

**TENDERLOIN NEIGHBORHOOD
DEVELOPMENT CORPORATION
AND AFFILIATES**

COMBINED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2024 AND 2023

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND AFFILIATES
COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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.

Responsibilities of Management for the Combined Financial Statements

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Tenderloin Neighborhood Development Corporation and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tenderloin Neighborhood Development Corporation and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The accompanying supplementary information on pages 49 through 61 is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2025 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

July 21, 2025

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND AFFILIATES
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 23,469,799	\$ 21,332,239
Investments in marketable securities (Note 3)	18,479,844	27,699,415
Rent receivable – net of allowance for credit losses of \$3,414,676 and \$3,070,228, for 2024 and 2023, respectively (Note 4)	4,067,149	4,433,920
Contributions receivable including government contracts – current portion (Note 5)	5,513,181	2,345,445
Other receivables (Note 6)	1,634,561	3,027,318
Related-party receivable – current portion (Note 7)	650,824	219,454
Prepaid expenses and deposits – current portion (Note 8)	6,502,017	7,171,811
Other assets – current portion (Note 23)	-	2,471,457
Total current assets	<u>60,317,375</u>	<u>68,701,059</u>
Long-term assets:		
Restricted cash and deposits (Note 9)	55,134,663	45,724,165
Contributions receivable including government contracts – net of current portion (Note 5)	200,000	-
Related-party receivable – net of current portion (Note 7)	993,674	1,278,177
Prepaid expenses and deposits – net of current portion (Note 8)	236,776	247,442
Notes and interest receivable	524,191	488,002
Investments in other companies (Note 10)	2,170,958	2,183,861
Development in progress (Note 11)	255,913,173	164,493,537
Property and equipment – net (Note 12)	1,211,203,344	1,187,408,100
Right-of-use assets – operating lease (Note 16)	45,684,193	45,485,854
Deferred costs – net (Note 13)	1,064,342	967,855
Total long-term assets	<u>1,573,125,314</u>	<u>1,448,276,993</u>
Total assets	<u>\$ 1,633,442,689</u>	<u>\$ 1,516,978,052</u>

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

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND AFFILIATES
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023

	2024	2023
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 11,048,432	\$ 10,471,851
Deferred revenue – current portion (Note 17)	1,368,301	2,016,931
Related-party payable – current portion (Note 7)	1,043,742	620,560
Interest payable – current portion (Note 14)	2,976,842	3,838,443
Notes payable – current portion (Note 14)	5,551,300	4,585,381
Operating lease liabilities – current portion (Note 16)	1,130,389	1,155,239
Total current liabilities	<u>23,119,006</u>	<u>22,688,405</u>
Long-term liabilities:		
Security deposits	2,760,452	2,406,265
Development costs payable	39,524,329	31,546,293
Deferred revenue – net of current portion (Note 17)	1,143,626	3,194,137
Related-party payable – net of current portion (Note 7)	2,855,440	2,774,235
Derivative financial instruments (Note 15)	159,882	220,335
Interest payable – net of current portion (Note 14)	111,660,726	99,939,795
Notes payable – net of current portion (Note 14)	1,111,294,406	1,082,602,709
Operating lease liabilities – net of current portion (Note 16)	42,132,432	41,084,602
Operating lease liabilities – interest (Note 16)	391,526	265,552
Total long-term liabilities	<u>1,311,922,819</u>	<u>1,264,033,923</u>
Total liabilities	<u>1,335,041,825</u>	<u>1,286,722,328</u>
Net assets:		
Without donor restrictions:		
Controlling interests	8,239,824	16,579,102
Non-controlling interests	286,289,569	210,506,470
Total without donor restrictions	<u>294,529,393</u>	<u>227,085,572</u>
With donor restrictions (Note 19)	<u>3,871,471</u>	<u>3,170,152</u>
Total net assets	<u>298,400,864</u>	<u>230,255,724</u>
Total liabilities and net assets	<u>\$ 1,633,442,689</u>	<u>\$ 1,516,978,052</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, 2024 AND 2023

