivables – current portion (Note 6)	2,463,403	2,359,681
Related-party receivable – current portion (Note 7)	265,095	996,308
Prepaid expenses and deposits – current portion (Note 8)	2,817,088	8,760,491
Total current assets	53,071,822	67,423,075
Restricted cash and deposits (Note 9)	52,302,889	55,790,406
Contributions receivable including government contracts – net of current portion (Note 5)	-	1,225,000
Other receivables – net of current portion (Note 6)	389,969	-
Related-party receivable – net of current portion (Note 7)	1,399,126	1,574,981
Prepaid expenses and deposits – net of current portion (Note 8)	258,109	7,296,165
Notes and interest receivable	454,336	431,167
Development in progress (Note 11)	197,386,577	201,338,018
Investments in other companies (Note 10)	2,201,468	2,254,647
Property and equipment – net (Note 12)	1,012,666,619	868,440,042
Right-of-use assets – operating lease (Note 16)	45,108,287	-
Deferred costs – net (Note 13)	747,931	1,450,064
Other assets (Note 24)	2,825,457	2,825,457
Total assets	\$ 1,368,812,590	\$ 1,210,049,022

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

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND AFFILIATES
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 7,746,171	\$ 7,850,260
Deferred revenue – current portion (Note 17)	1,812,619	2,261,560
Related-party payable – current portion (Note 7)	300,825	243,093
Interest payable – current portion (Note 14)	3,959,077	3,514,300
Notes payable – current portion (Note 14)	4,830,349	5,427,664
Operating lease liabilities – current portion (Note 16)	752,868	2,127,142
Total current liabilities	<u>19,401,909</u>	<u>21,424,019</u>
Security deposits	1,837,956	1,855,727
Development costs payable	32,375,038	30,113,808
Deferred revenue – net of current portion (Note 17)	863,259	1,617,912
Related-party payable – net of current portion (Note 7)	3,164,869	2,228,227
Derivative financial instruments (Note 15)	226,469	462,180
Interest payable – net of current portion (Note 14)	91,214,314	80,540,665
Notes payable – net of current portion (Note 14)	954,925,932	801,944,005
Operating lease liabilities – net of current portion (Note 16)	40,092,545	2,177,906
Operating lease liabilities – interest (Note 16)	154,059	-
Total liabilities	<u>1,144,256,350</u>	<u>942,364,449</u>
Net assets:		
Without donor restrictions:		
Controlling interests	29,409,767	46,970,300
Non-controlling interests	190,621,671	214,473,063
Total without donor restrictions	<u>220,031,438</u>	<u>261,443,363</u>
With donor restrictions (Note 19)	4,524,802	6,241,210
Total net assets	<u>224,556,240</u>	<u>267,684,573</u>
Total liabilities and net assets	<u><u>\$ 1,368,812,590</u></u>	<u><u>\$ 1,210,049,022</u></u>

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, 2022 AND 2021

	2022		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</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	6,698,815	2,972,855	9,671,670
NeighborWorks America grants (Note 18)	738,000	-	738,000
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)
Operating subsidy grants (Note 17)	1,138,681	-	1,138,681
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 2)	(2,052,298)	-	(2,052,298)
Loss from retirement of fixed assets	(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, 2022 AND 2021

	<u>2022</u>
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	<u>(19,214,741)</u>
End of year	<u>33,934,569</u>
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	<u>(26,641,728)</u>
End of year	<u>190,621,671</u>
Net assets, end of year	<u><u>\$ 224,556,240</u></u>

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, 2022 AND 2021

	2021		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Support and revenue:			
Developer fees (Note 7)	\$ 116,092	\$ -	\$ 116,092
Rental income – residential (net)	63,267,986	-	63,267,986
Rental income – commercial (net) (Note 22)	2,214,156	-	2,214,156
Contributions and program service fees	3,204,616	7,158,192	10,362,808
NeighborWorks America grants (Note 18)	659,000	-	659,000
Revenue from special events	285,387	228,521	513,908
Less: cost of special events	(196,086)	(108,796)	(304,882)
Interest and investment income	624,588	-	624,588
Net realized and unrealized gain on investments	2,757,790	-	2,757,790
Operating subsidy grants (Note 17)	791,771	-	791,771
Other income	3,360,504	-	3,360,504
Net assets released from restrictions (Note 19)	6,807,907	(6,807,907)	-
Total support and revenue	83,893,711	470,010	84,363,721
Expenses:			
Program services:			
Housing services	99,804,367	-	99,804,367
Tenant services	9,571,075	-	9,571,075
Housing development	1,888,140	-	1,888,140
Management and general	4,022,604	-	4,022,604
Fundraising	1,082,754	-	1,082,754
Total expenses	116,368,940	-	116,368,940
Change in net assets before other gains (losses)	(32,475,229)	470,010	(32,005,219)
Other gains (losses):			
Debt forgiveness income (Note 23)	5,885,836	-	5,885,836
Gain on sale of property (Note 1)	5,033,460	-	5,033,460
Loss from retirement of fixed assets	(249,711)	-	(249,711)
Loss from assignment of limited partnership interest	(1,200,000)	-	(1,200,000)
Total other gains (losses)	9,469,585	-	9,469,585
Change in net assets before capital contributions, distributions, and syndication costs	(23,005,644)	470,010	(22,535,634)
Capital contributions, distributions, and syndication costs:			
Transfer of grant income recognized in prior years	(1,025,010)	-	(1,025,010)
Capital contributions – non-controlling interest	15,875,905	-	15,875,905
Capital distributions – non-controlling interest	(265,861)	-	(265,861)
Change in net assets	(8,420,610)	470,010	(7,950,600)
Net assets, beginning of year	269,863,973	5,771,200	275,635,173
Net assets, end of year	\$ 261,443,363	\$ 6,241,210	\$ 267,684,573

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, 2022 AND 2021

	<u>2021</u>
Reconciliation of net assets:	
Controlling interest:	
Beginning of year	\$ 51,698,717
Transfer of partnership interest	675,453
Transfer of grant income recognized in prior years	(1,025,010)
Change in net assets from operations	<u>1,862,350</u>
End of year	<u>53,211,510</u>
Non-controlling interest:	
Beginning of year	223,936,456
Transfer of partnership interest	(675,453)
Capital contributions	15,875,905
Capital distributions	(265,861)
Change in net assets from operations	<u>(24,397,984)</u>
End of year	<u>214,473,063</u>
Net assets, end of year	<u><u>\$ 267,684,573</u></u>

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, 2022 AND 2021

	2022					
	<i>Program Services</i>			<i>Supporting Services</i>		
	<i>Housing Services</i>	<i>Tenant Services</i>	<i>Housing Development</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</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 FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2021					
	<i>Program Services</i>			<i>Supporting Services</i>		
	<i>Housing Services</i>	<i>Tenant Services</i>	<i>Housing Development</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Salaries and wages	\$ 14,478,413	\$ 2,072,913	\$ 595,058	\$ 3,104,873	\$ 553,570	\$ 20,804,827
Employee benefits	3,891,542	503,250	196,199	269,200	99,594	4,959,785
Management fees	186,571	-	-	-	-	186,571
Office expense	5,061,244	511,194	222,860	89,296	132,299	6,016,893
Repairs and maintenance	14,920,855	67,476	37,637	61,463	7,093	15,094,524
Utilities	7,196,642	3,519	1,816	3,742	427	7,206,146
Security	1,284,662	7,594	2,484	5,113	584	1,300,437
Professional fees	2,127,056	432,946	247,752	192,315	243,662	3,243,731
Supportive services and program expenses	290,853	5,749,953	-	-	-	6,040,806
Insurance and property taxes	5,871,148	222,230	162,295	30,387	45,525	6,331,585
Interest – mortgage loans and others	5,394,555	-	287,601	39,613	-	5,721,769
Total operating expenses before deferred interest, depreciation and amortization, and other expenses	60,703,541	9,571,075	1,753,702	3,796,002	1,082,754	76,907,074
Interest – deferred loans	10,343,449	-	26,873	-	-	10,370,322
Depreciation and amortization	27,576,331	-	-	226,602	-	27,802,933
Ground lease	1,085,522	-	15,000	-	-	1,100,522
Other non-operating expenses	95,524	-	92,565	-	-	188,089
Total expenses as shown in the combined statements of activities	99,804,367	9,571,075	1,888,140	4,022,604	1,082,754	116,368,940
Fundraising event costs	-	-	-	-	304,882	304,882
Total expenses	\$ 99,804,367	\$ 9,571,075	\$ 1,888,140	\$ 4,022,604	\$ 1,387,636	\$ 116,673,822