	2024		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Support and revenue:			
Rental income – residential (net)	\$ 74,899,813	\$ -	\$ 74,899,813
Rental income – commercial (net) (Note 22)	2,465,871	-	2,465,871
Contributions and program service fees	12,325,237	3,468,040	15,793,277
Operating subsidy grants (Note 17)	3,134,184	-	3,134,184
NeighborWorks America grants (Notes 18 and 19)	260,000	405,000	665,000
In-kind donations (Note 2)	2,752,639	-	2,752,639
Revenue from special events	267,320	257,478	524,798
Less: cost of special events	(122,261)	(262,860)	(385,121)
Interest and investment income	1,889,867	-	1,889,867
Net realized and unrealized loss on investments	695,055	-	695,055
Other income	2,172,900	-	2,172,900
Net assets released from restrictions (Note 19)	3,166,339	(3,166,339)	-
Total support and revenue	103,906,964	701,319	104,608,283
Expenses:			
Program services:			
Housing services	128,727,784	-	128,727,784
Tenant services	11,451,859	-	11,451,859
Housing development	11,381,270	-	11,381,270
Management and general	5,711,484	-	5,711,484
Fundraising	1,179,957	-	1,179,957
Total expenses	158,452,354	-	158,452,354
Change in net assets before other gains (losses)	(54,545,390)	701,319	(53,844,071)
Other gains (losses):			
Debt forgiveness income	1,525,242	-	1,525,242
Write-off of predevelopment costs (Note 2)	(1,521,427)	-	(1,521,427)
Loss on sale of land (Note 23)	(512,948)	-	(512,948)
Loss from retirement of property and equipment	(459,809)	-	(459,809)
Total other gains (losses)	(968,942)	-	(968,942)

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, 2024 AND 2023

	2024		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Change in net assets before capital contributions, distributions, and syndication costs	(55,514,332)	701,319	(54,813,013)
Intercompany transfers, capital contributions, distributions, and syndication costs:			
Intercompany transfers	(15,000)	-	(15,000)
Syndication costs – non-controlling interest	(291,670)	-	(291,670)
Capital contributions – non-controlling interest	123,264,823	-	123,264,823
Change in net assets	67,443,821	701,319	68,145,140
Net assets, beginning of year	227,085,572	3,170,152	230,255,724
Net assets, end of year	<u>\$ 294,529,393</u>	<u>\$ 3,871,471</u>	<u>\$ 298,400,864</u>

	2024
Reconciliation of net assets:	
Controlling interest:	
Beginning of year	\$ 19,749,254
Transfer of capital from non-controlling interest	120,622
Change in net assets from operations	(7,758,581)
End of year	<u>12,111,295</u>
Non-controlling interest:	
Beginning of year	210,506,470
Capital contributions	123,264,823
Syndication costs	(291,670)
Transfer of capital to controlling interest	(120,622)
Change in net assets from operations	(47,069,432)
End of year	<u>286,289,569</u>
Net assets, end of year	<u><u>\$ 298,400,864</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, 2024 AND 2023

	2023		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Support and revenue:			
Rental income – residential (net)	\$ 66,119,044	\$ -	\$ 66,119,044
Rental income – commercial (net) (Note 22)	2,281,967	-	2,281,967
Contributions and program service fees	8,026,410	4,394,512	12,420,922
Operating subsidy grants (Note 17)	2,448,953	-	2,448,953
NeighborWorks America grants (Note 18)	838,750	-	838,750
In-kind donations (Note 2)	149,683	-	149,683
Revenue from special events	220,797	276,856	497,653
Less: cost of special events	(120,854)	(211,592)	(332,446)
Interest and investment income	1,419,340	-	1,419,340
Net realized and unrealized loss on investments	3,370,831	-	3,370,831
Other income	1,500,684	-	1,500,684
Net assets released from restrictions (Note 19)	5,814,426	(5,814,426)	-
Total support and revenue	92,070,031	(1,354,650)	90,715,381
Expenses:			
Program services:			
Housing services	116,264,326	-	116,264,326
Tenant services	10,402,257	-	10,402,257
Housing development	17,144,603	-	17,144,603
Management and general	3,824,969	-	3,824,969
Fundraising	905,208	-	905,208
Total expenses	148,541,363	-	148,541,363
Change in net assets before other gains (losses)	(56,471,332)	(1,354,650)	(57,825,982)
Other gains (losses):			
Debt forgiveness income	1,001,672	-	1,001,672
Write-off of predevelopment costs (Note 2)	(321,007)	-	(321,007)
Loss on sale of land (Note 23)	(448,521)	-	(448,521)
Loss from retirement of property and equipment	(915,330)	-	(915,330)
Other loss	(289,411)	-	(289,411)
Total other gains (losses)	(972,597)	-	(972,597)

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, 2024 AND 2023

	2023		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Change in net assets before capital contributions, distributions, and syndication costs	(57,443,929)	(1,354,650)	(58,798,579)
Intercompany transfers, capital contributions, distributions, and syndication costs:			
Intercompany transfers	(50,792)	-	(50,792)
Syndication costs – non-controlling interest	(536,891)	-	(536,891)
Capital contributions – non-controlling interest	65,114,517	-	65,114,517
Capital distributions – non-controlling interest	(28,771)	-	(28,771)
Change in net assets	7,054,134	(1,354,650)	5,699,484
Net assets, beginning of year	220,031,438	4,524,802	224,556,240
Net assets, end of year	<u>\$ 227,085,572</u>	<u>\$ 3,170,152</u>	<u>\$ 230,255,724</u>

	2023
Reconciliation of net assets:	
Controlling interest:	
Beginning of year	\$ 33,934,569
Change in net assets from operations	(14,185,315)
End of year	<u>19,749,254</u>
Non-controlling interest:	
Beginning of year	190,621,671
Capital contributions	65,114,517
Capital distributions	(28,771)
Syndication costs	(536,891)
Change in net assets from operations	(44,664,056)
End of year	<u>210,506,470</u>
Net assets, end of year	<u><u>\$ 230,255,724</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, 2024 AND 2023

	2024						
	<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	\$ 17,860,375	\$ 1,102,588	\$ 204,755	\$ 4,068,858	\$ 653,939	\$	23,890,515
Employee benefits	3,546,572	241,288	28,406	559,687	40,397		4,416,350
Management fees	310,581	-	-	-	-		310,581
Office expense	3,653,928	312,320	320,653	359,872	113,594		4,760,367
Repairs and maintenance	18,620,889	81,027	18,127	37,448	8,509		18,766,000
Utilities	8,934,586	6,341	2,270	5,363	958		8,949,518
Security	1,317,710	7,447	2,869	6,785	1,211		1,336,022
Professional fees	3,129,003	225,367	387,380	391,479	290,252		4,423,481
Supportive services and program expenses	247,813	9,216,034	260	-	801		9,464,908
Insurance and property taxes	12,603,211	233,192	260,878	139,094	70,296		13,306,671
Interest – mortgage loans and others	6,733,876	-	9,460,950	10,613	-		16,205,439
Total operating expenses before deferred interest, depreciation and amortization, and other (income) expenses	76,958,544	11,425,604	10,686,548	5,579,199	1,179,957		105,829,852
Interest – deferred loans	11,486,849	-	650,993	9,201	-		12,147,043
Depreciation and amortization	39,071,276	26,255	(5,254)	10,097	-		39,102,374
Ground lease	1,139,491	-	15,000	-	-		1,154,491
Ground lease – interest	125,974	-	-	-	-		125,974
Other non-operating (income) expenses	(54,350)	-	33,983	112,987	-		92,620
Total expenses as shown in the combined statements of activities	128,727,784	11,451,859	11,381,270	5,711,484	1,179,957		158,452,354
Fundraising event costs	-	-	-	-	385,121		385,121
Total expenses	\$ 128,727,784	\$ 11,451,859	\$ 11,381,270	\$ 5,711,484	\$ 1,565,078	\$	158,837,475