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, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (45,856,469)	\$ (22,535,634)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	28,801,902	27,802,933
Ground lease – amortization of right-of-use assets – operating lease	265,922	-
Loss from retirement of fixed assets	300,342	249,711
Loss from assignment of limited partnership interest	-	1,200,000
Interest expense – amortization of financing costs	548,089	266,030
Net realized and unrealized (gain) loss on investments in marketable securities	5,260,015	(2,755,998)
Debt forgiveness income	(164,000)	(5,885,836)
(Gain) loss on sale of property	2,052,298	(5,033,460)
Gain from derivative financial instruments	(235,711)	(140,234)
Loss from investments in other companies	53,179	54,424
(Increase) decrease in assets:		
Receivables	(69,137)	(2,395,425)
Prepaid expenses and other deposits	(21,580)	1,159,426
Related-party receivable	907,068	261,852
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(104,089)	808,356
Related-party payable	32,827	68,985
Deferred revenue	(1,203,594)	(452,991)
Tenant security deposits	(17,771)	(79,658)
Interest payable	8,724,149	7,699,250
Ground lease payable	(707,197)	712,662
Net cash provided by (used in) operating activities	(1,433,757)	1,004,393
Cash flows from investing activities:		
Purchase of investments in marketable securities	(524,351)	(30,209,559)
Proceeds from sale of investments in marketable securities	56,418	29,237,133
Decrease (increase) in deposits for development expenditures	5,735,543	(6,057,438)
Increase in development in progress	(110,544,506)	(92,038,464)
Purchase of property and equipment	(27,698,019)	(20,638,085)
Proceeds from investments in other companies	-	30,000
Payment of development costs payable	(30,113,808)	(11,631,523)
Proceeds from transfer tax refunds	1,789,365	-
Increase in notes and interest receivable	(23,169)	(176,855)
Net cash used in investing activities	(161,322,527)	(131,484,791)

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, 2022 AND 2021

	2022	2021
Cash flows from financing activities:		
Capital contributions – non-controlling interest	3,062,518	15,875,905
Capital distributions – non-controlling interest	(41,965)	(265,861)
Acquisition of limited partner interest	-	(1,200,000)
Proceeds from notes payable	157,633,023	119,190,693
Repayment of notes payable	(4,313,299)	(14,881,981)
Payment of financing costs	(860,233)	(616,325)
Net cash provided by financing activities	155,480,044	118,102,431
Decrease in cash, cash equivalents, restricted cash and deposits	(7,276,240)	(12,377,967)
Cash, cash equivalents, restricted cash and deposits, beginning of year	78,642,287	91,020,254
Cash, cash equivalents, restricted cash and deposits, end of year	\$ 71,366,047	\$ 78,642,287
Supplementary information:		
Cash paid for interest (net of capitalized interest)	\$ 7,540,071	\$ 8,939,372
Noncash investing and financing activities:		
Lease assets obtained in exchange for lease obligations – operating lease	\$ 37,401,621	\$ -
Assets acquired by assuming liabilities	\$ 35,730,862	\$ 49,682,224
Development in progress reclassified to property and equipment	\$ 149,513,062	\$ 40,200
Deferred costs reclassified from development in progress	\$ 110,698	\$ -
Financing costs reclassified from development in progress	\$ 458,968	\$ -
Syndication costs reclassified from development in progress	\$ 292,417	\$ -
Assets disposed by extinguishment of liabilities	\$ -	\$ 8,610,683
Cash and cash equivalents	\$ 19,063,158	\$ 22,851,881
Restricted cash and deposits	52,302,889	55,790,406
Total cash, cash equivalents, restricted cash and deposits shown in the combined statements of cash flows	\$ 71,366,047	\$ 78,642,287

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

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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.
- 220 Golden Gate Historic Corporation, a California C corporation with Turk Street, Inc. (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>
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%
Eddy Street, Inc.	Ritz Hotel, L.P.	99.00%
Ellis 350 GP LLC (TSI 90%)	Ellis 350 Associates, L.P.	0.01%

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<i>Not-For-Profit Corporation and LLC (Sole Member unless specified)</i>	<i>Limited Partnership</i>	<i>Ownership Interest</i>
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%

- 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 5th and Howard Associates, L.P. and 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 th & Folsom GP LLC (TSI)	4 th & Folsom Associates, L.P.
5H GP LLC (TSI)	5 th and Howard 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.
Yosemite GP LLC (TSI)	Yosemite Apartments Associates, L.P.

- LLCs directly owning projects or parcels:
 - 5H GP LLC (TSI, sole member) owns multiple parcels and improvements. Certain parcels and improvements comprising the site for the 5th and Howard development were sold to the City and County of San Francisco in 2021, resulting in a gain on sale of \$5,033,460. The remaining parcels and improvements are dedicated as the site for future development.
 - 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.

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- 1166 Howard Street Commercial LLC (TNDC, sole member) owns the ground floor commercial parcel of the 8th and Howard project.
- 1300 Fourth Street Commercial LLC (TSI, sole member) owns the commercial parcel of the 626 Mission Bay Boulevard project (formerly 1300 4th Street).
- Alabama Commercial LLC (TSI, sole member) owns commercial parcels at the Mosaica projects.

- 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.	22.99% ⁽¹⁾
	220 Golden Gate Associates, L.P.	77.00% ⁽¹⁾
	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. ⁽²⁾	99.99%
	MM Preservation, L.P.	99.90%
	Plaza Apartment Associates, L.P.	99.99%
	Ritz Hotel, L.P. ⁽³⁾	1.00%
	West Hotel, L.P.	99.99%
TNDC	McAllister Street Associates	99.00%
	Turk & Eddy Associates, L.P.	70.00%

⁽¹⁾ 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 will assign the remaining 14.99% on December 31, 2023.

⁽²⁾ Buyout of limited partner's interest occurred on July 31, 2021 for \$15,001 (see Note 24).

⁽³⁾ Buyout of limited partner's interest occurred on June 8, 2021 for \$1,200,000 (see Note 24).

- 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	Polk Senior Housing Associates, L.P.
Taylor Family Housing, Inc.	Curran House Limited Partnership
TNDC	Ambassador SRO Associates, L.P. (until September 1, 2021)
	Ellis Street Associates
	Klimm Apartments, L.P.
	McAllister Street Associates
West Hotel SRO, Inc.	West Hotel, L.P.

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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.

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.

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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 those assets subject to donor restrictions 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, such as those that will be met by the passage of time or other events specified by the donor. When a donor restriction expires – that is, when a stipulated time restriction ends or purpose restriction is accomplished – net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the 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, 2022 and 2021 (see Notes 18 and 19).

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, 2022 and 2021, contributions of \$9,285,706 and \$12,460,839, 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. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities as *net assets released from restrictions*. Contributions restricted for the purchase of long-lived assets are reported as net assets without donor restrictions when placed in service.

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Contributed services are stated at their estimated fair value, if they are ordinarily purchased and are of a specialized nature. Many individuals volunteer their time and donate their goods to assist TNDC and Affiliates in carrying out their programs. The value of contributed services and goods meeting the requirements for recognition in the combined financial statements were \$75,247 and \$270,820 in 2022 and 2021, respectively. These amounts are included as contributions in the accompanying combined statements of activities.

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 and concessions are shown as a reduction of rental income. Rental units occupied by employees are included in rental income and as an expense of operations. Rental income is received under short-term residential leases.

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 38% and 28% of its developer fees cover related project costs in 2022 and 2021, respectively. The average historical project costs from 2000 to 2022 was 40% of total developer fees during that period. Project costs include costs of development, such as consultants, allocated internal salaries and benefits, related overhead, and other non-reimbursed fees that are ordinarily capitalized. Therefore, real property costs have been reduced by developer fees, amounting to \$52,381,877 and \$46,033,322 as of December 31, 2022 and 2021, 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.