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, 2024 AND 2023

	2023					
	Program Services			Supporting Services		
	Housing Services	Tenant Services	Housing Development	Management and General	Fundraising	Total
Salaries and wages	\$ 16,531,332	\$ 2,282,074	\$ 611,247	\$ 2,913,369	\$ 372,117	\$ 22,710,139
Employee benefits	3,671,724	487,287	105,107	375,641	43,613	4,683,372
Management fees	312,945	-	-	-	-	312,945
Office expense	2,841,897	578,075	999,620	198,267	96,519	4,714,378
Repairs and maintenance	17,103,701	99,722	157,417	18,292	5,442	17,384,574
Utilities	7,924,133	(1,615)	22,597	(3,008)	(334)	7,941,773
Security	1,469,275	10,789	2,309	2,485	533	1,485,391
Professional fees	2,654,149	329,976	134,215	151,744	351,546	3,621,630
Supportive services and program expenses	(74,090)	6,256,459	1,784	3,699	412	6,188,264
Insurance and property taxes	9,968,118	359,490	620,792	90,856	35,360	11,074,616
Interest – mortgage loans and others	5,717,658	-	13,773,171	31,639	-	19,522,468
Total operating expenses before deferred interest, depreciation and amortization, and other (income) expenses	68,120,842	10,402,257	16,428,259	3,782,984	905,208	99,639,550
Interest – deferred loans	9,809,356	-	685,201	8,682	-	10,503,239
Depreciation and amortization	37,051,907	-	-	33,303	-	37,085,210
Ground lease	1,176,862	-	-	-	-	1,176,862
Ground lease – interest	111,493	-	-	-	-	111,493
Other non-operating (income) expenses	(6,134)	-	31,143	-	-	25,009
Total expenses as shown in the combined statements of activities	116,264,326	10,402,257	17,144,603	3,824,969	905,208	148,541,363
Fundraising event costs	-	-	-	-	332,446	332,446
Total expenses	\$ 116,264,326	\$ 10,402,257	\$ 17,144,603	\$ 3,824,969	\$ 1,237,654	\$ 148,873,809

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, 2024 AND 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ (54,813,013)	\$ (58,798,579)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	39,102,374	37,085,210
Ground lease – amortization of right-of-use assets – operating lease	279,251	275,422
Loss from retirement of property and equipment	459,809	915,330
Interest expense – amortization of financing costs	1,975,419	2,269,488
Net realized and unrealized gain on investments in marketable securities	(695,055)	(3,370,711)
Debt forgiveness income	(1,525,242)	(1,001,672)
Write-off of predevelopment costs	1,525,242	321,007
Capitalization of development expenses	(1,070,573)	-
Loss on sale of land	512,948	448,521
Gain from derivative financial instruments	(60,453)	(6,134)
Loss from investments in other companies	3,249	407
(Increase) decrease in assets:		
Receivables	(1,636,306)	(1,861,520)
Prepaid expenses and deposits	(369,540)	(242,729)
Related-party receivable	(146,867)	166,590
Other assets	2,471,457	354,000
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	576,581	2,725,680
Related-party payable	203,935	145,305
Deferred revenue	(2,699,141)	2,535,190
Security deposits	354,187	568,309
Interest payable	8,884,532	10,028,361
Operating lease liabilities	671,364	852,932
Net cash used in operating activities	(5,995,842)	(6,589,593)
Cash flows from investing activities:		
Purchase of investments in marketable securities	(641,294)	(683,073)
Proceeds from sale of investments in marketable securities	10,555,920	62,031
Decrease (increase) in deposits for development expenditures	1,050,000	(4,101,327)
Increase in development in progress	(119,908,971)	(127,098,710)
Purchase of property and equipment	(3,439,615)	(37,887,640)
Payment of deferred costs	(205,510)	(127,274)
Decrease in investments in other companies	9,654	17,200
Payment of development costs payable	(31,546,293)	(32,375,038)
Proceeds from energy savings rebate	229,500	165,647
Increase in notes and interest receivable	(36,189)	(33,666)
Net cash used in investing activities	(143,932,798)	(202,061,850)