New Accounting Standard on Leases

New accounting standard on leases, required by accounting principles generally accepted in the United States of America, amends both lessor and lessee accounting. The most significant change is the requirement for lessees to account for leases as either finance leases or operating leases and to recognize right-of-use (ROU) assets and corresponding lease liabilities on the combined statement of financial position for all leases other than leases with terms of 12 months or less. For finance leases, lessees recognize interest expense and amortization of the ROU asset, and for operating leases, lessees recognize straight-line total rent expense. The accounting standard also requires additional disclosures about the amount, timing, and uncertainty of cash flows arising from leases.

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TNDC and Affiliates adopted the leasing standard effective January 1, 2022, using the modified retrospective approach with January 1, 2022 as the initial date of application. TNDC and Affiliates elected to use all available practical expedients provided in the transition guidance. These practical expedients allow entities to not reassess the identification, classification and initial direct costs of lease agreements, to not separate lease and non-lease components for underlying equipment assets, and to use hindsight in lease agreements for determining lease term and ROU asset impairment, as applicable.

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 and the San Francisco Housing Authority as operating leases. As of January 1, 2022, adoption of the new leasing standard resulted in a recognition of ROU assets of \$37,400,925 and an increase in operating lease liabilities of \$37,376,014.

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 \$53,539,000 as of December 31, 2022. 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.

Allowances for Uncollectible Accounts

TNDC and Affiliates estimate an allowance for credit losses on customer account balances that may not be collected. 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 doubtful accounts.

The allowance for doubtful collections were \$2,434,682 and \$3,301,917 as of December 31, 2022 and 2021, respectively.

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.

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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.

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 2022 and 2021, and observable price information was not readily available.

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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 supplies 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 record these costs as assets (development in progress) and the costs 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 2022 and 2021.

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 \$4,682,189 and \$1,242,160 during 2022 and 2021, 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).

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
Ground lease acquisition costs	50 to 60 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 2022 and 2021.

Land

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

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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 City and County of San Francisco 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. The incidental operation income earned was applied as a reduction of the loss on sale of land recognized.

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 unconditionally 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 2018 through 2021 are subject to examination by regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively.

Guarantees

GAAP requires a liability to be recorded for the fair value of the stand ready obligation associated with a guarantee issued. Guarantees issued between entities under common control or on behalf of an entity under common control are excluded. Consequently, no liabilities have been recorded since most guarantees are considered to be issued to entities under common control and the guarantees to third parties are not expected to result in any material obligations (see Note 24).

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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 June 26, 2023, the date on which the combined financial statements were available to be issued.

Reclassification

Certain amounts previously reported in the 2021 financial statements were reclassified to conform to the 2022 presentation for comparative purposes.

NOTE 3 – INVESTMENTS IN MARKETABLE SECURITIES

Investments are held by TSF and summarized as follows:

	2022		2021	
	<i>Cost</i>	<i>Fair Value</i>	<i>Cost</i>	<i>Fair Value</i>
Mutual funds	\$ 29,024,327	\$ 23,707,662	\$ 28,563,410	\$ 28,499,744
Total	\$ 29,024,327	\$ 23,707,662	\$ 28,563,410	\$ 28,499,744

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

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NOTE 4 – RENT RECEIVABLE

Rent receivable is summarized as follows:

	<i>Properties and Other</i>	
	2022	2021
Residential – tenants	\$ 1,491,178	\$ 2,489,449
Residential – rent subsidies	1,114,737	719,387
Commercial – tenants	1,956,813	2,004,693
Less: allowance for doubtful accounts – residential	(1,159,308)	(1,906,024)
Less: allowance for doubtful accounts – commercial	(1,275,374)	(1,395,893)
Total accounts receivable – net	<u>\$ 2,128,046</u>	<u>\$ 1,911,612</u>
Amounts expected to be received in:		
Less than one year	<u>\$ 2,128,046</u>	<u>\$ 1,911,612</u>

NOTE 5 – CONTRIBUTIONS RECEIVABLE INCLUDING GOVERNMENT CONTRACTS

Contributions receivable including government contracts is summarized as follows:

	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	<u>\$ 2,032,668</u>	<u>\$ 594,702</u>	<u>\$ 2,627,370</u>
Amounts expected to be received in:			
Less than one year	<u>\$ 2,032,668</u>	<u>\$ 594,702</u>	<u>\$ 2,627,370</u>

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	2021		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Contributions without donor restrictions	\$ 296,618	\$ -	\$ 296,618
Contributions with donor restrictions:			
Restricted by passage of time	1,150,000	-	1,150,000
Restricted for housing development	1,150,000	-	1,150,000
Restricted for TASP	78,944	-	78,944
Restricted for tenant services	-	592,796	592,796
Total contributions receivable	<u>\$ 2,675,562</u>	<u>\$ 592,796</u>	<u>\$ 3,268,358</u>
Amounts expected to be received in:			
Less than one year	<u>\$ 1,450,562</u>	<u>\$ 592,796</u>	<u>\$ 2,043,358</u>
One to five years	<u>\$ 1,225,000</u>	<u>\$ -</u>	<u>\$ 1,225,000</u>

NOTE 6 – OTHER RECEIVABLES

Other receivables are summarized as follows:

	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
Other	610,937	1,567,815	2,178,752
Total other receivables	<u>\$ 610,937</u>	<u>\$ 2,242,435</u>	<u>\$ 2,853,372</u>
Amounts expected to be received in:			
Less than one year	<u>\$ 610,937</u>	<u>\$ 1,852,466</u>	<u>\$ 2,463,403</u>
One to five years	<u>\$ -</u>	<u>\$ 389,969</u>	<u>\$ 389,969</u>

	2021		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Property tax refunds	\$ -	\$ 243,748	\$ 243,748
Other	490,521	1,625,412	2,115,933
Total other receivables	<u>\$ 490,521</u>	<u>\$ 1,869,160</u>	<u>\$ 2,359,681</u>
Amounts expected to be received in:			
Less than one year	<u>\$ 490,521</u>	<u>\$ 1,869,160</u>	<u>\$ 2,359,681</u>

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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 2022 and 2021 follow:

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
Other	-	2,178,752	2,178,752	2,178,752	-	2,178,752
Total	\$ 674,620	\$ 2,178,752	\$ 2,853,372	\$ 2,628,053	\$ 225,319	\$ 2,853,372

2021						
	<i>Government</i>	<i>Non-Government</i>	<i>Total</i>	<i>Current</i>	<i>Past Due</i>	<i>Total</i>
Property tax refunds	\$ 243,748	\$ -	\$ 243,748	\$ 18,693	\$ 225,055	\$ 243,748
Other	-	2,115,933	2,115,933	2,115,933	-	2,115,933
Total	\$ 243,748	\$ 2,115,933	\$ 2,359,681	\$ 2,134,626	\$ 225,055	\$ 2,359,681

NOTE 7 – RELATED-PARTY TRANSACTIONS

Related-party receivable includes the following:

			<i>TNDC General Fund</i>	
			2022	2021
Receivable:				
Developer fee ⁽¹⁾			\$ 1,612,482	\$ 2,272,981
Partnership management fee ⁽²⁾			23,329	-
Advances ⁽³⁾			28,410	298,308
			<u>\$ 1,664,221</u>	<u>\$ 2,571,289</u>
Amounts expected to be received in:				
Less than one year			<u>\$ 265,095</u>	<u>\$ 996,308</u>
One to five years			<u>\$ 1,399,126</u>	<u>\$ 1,574,981</u>

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- (1) 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 \$10,484,876 and \$13,677,792 in 2022 and 2021, respectively. Developer fees earned from commonly-controlled entities totaling \$10,384,876 and \$13,561,700 were eliminated from the combined financial statements in 2022 and 2021, respectively. Developer fees earned from affiliated entities that are not commonly-controlled were \$100,000 and \$116,092 in 2022 and 2021, respectively, and the corresponding receivables were \$1,612,482 and \$2,272,981 as of December 31, 2022 and 2021, 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, 2022, 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 \$7,603,511 and \$6,795,037 were eliminated from the combined financial statements in 2022 and 2021, respectively. TNDC's general fund earned management fees totaling \$7,021,670 and \$6,373,197 in 2022 and 2021, respectively, after elimination of fees from properties directly owned by TNDC.

- (2) 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.
- (3) TNDC provided advances to 1990 Folsom Housing Associates, L.P., an affiliated entity that is not commonly-controlled by TNDC.

Related-party payable includes the following:

	2022		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Payable:			
Developer fee ⁽⁴⁾	\$ -	\$ 3,210,748	\$ 3,210,748
Advances	-	200,869	200,869
Other	-	54,077	54,077
	<u>\$ -</u>	<u>\$ 3,465,694</u>	<u>\$ 3,465,694</u>
Amounts expected to be paid in:			
Less than one year	<u>\$ -</u>	<u>\$ 300,825</u>	<u>\$ 300,825</u>
One year or more	<u>\$ -</u>	<u>\$ 3,164,869</u>	<u>\$ 3,164,869</u>

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	2021		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Payable:			
Developer fee ⁽⁴⁾	\$ -	\$ 2,249,201	\$ 2,249,201
Advances	-	110,224	110,224
Other	-	111,895	111,895
	<u>\$ -</u>	<u>\$ 2,471,320</u>	<u>\$ 2,471,320</u>
Amounts expected to be paid in:			
Less than one year	<u>\$ -</u>	<u>\$ 243,093</u>	<u>\$ 243,093</u>
One year or more	<u>\$ -</u>	<u>\$ 2,228,227</u>	<u>\$ 2,228,227</u>

⁽⁴⁾ Developer fee payable from commonly-controlled entities to TNDC was eliminated. Developer fee payable to non-affiliated co-developers was \$3,210,748 and \$2,249,201 as of December 31, 2022 and 2021, respectively.

NOTE 8 – PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits consist of the following:

	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
Total	<u>\$ 131,159</u>	<u>\$ 2,944,038</u>	<u>\$ 3,075,197</u>
Amounts for use in:			
Less than one year	<u>\$ 131,159</u>	<u>\$ 2,685,929</u>	<u>\$ 2,817,088</u>
More than one year	<u>\$ -</u>	<u>\$ 258,109</u>	<u>\$ 258,109</u>

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	2021		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Funds held by bond trustees	\$ -	\$ 7,810,835	\$ 7,810,835
Prepaid ground lease ⁽¹⁾	-	7,267,496	7,267,496
Insurance	66,308	106,274	172,582
Impound deposits	-	333,284	333,284
Other	66,738	405,721	472,459
Total	\$ 133,046	\$ 15,923,610	\$ 16,056,656
Amounts for use in:			
Less than one year	\$ 133,046	\$ 8,627,445	\$ 8,760,491
More than one year	\$ -	\$ 7,296,165	\$ 7,296,165

- ⁽¹⁾ Six of TNDC's affiliated partnerships lease the land on which the affordable housing properties were developed from the San Francisco Housing Authority. Terms of the ground leases generally require prepaid payments ranging from \$350,000 to \$6,744,923, and the lease terms range from 75 years to 99 years. This amount was recognized as ROU asset when the new leasing standard was adopted in January 2022 (see Note 16).

NOTE 9 – RESTRICTED CASH AND DEPOSITS

Restricted cash and deposits are summarized as follows:

	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	\$ 12,473,649	\$ 39,829,240	\$ 52,302,889

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	2021		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Property development	\$ 10,803,948	\$ 9,236,589	\$ 20,040,537
Operating reserves	-	14,993,621	14,993,621
Replacement reserves	-	12,936,448	12,936,448
Debt service reserves	-	272,209	272,209
Section 8 reserves	480,693	611,329	1,092,022
Other reserves	331,032	4,241,665	4,572,697
Tenant security deposits	2,000	1,880,872	1,882,872
Total restricted cash and deposits	\$ 11,617,673	\$ 44,172,733	\$ 55,790,406

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.

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.

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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) ⁽¹⁴⁾</i>	
	2022	2021	2022	2021	2022	2021
Mercy Eden House LLC ⁽¹⁾	21.00%	21.00%	\$ (67,156)	\$ (14,404)	\$ (52,752)	\$ (51,412)
Housing Partnership Insurance Exchange ⁽²⁾	13.99%	13.99%	199,453	199,453	-	-
Housing Partnership Insurance Exchange ⁽³⁾	1.37%	1.42%	148,013	148,013	-	-
HPN Select, LLC ⁽⁴⁾	3.45%	3.45%	150,000	150,000	-	-
1990 Folsom Housing Associates, L.P. ⁽⁵⁾	0.005%	0.005%	1,271,208	1,271,397	(189)	(2,754)
T8 Housing Partners, L.P. ⁽⁶⁾	0.002%	0.002%	499,830	499,875	(45)	(44)
T8 Urban Housing Associates BMR, L.P. ⁽⁷⁾	0.001%	0.001%	(80)	(65)	(15)	(16)
Related/Mariposa Development Co., LP ⁽⁸⁾	0.00%	0.00%	-	-	-	-
1601 Mariposa Street Housing Partners, LP ⁽⁹⁾	0.0049%	0.0049%	454	525	(71)	(84)
1500 Mission Urban Housing, LP ⁽¹⁰⁾	0.00%	0.00%	-	-	-	-
1500 Mission Housing Partners, LP ⁽¹¹⁾	0.0049%	0.0049%	(254)	(147)	(107)	(114)
1990 Folsom Commercial LLC ⁽¹²⁾	50.00%	-	-	-	-	-
681 Florida Street Commercial LLC ⁽¹³⁾	49.00%	-	-	-	-	-
Total			<u>\$ 2,201,468</u>	<u>\$ 2,254,647</u>	<u>\$ (53,179)</u>	<u>\$ (54,424)</u>

- ⁽¹⁾ 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.
- ⁽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.

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- (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, TNDC received cash distributions of \$30,000 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.
- (13) 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.
- (14) This amount is included in other income in the accompanying combined statements of activities.

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The following includes a summary of the unaudited financial position for 2022 and 2021 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:

	2022	2021
Total assets	\$ 730,132,360	\$ 760,549,041
Total liabilities	840,757,408	848,054,019
Total equity:		
TNDC and Affiliates	1,704,002	1,757,181
Other	(112,329,050)	(89,262,159)

NOTE 11 – DEVELOPMENT IN PROGRESS

Development in progress consists of the following:

	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	\$ 113,725	\$197,272,852	\$197,386,577

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	2021		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
4th & Folsom Associates L.P.	\$ -	\$ 1,442,486	\$ 1,442,486
5H GP, LLC (future development)	-	1,344,015	1,344,015
5th and Howard Associates, L.P.	-	27,112,497	27,112,497
180 Jones Associates L.P.	-	2,076,111	2,076,111
681 Florida Housing Associates, L.P.	-	59,280,700	59,280,700
730 Stanyan Associates, L.P.	-	2,965,801	2,965,801
1300 Fourth Street Commercial LLC	-	500,097	500,097
2550 Irving Associates, L.P.	-	1,831,488	1,831,488
4200 Geary Associates, L.P.	-	3,460,226	3,460,226
Ambassador Nine Percent, L.P.	-	4,735,324	4,735,324
Ambassador Ritz Four Percent, L.P.	-	19,490,196	19,490,196
AM Preservation L.P.	-	164,153	164,153
AR Preservation, L.P.	-	9,590	9,590
Candlestick 10a Associates, L.P.	-	2,134,241	2,134,241
Folsom Dore Associates, L.P.	-	344,259	344,259
Haight Street Senior Housing, Inc.	-	33,930	33,930
McAllister Street Associates	-	12,545	12,545
MM Preservation L.P.	-	413,073	413,073
Octavia RSU Associates L.P.	-	3,213,476	3,213,476
Sierra Madre	-	106,565	106,565
Turk & Eddy Associates, L.P.	-	1,263,415	1,263,415
Turk 500 Associates, L.P.	-	67,779,148	67,779,148
Yosemite Apartments Associates, L.P.	-	1,619,807	1,619,807
Future projects	4,875	-	4,875
Total development in progress	\$ 4,875	\$ 201,333,143	\$ 201,338,018

NOTE 12 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	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

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	2021		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Land and leased land improvements	\$ 5,298,164	\$ 70,121,503	\$ 75,419,667
Buildings and improvements	470,577	1,004,482,416	1,004,952,993
Furniture, fixtures and equipment	815,627	12,788,375	13,604,002
Leasehold improvements	2,894,470	599,024	3,493,494
	9,478,838	1,087,991,318	1,097,470,156
Less: accumulated depreciation	(1,735,720)	(227,294,394)	(229,030,114)
Total property and equipment	\$ 7,743,118	\$ 860,696,924	\$ 868,440,042

Depreciation expense of property and equipment totaled \$28,694,163 and \$27,681,654 for 2022 and 2021, respectively.