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

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
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COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Cash flows from financing activities:		
Capital contributions – non-controlling interest	123,264,823	41,578,479
Capital distributions – non-controlling interest	(15,000)	(79,563)
Payment of developer fee	(403,021)	(767,452)
Proceeds from notes payable	288,931,648	219,592,014
Repayment of notes payable	(249,272,126)	(54,310,357)
Proceeds from construction financing costs refund	73,898	-
Payment of construction and permanent financing costs	(1,068,899)	(1,661,321)
Payment of syndication costs	(34,625)	(10,000)
Net cash provided by financing activities	161,476,698	204,341,800
Increase (decrease) in cash, cash equivalents, restricted cash and deposits	11,548,058	(4,309,643)
Cash, cash equivalents, restricted cash and deposits, beginning of year	67,056,404	71,366,047
Cash, cash equivalents, restricted cash and deposits, end of year	\$ 78,604,462	\$ 67,056,404
Supplementary information:		
Cash paid for interest (net of capitalized interest)	\$ 17,376,913	\$ 16,835,964
Noncash investing and financing activities:		
Lease assets obtained in exchange for lease obligations – operating lease	\$ 477,590	\$ 652,989
Assets acquired by assuming liabilities	\$ 43,347,274	\$ 34,783,983
Development in progress reclassified to property and equipment	\$ 68,248,363	\$ 188,796,066
Deferred costs reclassified from development in progress	\$ 71,915	\$ 231,998
Financing costs reclassified from development in progress	\$ 643,907	\$ 1,963,170
Syndication costs reclassified from development in progress	\$ 257,045	\$ 526,891
Cash and cash equivalents	\$ 23,469,799	\$ 21,332,239
Restricted cash and deposits	55,134,663	45,724,165
Total cash, cash equivalents, restricted cash and deposits shown in the combined statements of cash flows	\$ 78,604,462	\$ 67,056,404

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

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
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NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2024 AND 2023

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 programs. In addition, TNDC owns real properties located in San Francisco which provide housing for low and moderate income individuals and families. These real properties are included in these combined financial statements as directly-owned properties.

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

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

<i>Not-For-Profit Corporation and LLC (Sole Member unless specified)</i>	<i>Limited Partnership</i>	<i>Ownership Interest</i>
5H GP LLC (TSI)	5th and Howard Associates, L.P.	0.01%
44 McAllister GP LLC (TSI)	44 McAllister Associates, L.P.	0.01%
180 Jones GP LLC (TSI)	180 Jones Associates, L.P.	1.00%
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%

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

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

<i>LLC (Sole Member unless specified)</i>	<i>Limited Partnership</i>
4 th & Folsom GP LLC (TSI)	4 th & Folsom Associates, L.P. ⁽¹⁾
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.
Pennsylvania 249 Housing Associates LLC (TSI 75%)	249 Pennsylvania Associates, L.P.
Sierra Madre GP LLC (TSI)	Sierra Madre Associates, L.P.

- ⁽¹⁾ During 2024, with no viable path forward for the project, pre-development activities of 4th and Folsom Associates, L.P. were terminated.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
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- LLCs directly owning projects or parcels:
 - 220 Golden Gate Clinic LLC (TSI, sole member) owns the ground floor commercial parcel of the Kelly Cullen Community project.
 - 270 Turk GP LLC (O’Farrell Senior Housing, Inc., sole member and an affiliate of TNDC) owns the 85-unit multi-family apartment complex.
 - 1166 Howard Street Commercial LLC (TNDC, sole member) owns the ground floor commercial parcel of the 8th and Howard project.
 - 1234 Great Highway LLC (TSI, sole member) owns the parcel of the 1234 Great Highway senior housing project.
 - 1300 Fourth Street Commercial LLC (TSI, sole member) owns the commercial parcel of the 626 Mission Bay Boulevard project (formerly 1300 4th Street).
 - Alabama Commercial LLC (TSI, sole member) owns commercial parcels at the Mosaica projects.
 - Mason 125 LLC (TSI, sole member) owns the 81-unit multi-family apartment building.
 - Normandy Ellis LLC (TSI, sole member) acquired Normandy Apartments, a 108-unit multi-family apartment building, in January 2025 (see Note 23).

- 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.	0.00% ⁽¹⁾
	220 Golden Gate Associates, L.P.	99.99% ⁽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.	99.99%
	MM Preservation, L.P.	99.90%
	Plaza Apartment Associates, L.P.	99.99%
	Ritz Hotel, L.P.	1.00%
	West Hotel, L.P.	99.99%
TNDC	McAllister Street Associates	99.00%
	Turk & Eddy Associates, L.P.	70.00%

⁽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 the remaining 14.99% was assigned on December 31, 2023.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
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- 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)
	Ambassador Ritz Four Percent, L.P. (the Ambassador 4% parcel starting September 1, 2021)
	Ambassador Nine Percent, L.P. (starting September 1, 2021)
	Ellis Street Associates
	Klimm Apartments, L.P.
	McAllister Street Associates
West Hotel SRO, Inc.	West Hotel, L.P.