NOTE 13 – DEFERRED COSTS

Deferred costs are summarized as follows:

	<i>Properties and Other</i>	
	2022	2021
Lease acquisition costs	\$ -	\$ 966,860 ⁽¹⁾
Tax credit costs	2,393,439	2,306,221
	2,393,439	3,273,081
Less: accumulated amortization	(1,645,508)	(1,823,017)
Total	\$ 747,931	\$ 1,450,064

Amortization expense of deferred costs totaled \$107,739 and \$121,279 for 2022 and 2021, respectively.

- ⁽¹⁾ The amount was treated as initial direct costs and recognized as ROU asset when the new leasing standard was adopted in January 2022 (see Note 16).

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NOTE 14 – NOTES PAYABLE

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

	2022		2021	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<u>TNDC General Fund Loans:</u>				
Amortizing loan, bearing simple interest of 5%, principal and interest due monthly, and was repaid in full in 2022. Interest expense was \$395 and \$1,164 in 2022 and 2021, respectively.	\$ -	\$ -	\$ -	\$ 7,109
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 2022 and 2021.	1,950,676	3,669,446	1,864,743	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 2022 and 2021.	2,716,672	2,000,000	2,603,272	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	-	-
Working capital loans, bearing fixed interest ranging from 2% to 2.25%, with interest due quarterly, to be repaid in full through 2026. Interest expense was \$11,685 and \$13,816 in 2022 and 2021, respectively.	358	500,000	3,285	576,950
Subtotal – TNDC General Fund loans	4,667,706	8,459,446	4,471,300	7,293,505

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	2022		2021	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<u>Properties and Other Loans:</u>				
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 2060. Interest expense was \$4,791,670 and \$4,890,401 in 2022 and 2021, respectively.	120,400	117,508,806	115,252	119,872,510
Predevelopment / construction loans, bearing interest from 0% to 3.5%, 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 \$4,682,189 and \$1,242,160 in 2022 and 2021, respectively. Interest expense was \$1,969,415 and \$182,959 in 2022 and 2021, respectively.	5,036,841	343,506,082	1,669,828	188,589,621
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 \$91,074 and \$90,317 in 2022 and 2021, respectively (see Note 15).	10,535	1,375,000	9,246	1,475,000
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 \$7,513,896 and \$8,284,431 in 2022 and 2021, respectively.	75,806,014	356,302,135	69,643,593	356,561,572
State loans, bearing interest from 0% to 7.4%, with principal payments generally deferred through 2075. Interest expense was \$1,654,100 and \$1,707,414 in 2022 and 2021, respectively.	9,531,895	56,347,070	8,145,746	56,386,607

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	2022		2021	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
Federal loans, bearing interest from 0% to 0.5%, generally with principal and interest deferred through 2074. Interest expense was \$-0- in 2022 and 2021.	-	80,703,919	-	80,867,919
Subtotal – Properties and Other loans	90,505,685	955,743,012	79,583,665	803,753,229
Total loans	95,173,391	964,202,458	84,054,965	811,046,734
Less: unamortized financing costs ⁽¹⁾	-	(4,446,177)	-	(3,675,065)
Total loans – net	95,173,391	959,756,281	84,054,965	807,371,669
Less: current portion	(3,959,077)	(4,830,349)	(3,514,300)	(5,427,664)
Long-term portion	\$ 91,214,314	\$ 954,925,932	\$ 80,540,665	\$ 801,944,005

⁽¹⁾ Costs incurred in order to obtain construction and permanent financing were \$8,123,056 and \$6,803,855 in 2022 and 2021, respectively. Interest expense from amortization of construction and permanent financing costs was \$548,089 and \$266,030 and in 2022 and 2021, 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>Total</i>
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	
2023	\$ 122,633	\$ 4,707,716	\$ 4,830,349
2024	165,326	2,842,477	3,007,803
2025	169,151	2,756,924	2,926,075
2026	42,890	6,614,893	6,657,783
2027	-	3,593,906	3,593,906

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NOTE 15 – DERIVATIVE FINANCIAL INSTRUMENTS

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 \$226,469 and \$462,180 net interest payments as of December 2022 and 2021, respectively, and is included as a liability in the combined statements of financial position. The net change in fair value was \$235,711 and \$140,234 for 2022 and 2021, 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, 2022 and 2021:

	<i>Quoted Prices in</i>				
	<i>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)

	<i>Quoted Prices in</i>				
	<i>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, 2021</i>
Derivative financial instrument (liability)	\$ -	\$ (462,180)	\$ -	\$ -	\$ (462,180)
Total	\$ -	\$ (462,180)	\$ -	\$ -	\$ (462,180)

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

Balance, December 31, 2020	\$ (602,414)
Unrealized gain on derivative financial instruments	<u>140,234</u>
Balance, December 31, 2021	(462,180)
Unrealized gain on derivative financial instruments	<u>235,711</u>
Balance, December 31, 2022	<u>\$ (226,469)</u>

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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 \$2,160,000, 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 \$195,000 to \$424,900 are accruable and payable from excess/distributable cash. Residual and contingent rents ranging from \$85,000 to \$2,160,000 are payable to the extent the affiliated partnerships have excess/distributable cash and are 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. Total operating lease liabilities, including interest, was \$4,305,048 as of December 31, 2021 prior to adoption of the new leasing standard.

The leases have remaining lease term ranging from 78 to 98 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 included in income from continuing operations in 2022 was \$1,222,998. Ground lease expense in 2021, prior to adoption of the new leasing standards, was \$1,100,522.

Ground lease and related interest expense consist of the following:

	2022	2021
Base rent	\$ 145,000	\$ 145,000
Residual rent	729,967	727,662
Contingent rent	120,000	120,000
Amortization of prepaid land lease	124,590	107,860
	<hr/>	<hr/>
Total ground lease expense	\$ 1,119,557	\$ 1,100,522
	<hr/>	<hr/>
Compound interest on unpaid rent based on Applicable Federal Rate (AFR)	\$ 103,441	\$ -
	<hr/>	<hr/>

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The line items in the balance sheet which include amounts for the operating lease as of December 31, 2022 are summarized as follows:

Right-of-use asset – operating lease	<u>\$ 45,108,287</u>
Total operating lease liability	\$ 40,845,413
Less: current portion	<u>(752,868)</u>
Long-term portion	<u>\$ 40,092,545</u>
Operating lease liability – interest ⁽¹⁾	<u>\$ 154,059</u>

⁽¹⁾ 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:

2023	\$ 879,900
2024	879,900
2025	879,900
2026	879,900
2027	879,900
Thereafter	<u>75,437,350</u>
Total maturities	79,836,850
Add base, residual, and contingent rents outstanding as of December 31, 2022	3,585,124
Less amount representing interest	<u>(42,576,561)</u>
Present value of lease liability	<u>\$ 40,845,413</u>

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 \$360,440 and \$297,865 which were eliminated from the combined financial statements in 2022 and 2021, respectively.

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NOTE 17 – DEFERRED REVENUE

Deferred revenue as of December 31, 2022 and 2021 consists of the following:

	2022	2021
Tenant deferred rent	\$ 362,988	\$ 324,357
Unearned subsidy	114,355	103,727
Commercial deferred rent ⁽¹⁾	50,587	57,254
Government grant – conditional contribution ⁽²⁾	1,604,646	2,346,034
Other	543,302	1,048,100
	<u>2,675,878</u>	<u>3,879,472</u>
Less: current portion	<u>(1,812,619)</u>	<u>(2,261,560)</u>
Non-current portion	<u>\$ 863,259</u>	<u>\$ 1,617,912</u>

- ⁽¹⁾ 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 2022 and 2021 was included in other income in the accompanying combined statements of activities. The unamortized balance of deferred rental income was \$50,587 and \$57,254 as of December 31, 2022 and 2021, respectively.
- ⁽²⁾ 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 2022 and 2021, which is included as contribution in the accompanying combined statements of activities. The remaining unamortized portion of \$1,604,646 and \$2,346,034 as of December 31, 2022 and 2021, 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.

Operating Subsidy

Six of TNDC’s affiliated partnerships received conditional commitments of multi-year grants from the City and County of San Francisco (the City) under the City’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 \$1,138,681 and \$791,771 in 2022 and 2021, 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 the City in its reasonable discretion. The subsidy is pre-paid annually based on estimated costs. Any subsidy received but not earned, is shown as deferred revenue, which was \$0- as of December 31, 2022 and 2021. The remaining subsidy disbursements for 2023 to 2036 are expected to be \$21,763,242 as of December 31, 2022.