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.

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Limited Liability Companies:

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

Limited Partnerships:

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

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

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

Accounting Method

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

Estimates

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

Basis of Presentation

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

- Net assets without donor restrictions include those assets over which the board of directors has discretionary control in carrying out the operations of TNDC and Affiliates.
- Net assets with donor restrictions include contributions and grants that are restricted by donors for specific purposes or time periods and for which the applicable restrictions were not met as of the end of the current reporting period. Some donor-imposed restrictions are temporary in nature and will be met by the passage of time or other events specified by the donor. When a donor restriction is met by the passage of time or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities as *net assets released from restrictions*. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. Net assets with non-expiring donor restrictions were \$-0- as of December 31, 2024 and 2023 (see Notes 18 and 19).

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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 promised. 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, 2024 and 2023, contributions of \$30,256,312 and \$15,675,295, respectively, were not recognized in the accompanying combined statements of activities because the conditions on which they depend have not yet been met. Contributions are recorded at their fair value as support without donor restrictions or support with donor restrictions, depending on the absence or existence of donor-imposed restrictions, as applicable. Contributions restricted for the purchase of long-lived assets are reported as net assets without donor restrictions when placed in service.

In-kind Donations:

In-kind donations are segregated from cash and other financial assets in the combined statements of activities. In-kind donations are recorded at fair value where an objective basis of measurement is available. In 2024 and 2023, TNDC and Affiliates received in-kind donations of food totaling \$2,752,639 and \$149,683, respectively. The donated food was utilized for TNDC's tenant services program.

Government Contracts:

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

Rental Income:

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

TNDC and Affiliates account for the existing leases with residential and commercial tenants as operating 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.

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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 100% and 73% of its developer fees cover related project costs in 2024 and 2023, respectively. The average historical project costs from 2000 to 2024 was 44% 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 \$55,394,785 and \$55,233,952 as of December 31, 2024 and 2023, respectively.

Management Revenue and Related Accounts:

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

Leases

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

TNDC and Affiliates account for the existing ground leases with the City and County of San Francisco (CCSF) and the San Francisco Housing Authority as operating leases.

Ground lease payments may include base, residual, and contingent portions. Ground lease payments on base rents are made from operations. Ground lease payments on residual rents are subject to the existence of excess cash in the future, which is a contingency that cannot be reasonably predicted. Contingent lease expense is recorded at the time that the contingency is eliminated based on the existence of excess cash (see Note 16).

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 \$59,305,000 as of December 31, 2024. TNDC and Affiliates have not experienced any losses in such accounts.

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

Allowance for Credit Losses

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

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

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

Investments – Fair Value Measurements

Under GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

GAAP establishes 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, reflect 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 an active market for the securities existed.

Derivative Financial Instrument

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

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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 2024 and 2023, and observable price information was not readily available.

Development in Progress

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

Any funds expended on a project that does not pass beyond the predevelopment stage are recorded as expenses when further development activity on the project ceases. The write off of unrealizable development in progress was \$1,521,427 and \$321,007 in 2024 and 2023, respectively.

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 \$4,957,223 and \$6,759,159 during 2024 and 2023, 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 commercial 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.

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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 25 years
Leasehold improvements	5 to 99 years
Deferred leasing commission	5 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 2024 and 2023.

Land

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

Financing Costs

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

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 2020 through 2023 are subject to examination by regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively.

Guarantees

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

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Allocation of Partnership Income/Loss and Tax Credits

The affiliated partnerships are generally expected to generate low-income housing tax 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 July 21, 2025, the date on which the combined financial statements were available to be issued (see Note 23).

Reclassification

Certain amounts previously reported in the 2023 financial statements were reclassified to conform to the 2024 presentation for comparative purposes and had no impact on net assets.