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NOTE 18 – NEIGHBORWORKS AMERICA GRANTS

TNDC received the following grants:

Support Without Donor Restrictions

NeighborWorks America (NWA) provided \$738,000 and \$659,000 expendable grants during 2022 and 2021, 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, 2021</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>December 31, 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>

	<i>December 31, 2020</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>December 31, 2021</i>
HUD Section 202 capital advance	\$ 3,380,071	\$ -	\$ (127,150)	\$ 3,252,921
Housing development activities	1,787,500	861,388	(1,407,221)	1,241,667
Tenant services	100,824	4,531,929	(4,531,929)	100,824
Other	502,805	1,884,600	(741,607)	1,645,798
	<u>\$ 5,771,200</u>	<u>\$ 7,277,917</u>	<u>\$ (6,807,907)</u>	<u>\$ 6,241,210</u>

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NOTE 20 – LIQUIDITY AND AVAILABILITY

Financial assets as of December 31, 2022 and 2021 consist of the following:

	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	732,856	1,730,547	2,463,403
Related-party receivable	265,095	-	265,095
Total	\$ 11,446,692	\$ 36,480,973	\$ 47,927,665

	2021		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Cash and cash equivalents	\$ 9,755,466	\$ 13,096,415	\$ 22,851,881
Investments in marketable securities	-	28,499,744	28,499,744
Rent receivable – net	-	1,911,612	1,911,612
Contributions receivable including government contracts – without restrictions	196,618	-	196,618
Other receivables	490,521	1,869,160	2,359,681
Related-party receivable	996,308	-	996,308
Total	\$ 11,438,913	\$ 45,376,931	\$ 56,815,844

TNDC and Affiliates have \$47,927,665 and \$56,815,844 as of December 31, 2022 and 2021, 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.

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NOTE 21 – RETIREMENT PLAN

TNDC established a 403(b) retirement plan effective March 1, 2003 covering employees of TNDC and Affiliates after one year of service, as defined in the plan. Employees are not required to contribute to the plan. Employee contributions are immediately vested. 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. The employer discretionary contributions to the plan are determined on an annual basis. Contributions totaled \$957,732 and \$1,142,850 for the years ended December 31, 2022 and 2021, 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>	
2023	\$ -	\$ 805,476	\$ 805,476
2024	-	500,618	500,618
2025	-	294,640	294,640
2026	-	201,301	201,301
2027	-	108,426	108,426
Thereafter	-	142,050	142,050
Total	\$ -	\$ 2,052,511	\$ 2,052,511

Commercial rent income received during 2022 and 2021 was \$1,907,746 and \$2,214,156, respectively.

NOTE 23 – PAYCHECK PROTECTION PROGRAM

On May 3, 2020, TNDC received loan proceeds of \$5,820,403 from a promissory note issued by City National Bank, under the Paycheck Protection Program (“PPP”) which was established under the CARES Act and is administered by the U.S. Small Business Administration. The term of the loan was two years and the annual interest rate was 1%. Payments of principal and interest were deferred for the first six months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan proceeds for payroll costs, rent, utility expenses, and the maintenance of workforce and compensation levels with certain limitations.

The principal and accrued interest were forgiven on June 18, 2021, and income from loan forgiveness totaling \$5,885,836 was recognized accordingly in 2021.

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NOTE 24 – COMMITMENTS, CONTINGENCIES AND OTHER MATTERS

Transfers of Limited Partnership Interest to TNDC

During 2021, the limited partners of Klimm Apartments, L.P. and Ritz Hotel, L.P. withdrew and transferred their limited partner interests totaling \$675,453 to Taylor Family Housing, Inc.

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, 2022 amounted to approximately \$258,475,000. 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, 2022. Management believes that the likelihood of funding a material amount of any of the guarantees is remote.

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.

Transfer Tax

1166 Howard Street Associates paid transfer taxes (inclusive of penalty and interest) in 2021 amounting to \$2,364,720 as a result of the exit of the limited partners in 2019. Plaza Apartment Associates, L.P. paid transfer taxes (inclusive of penalty and interest) in 2021 amounting to \$460,737 as a result of an upper tier ownership transfer prior to the exit of the former limited partner in 2019. Management is appealing the imposition of the additional transfer tax, the outcome of which cannot be reasonably predicted. The total amount paid in 2021 of \$2,825,457 is included in other assets in the accompanying combined statements of financial position.

In 2022, Plaza Apartment Associates, L.P., 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. Management is appealing the imposition of the additional transfer tax, the outcome of which cannot be reasonably predicted. As of December 31, 2022, no payment was made, and the additional transfer tax bills were not recognized in the combined financial statements.

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.

COVID-19 Pandemic

The emergence and spread of the coronavirus (COVID-19) has affected businesses and economic activities in the U.S. and beyond. The extent of the impact of COVID-19 on TNDC and Affiliates' operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the effects on residents, supply chains, service providers, business partners, and changes in business practices, and all of which are uncertain and cannot be determined at this time.

SUPPLEMENTARY INFORMATION

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND AFFILIATES
COMBINING SCHEDULES OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

		2022																											
		<i>TNDC General Fund</i>	<i>Operating Properties⁽¹⁾</i>	<i>Other Entities⁽²⁾</i>	<i>TSF</i>	<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</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 uncollectible accounts		-		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		30,805,353		18,349,585		1,615,237		23,707,662		74,477,837		(21,406,015)		53,071,822															
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		-		-	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		-		-	1,399,126										
Prepaid expenses and deposits – net of current portion		-		258,158		-		-		258,158		(49)		258,109		-		-	258,109										
Notes and interest receivable		12,061,026		31,438,732		9,286,862		-		52,786,620		(52,332,284)		454,336		-		-	454,336										
Development in progress		113,725		197,580,467		-		-		197,694,192		(307,615)		197,386,577		-		-	197,386,577										
Investments in other companies		6,257,365		(2,649,055)		(73,439,233)		-		(69,830,923)		72,032,391		2,201,468		-		-	2,201,468										
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		-		-	1,012,666,619										
Right-of-use assets – operating lease		-		47,979,137		-		-		47,979,137		(2,870,850)		45,108,287		-		-	45,108,287										
Deferred costs – net		-		747,931		-		-		747,931		-		747,931		-		-	747,931										
Other assets		-		2,825,457		-		-		2,825,457		-		2,825,457		-		-	2,825,457										
Total 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

⁽¹⁾ 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.

⁽²⁾ 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, 2022 AND 2021

	2022						
	<i>TNDC General Fund</i>	<i>Operating Properties ⁽¹⁾</i>	<i>Other Entities ⁽²⁾</i>	<i>TSF</i>	<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</i>
LIABILITIES AND NET ASSETS							
Current liabilities:							
Accounts payable and accrued expenses	\$ 2,019,457	\$ 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
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 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

⁽¹⁾ 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.

⁽²⁾ 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, 2022 AND 2021

		2021						
		<i>TNDC General Fund</i>	<i>Operating Properties⁽¹⁾</i>	<i>Other Entities⁽²⁾</i>	<i>TSF</i>	<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</i>
ASSETS								
Current assets:								
Cash and cash equivalents	\$	9,755,466	\$ 13,077,104	\$ 19,311	\$ -	\$ 22,851,881	\$ -	\$ 22,851,881
Investments in marketable securities	-	-	-	-	28,499,744	28,499,744	-	28,499,744
Rent receivable – net of allowance for uncollectible accounts	-	-	1,911,612	-	-	1,911,612	-	1,911,612
Contributions receivable including government contracts – current portion	1,450,562	592,796	-	-	-	2,043,358	-	2,043,358
Other receivables	763,288	2,114,306	152,730	-	-	3,030,324	(670,643)	2,359,681
Related-party receivable – current portion	13,409,310	2,789,819	1,241,164	-	-	17,440,293	(16,443,985)	996,308
Prepaid expenses and deposits – current portion	133,046	8,627,528	-	-	-	8,760,574	(83)	8,760,491
Total current assets		25,511,672	29,113,165	1,413,205	28,499,744	84,537,786	(17,114,711)	67,423,075
Restricted cash and deposits	11,617,673	44,172,733	-	-	-	55,790,406	-	55,790,406
Contributions receivable including government contracts – net of current portion	1,225,000	224	481,101	-	-	1,706,325	(481,325)	1,225,000
Related-party receivable – net of current portion	36,224,080	-	291,391	-	-	36,515,471	(34,940,490)	1,574,981
Prepaid expenses and deposits – net of current portion	-	7,296,215	-	-	-	7,296,215	(50)	7,296,165
Notes and interest receivable	10,749,711	30,345,518	9,185,792	-	-	50,281,021	(49,849,854)	431,167
Development in progress	4,875	201,690,743	-	-	-	201,695,618	(357,600)	201,338,018
Investments in other companies	7,872,389	(1,417,213)	(62,111,192)	-	-	(55,656,016)	57,910,663	2,254,647
Property and equipment – net	7,743,118	899,923,596	6,806,650	-	-	914,473,364	(46,033,322)	868,440,042
Deferred costs – net	-	1,450,064	-	-	-	1,450,064	-	1,450,064
Other assets	-	2,825,457	-	-	-	2,825,457	-	2,825,457
Total assets	\$	100,948,518	\$ 1,215,400,502	\$ (43,933,053)	\$ 28,499,744	\$ 1,300,915,711	\$ (90,866,689)	\$ 1,210,049,022

⁽¹⁾ 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.

⁽²⁾ 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, 2022 AND 2021

		2021						
		<i>TNDC General Fund</i>	<i>Operating Properties ⁽¹⁾</i>	<i>Other Entities ⁽²⁾</i>	<i>TSF</i>	<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</i>
LIABILITIES AND NET ASSETS								
Current liabilities:								
Accounts payable and accrued expenses	\$	2,427,067	\$ 5,651,228	\$ 17,109	\$ -	\$ 8,095,404	\$ (245,144)	\$ 7,850,260
Deferred revenue – current portion		83	2,261,560	50	-	2,261,693	(133)	2,261,560
Related-party payable – current portion		2,660,345	19,139,170	1,518,406	3,760	23,321,681	(23,078,588)	243,093
Interest payable – current portion		-	3,514,300	-	-	3,514,300	-	3,514,300
Notes payable – current portion		584,417	4,843,247	-	-	5,427,664	-	5,427,664
Ground leases payable – current portion		-	2,395,216	-	-	2,395,216	(268,074)	2,127,142
Total current liabilities		5,671,912	37,804,721	1,535,565	3,760	45,015,958	(23,591,939)	21,424,019
Security deposits		-	1,855,727	-	-	1,855,727	-	1,855,727
Development costs payable		-	30,303,639	-	-	30,303,639	(189,831)	30,113,808
Deferred revenue – net of current portion		-	1,617,912	-	-	1,617,912	-	1,617,912
Related-party payable – net of current portion		-	26,054,196	-	-	26,054,196	(23,825,969)	2,228,227
Derivative financial instruments		-	462,180	-	-	462,180	-	462,180
Interest payable – net of current portion		5,216,350	78,975,966	3,623,153	-	87,815,469	(7,274,804)	80,540,665
Notes payable – net of current portion		7,136,588	825,301,550	12,080,917	-	844,519,055	(42,575,050)	801,944,005
Ground leases payable – net of current portion		-	6,625,457	-	-	6,625,457	(4,447,551)	2,177,906
Contribution to affiliates		481,131	-	481,295	-	962,426	(962,426)	-
Total liabilities		18,505,981	1,009,001,348	17,720,930	3,760	1,045,232,019	(102,867,570)	942,364,449
Net assets:								
Without donor restrictions:								
Controlling interests		79,454,247	(12,057,702)	(60,923,110)	28,495,984	34,969,419	12,000,881	46,970,300
Non-controlling interests		-	215,203,936	(730,873)	-	214,473,063	-	214,473,063
Total without donor restrictions		79,454,247	203,146,234	(61,653,983)	28,495,984	249,442,482	12,000,881	261,443,363
With donor restrictions		2,988,290	3,252,920	-	-	6,241,210	-	6,241,210
Total net assets		82,442,537	206,399,154	(61,653,983)	28,495,984	255,683,692	12,000,881	267,684,573
Total liabilities and net assets	\$	100,948,518	\$ 1,215,400,502	\$ (43,933,053)	\$ 28,499,744	\$ 1,300,915,711	\$ (90,866,689)	\$ 1,210,049,022

⁽¹⁾ 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.

⁽²⁾ 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, 2022 AND 2021

	2022						
	<i>TNDC General Fund</i>	<i>Operating Properties ⁽¹⁾</i>	<i>Other Entities ⁽²⁾</i>	<i>TSF</i>	<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</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	4,964,851	4,706,819	-	-	9,671,670	-	9,671,670
NeighborWorks America grants	738,000	-	-	-	738,000	-	738,000
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)
Operating subsidy grants	-	1,138,681	-	-	1,138,681	-	1,138,681
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, 2022 AND 2021

	2022						
	<i>TNDC General Fund</i>	<i>Operating Properties ⁽¹⁾</i>	<i>Other Entities ⁽²⁾</i>	<i>TSF</i>	<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</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 fixed assets	-	(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

⁽¹⁾ 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, 2022 AND 2021

	2021						
	<i>TNDC General Fund</i>	<i>Operating Properties ⁽¹⁾</i>	<i>Other Entities ⁽²⁾</i>	<i>TSF</i>	<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</i>
Support and revenue:							
Developer fees	\$ 13,677,792	\$ -	\$ -	\$ -	\$ 13,677,792	\$ (13,561,700)	\$ 116,092
Rental income – residential (net)	-	63,267,986	-	-	63,267,986	-	63,267,986
Rental income – commercial (net)	4,790	2,287,342	-	-	2,292,132	(77,976)	2,214,156
Contributions and program service fees	5,167,094	5,195,714	-	-	10,362,808	-	10,362,808
NeighborWorks America grants	659,000	-	-	-	659,000	-	659,000
Revenue from special events	513,908	-	-	-	513,908	-	513,908
Less: cost of special events	(304,882)	-	-	-	(304,882)	-	(304,882)
Interest and investment income	122,884	1,052,309	97,386	579,329	1,851,908	(1,227,320)	624,588
Net realized and unrealized gain on investments	1,792	-	-	2,755,998	2,757,790	-	2,757,790
Loss from investment in other companies	(739,408)	(1,044,986)	(18,689,489)	-	(20,473,883)	20,419,459	(54,424)
Operating subsidy grants	-	791,771	-	-	791,771	-	791,771
Management revenue	6,795,037	298,940	1,246,374	-	8,340,351	(7,871,428)	468,923
Ground leases	145,134	-	152,731	-	297,865	(297,865)	-
Other income	1,601,420	1,840,030	390,357	-	3,831,807	(885,802)	2,946,005
Total support and revenue	27,644,561	73,689,106	(16,802,641)	3,335,327	87,866,353	(3,502,632)	84,363,721
Expenses	20,810,179	109,576,883	1,717,039	93,072	132,197,173	(15,828,233)	116,368,940
Change in net assets before other gains (losses)	6,834,382	(35,887,777)	(18,519,680)	3,242,255	(44,330,820)	12,325,601	(32,005,219)