NOTE 3 – INVESTMENTS IN MARKETABLE SECURITIES

Investments are held by TSF and summarized as follows:

	2024		2023	
	<i>Cost</i>	<i>Fair Value</i>	<i>Cost</i>	<i>Fair Value</i>
Mutual funds:				
Bond funds	\$ 18,266,570	\$ 18,479,844	\$ 8,893,632	\$ 7,755,589
Equity funds	-	-	20,740,510	19,943,826
Total	\$ 18,266,570	\$ 18,479,844	\$ 29,634,142	\$ 27,699,415

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>	
	2024	2023
Residential – tenants	\$ 3,738,765	\$ 2,536,547
Residential – rent subsidies	2,868,790	3,362,677
Commercial – tenants	874,270	1,604,924
Less: allowance for credit losses – residential	(2,636,598)	(2,463,593)
Less: allowance for credit losses – commercial	(778,078)	(606,635)
Total accounts receivable – net	<u>\$ 4,067,149</u>	<u>\$ 4,433,920</u>
Amounts expected to be received in:		
Less than one year	<u>\$ 4,067,149</u>	<u>\$ 4,433,920</u>

Changes in the allowance for credit losses for the years ended December 31, 2024 and 2023 are summarized as follows:

	2024	2023
Balance, beginning of year	\$ 3,070,228	\$ 2,434,682
Provision, net of write-offs and recoveries	344,448	635,546
Balance, end of year	<u>\$ 3,414,676</u>	<u>\$ 3,070,228</u>

NOTE 5 – CONTRIBUTIONS RECEIVABLE INCLUDING GOVERNMENT CONTRACTS

Contributions receivable including government contracts is summarized as follows:

	2024		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Contributions without donor restrictions	\$ 189,021	\$ -	\$ 189,021
Contributions with donor restrictions:			
Restricted by passage of time	750,769	-	750,769
Restricted for housing development	1,300,000	-	1,300,000
Restricted for TASP	88,127	-	88,127
Restricted for tenant services	224,306	3,160,958	3,385,264
Total contributions receivable	<u>\$ 2,552,223</u>	<u>\$ 3,160,958</u>	<u>\$ 5,713,181</u>
Amounts expected to be received in:			
Less than one year	<u>\$ 2,352,223</u>	<u>\$ 3,160,958</u>	<u>\$ 5,513,181</u>
One to five years	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>

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	2023		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Contributions without donor restrictions	\$ 168,649	\$ -	\$ 168,649
Contributions with donor restrictions:			
Restricted by passage of time	769	-	769
Restricted for housing development	600,000	-	600,000
Restricted for TASP	67,122	-	67,122
Restricted for tenant services	209,653	1,299,252	1,508,905
Total contributions receivable	<u>\$ 1,046,193</u>	<u>\$ 1,299,252</u>	<u>\$ 2,345,445</u>
Amounts expected to be received in:			
Less than one year	<u>\$ 1,046,193</u>	<u>\$ 1,299,252</u>	<u>\$ 2,345,445</u>

NOTE 6 – OTHER RECEIVABLES

Other receivables are summarized as follows:

	2024		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Property tax refunds	\$ -	\$ 638,845	\$ 638,845
Receivable – insurance claims	-	212,190	212,190
Other	139,818	643,708	783,526
Total other receivables	<u>\$ 139,818</u>	<u>\$ 1,494,743</u>	<u>\$ 1,634,561</u>
Amounts expected to be received in:			
Less than one year	<u>\$ 139,818</u>	<u>\$ 1,494,743</u>	<u>\$ 1,634,561</u>

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

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 may involve a considerable amount of time, management believes that the full amount of property tax refunds is collectible.