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION

AND AFFILIATES

COMBINING SCHEDULES OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2021						
	<i>TNDC General Fund</i>	<i>Operating Properties ⁽¹⁾</i>	<i>Other Entities ⁽²⁾</i>	<i>TSF</i>	<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</i>
Other gains (losses):							
Debt forgiveness income	5,885,836	959,229	-	-	6,845,065	(959,229)	5,885,836
Gain on sale of property	-	5,033,460	-	-	5,033,460	-	5,033,460
Loss from retirement of fixed assets	-	(249,711)	-	-	(249,711)	-	(249,711)
Loss from assignment of limited partnership interest	-	-	(1,200,000)	-	(1,200,000)	-	(1,200,000)
Total other gains (losses)	5,885,836	5,742,978	(1,200,000)	-	10,428,814	(959,229)	9,469,585
Change in net assets before intercompany transfers, capital contributions, distributions, and syndication costs	12,720,218	(30,144,799)	(19,719,680)	3,242,255	(33,902,006)	11,366,372	(22,535,634)
Intercompany transfers, capital contributions, distributions, and syndication costs:							
Contributions from affiliates	4,932,864	29,971	4,889,153	-	9,851,988	(9,851,988)	-
Contributions to affiliates	(3,765,938)	(400,000)	(5,686,050)	-	(9,851,988)	9,851,988	-
Transfer of assets	536,844	(536,844)	-	-	-	-	-
Transfer of grant income recognized in prior years	-	(1,025,010)	-	-	(1,025,010)	-	(1,025,010)
Transfer of controlling interest from acquisition	-	675,453	-	-	675,453	-	675,453
Transfer of non-controlling interest from acquisition	-	(675,453)	-	-	(675,453)	-	(675,453)
Capital contributions – controlling interest	-	6,694,234	1,146,540	-	7,840,774	(7,840,774)	-
Capital contributions – non-controlling interest	-	15,875,905	-	-	15,875,905	-	15,875,905
Capital distributions – controlling interest	-	(5,290,678)	(9,642,621)	-	(14,933,299)	14,933,299	-
Capital distributions – non-controlling interest	-	(265,861)	-	-	(265,861)	-	(265,861)
Change in net assets	14,423,988	(15,063,082)	(29,012,658)	3,242,255	(26,409,497)	18,458,897	(7,950,600)
Net assets, beginning of year	68,018,549	221,462,236	(32,641,325)	25,253,729	282,093,189	(6,458,016)	275,635,173
Net assets, end of year	\$ 82,442,537	\$ 206,399,154	\$ (61,653,983)	\$ 28,495,984	\$ 255,683,692	\$ 12,000,881	\$ 267,684,573

⁽¹⁾ 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.

⁽²⁾ 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, 2022 AND 2021

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>	
					2022	2021
<u>Amortizing Loan</u>						
Enterprise BAM loan	\$ 202,375	April 2022	5.00%	-0- ⁽³⁾	\$ -	\$ 7,467
Total amortizing loan					-	7,467
<u>Deferred Loans</u>						
<u>City and County of San Francisco</u>						
Yosemite Apartments	479,501	December 2005	6%	-0- ⁽²⁾	479,501	479,501
Yosemite Apartments	85,937	July 1999	6%	-0- ⁽²⁾	85,937	85,937
Yosemite Apartments	1,800,000	October 2074	3%	-0- ⁽⁵⁾	1,800,000	1,583,438
Sierra Madre Apartments	3,169,849	November 2054	0% ⁽⁴⁾⁽⁶⁾	-0- ⁽⁶⁾	2,211,260	2,211,260
Aarti Hotel	638,256	December 2069	0% ⁽⁴⁾	-0- ⁽¹⁾	638,256	638,256
Aarti Hotel	838,880	April 2066	3%	-0- ⁽¹⁾	838,880	838,880
Klimm Apartments	500,000	March 2060	3%	-0- ⁽⁵⁾	500,000	500,000
Pierce Apartments	728,274	March 2056	3%	-0- ⁽⁵⁾	728,274	728,274
Haight Street Apartments	602,785	August 2072	3%	-0- ⁽¹⁾	602,785	602,785
Haight Street Apartments	228,750	June 2018	0% ⁽⁴⁾	-0- ⁽²⁾	225,000	225,000
Haight Street Apartments	491,686	August 2072	0%	-0- ⁽¹⁾	491,686	491,686
Howard Street Apartments	1,006,534	January 2054	0% ⁽⁴⁾	-0- ⁽¹⁾	790,803	790,803
Cameo Apartments	2,107,108	September 2071	0% ⁽⁴⁾	-0- ⁽¹⁾	2,009,425	2,009,425
Ellis Street Apartments	600,000	November 2055	2%	-0- ⁽¹⁾	600,000	600,000
Plaza and Ramona Apartments	605,000	December 2069	0% ⁽⁴⁾	-0- ⁽¹⁾	605,000	605,000
Ambassador Hotel	2,508,186	March 2049	3%	-0- ⁽¹⁾	2,508,185	2,508,185
Ambassador Hotel	2,000,000	February 2049	5.67%	-0- ⁽¹⁾	2,000,000	2,000,000
					17,114,992	16,898,430
<u>California Department of Housing and Community Development</u>						
Aarti Hotel	630,100	November 2044	3%	-0- ⁽⁵⁾	630,100	630,100
					630,100	630,100
<u>First Citizens Bank</u>						
Aarti Hotel	676,000	December 2027	0%	-0- ⁽¹⁾	676,000	676,000
					676,000	676,000
<u>Bank of America</u>						
Franciscan Towers	1,040,000	February 2069	0%	-0- ⁽¹⁾	1,040,000	1,040,000
					1,040,000	1,040,000
<u>Pacific Premier Bank</u>						
681 Florida	1,250,000	November 2061	0%	-0- ⁽⁵⁾	1,250,000	-
					1,250,000	-
Total deferred loans					20,711,092	19,244,530

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND AFFILIATES
SCHEDULES OF NOTES PAYABLE
(TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION ONLY)
YEARS ENDED DECEMBER 31, 2022 AND 2021

<i>Lender</i>	<i>Total Commitment</i>	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Payment Terms</i>	<i>Principal Balance</i>	
					2022	2021
<u>Other Notes Payable</u>						
<u>Wells Fargo Bank Equity Equivalent Investments (EO2)</u>						
1036 Mission Project						
Working Capital	1,000,000	August 2022	2%	-0- ⁽⁷⁾	-	76,950
<u>Capital One Loan</u>						
Working Capital	500,000	December 2022 ⁽⁸⁾	2.25%	-0- ⁽⁷⁾⁽⁸⁾	500,000	500,000
					500,000	576,950
Grand total					<u>\$ 21,211,092</u>	<u>\$ 19,828,947</u>

- (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.

Interest expense incurred on notes for which payments are expected to be deferred totaled \$382,314 and \$380,429 in 2022 and 2021, respectively. Mortgage and other interest expense was \$12,082 and \$14,996 in 2022 and 2021, respectively. Management anticipates that city and state loans will be extended or refinanced as each loan matures. Interest payable for all notes was \$9,863,193 and \$9,483,806 at December 31, 2022 and 2021, respectively.

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

2023	\$ 122,633
2024	165,326
2025	169,151
2026	42,890
2027	-

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND AFFILIATES
SCHEDULE OF PROPERTIES DEVELOPED
YEAR ENDED DECEMBER 31, 2022

	Units	Project Owner	Notes
Operating Projects			
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 ⁽¹⁾
161 Turk	27	Turk & Eddy Associates, L.P. (limited partnership)	TNDC affiliate corporation is General Partner, City and County of San Francisco owns land ⁽¹⁾
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
Alexander Residence	179	AR Preservation LP (limited partnership)	TNDC is sole member of General Partner LLC, City and County of San Francisco owns land ⁽¹⁾
Antonia Manor	134	AM Preservation LP (limited partnership)	TNDC is sole member of General Partner LLC, City and County of San Francisco owns land ⁽¹⁾
Maria Manor	119	MM Preservation LP (limited partnership)	TNDC is sole member of General Partner LLC, City and County of San Francisco owns land ⁽¹⁾
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 ⁽¹⁾
8th & Howard Streets (commercial)		1166 Howard Street Commercial LLC	TNDC is sole member of LLC, City and County of San Francisco owns land ⁽¹⁾
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 ⁽¹⁾
1300 Fourth Street Commerical		1300 Fourth Street Commerical LLC	TNDC affiliate corporation is sole member of LLC
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
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)

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND AFFILIATES
SCHEDULE OF PROPERTIES DEVELOPED
YEAR ENDED DECEMBER 31, 2022

	Units	Project Owner	Notes
Projects Under Development			
5th & Howard	203	5th and Howard Associates LP (limited partnership)	In construction. TNDC affiliate corporation is sole member of General Partner LLC
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
Ambassador 9%	36	Ambassador Nine Percent LP (limited partnership)	Substantial renovation (see operating projects above). TNDC affiliate corporation is sole member of General Partner LLC
Yosemite	33	Yosemite Associates LP (limited partnership)	Pre-development for planned 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)	Pre-development for construction. TNDC affiliate corporation is sole member of General Partner LLC
730 Stanyan	120	730 Stanyan Associates LP (limited partnership)	Pre-development for 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

⁽¹⁾ 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

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SCOTT K. SMITH
CRISANTO S. FRANCISCO
JOE F. HUIE

SHERMAN G. LEONG
KYLE F. GANLEY

**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, 2022, 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 June 26, 2023.

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

June 26, 2023