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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 2024 and 2023 follow:

2024						
	<i>Government</i>	<i>Non-Government</i>	<i>Total</i>	<i>Current</i>	<i>Past Due</i>	<i>Total</i>
Property tax refunds	\$ 638,845	\$ -	\$ 638,845	\$ 94,649	\$ 544,196	\$ 638,845
Receivable – insurance claims	-	212,190	212,190	212,190	-	212,190
Other	-	783,526	783,526	783,526	-	783,526
Total	\$ 638,845	\$ 995,716	\$ 1,634,561	\$ 1,090,365	\$ 544,196	\$ 1,634,561

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

NOTE 7 – RELATED-PARTY TRANSACTIONS

Related-party receivable includes the following:

			<i>TNDC General Fund</i>	
			2024	2023
Receivable:				
Developer fee ⁽¹⁾			\$ 1,093,677	\$ 1,399,125
Asset and partnership management fees ⁽²⁾			69,765	44,155
Advances ⁽³⁾			481,056	54,351
			<u>\$ 1,644,498</u>	<u>\$ 1,497,631</u>
Amounts expected to be received in:				
Less than one year			<u>\$ 650,824</u>	<u>\$ 219,454</u>
One year or more			<u>\$ 993,674</u>	<u>\$ 1,278,177</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 \$3,007,470 and \$5,187,596 in 2024 and 2023, respectively, which were earned from commonly-controlled entities and were eliminated from the combined financial statements. Developer fees earned from affiliated entities that are not commonly-controlled were \$-0- in 2024 and 2023, and the corresponding receivables were \$1,093,677 and \$1,399,125 as of December 31, 2024 and 2023, 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, 2024, 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 \$7,939,765 and \$8,097,727 were eliminated from the combined financial statements in 2024 and 2023, respectively. TNDC's general fund earned management fees totaling \$7,638,355 and \$7,025,947 in 2024 and 2023, respectively, after elimination of fees from properties directly owned by TNDC.

- (2) TNDC is entitled to receive annual asset and partnership management fees from 1990 Folsom Housing Associates, L.P., an affiliated entity that is not commonly-controlled by TNDC. The fees 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:

	<i>Properties and Other</i>	
	2024	2023
Payable:		
Developer fee	\$ 3,294,996	\$ 2,994,544
Advances	289,035	162,452
Other	315,151	237,799
	<u>\$ 3,899,182</u>	<u>\$ 3,394,795</u>
Amounts expected to be paid in:		
Less than one year	<u>\$ 1,043,742</u>	<u>\$ 620,560</u>
One year or more	<u>\$ 2,855,440</u>	<u>\$ 2,774,235</u>

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NOTE 8 – PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits consist of the following:

	2024		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Funds held by bond trustees	\$ 1,050,000	\$ 2,979,310	\$ 4,029,310
Insurance	35,125	231,882	267,007
Impound deposits	-	1,513,788	1,513,788
Other	277,951	650,737	928,688
Total	<u>\$ 1,363,076</u>	<u>\$ 5,375,717</u>	<u>\$ 6,738,793</u>
Amounts for use in:			
Less than one year	<u>\$ 1,363,076</u>	<u>\$ 5,138,941</u>	<u>\$ 6,502,017</u>
More than one year	<u>\$ -</u>	<u>\$ 236,776</u>	<u>\$ 236,776</u>

	2023		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Funds held by bond trustees	\$ -	\$ 6,176,619	\$ 6,176,619
Insurance	38,335	204,794	243,129
Impound deposits	-	570,785	570,785
Other	80,463	348,257	428,720
Total	<u>\$ 118,798</u>	<u>\$ 7,300,455</u>	<u>\$ 7,419,253</u>
Amounts for use in:			
Less than one year	<u>\$ 118,798</u>	<u>\$ 7,053,013</u>	<u>\$ 7,171,811</u>
More than one year	<u>\$ -</u>	<u>\$ 247,442</u>	<u>\$ 247,442</u>

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NOTE 9 – RESTRICTED CASH AND DEPOSITS

Restricted cash and deposits are summarized as follows:

	2024		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Property development	\$ 631,745	\$ 12,274,709	\$ 12,906,454
Operating reserves	-	19,408,631	19,408,631
Replacement reserves	-	13,951,477	13,951,477
Debt service reserves	-	254,484	254,484
Section 8 reserves	164,398	611,329	775,727
Other reserves	335,492	4,758,520	5,094,012
Tenant security deposits	-	2,743,878	2,743,878
Total restricted cash and deposits	\$ 1,131,635	\$ 54,003,028	\$ 55,134,663

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

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.

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Other Reserves

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

Tenant Security Deposits

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

NOTE 10 – INVESTMENTS IN OTHER COMPANIES

TNDC and Affiliates have financial interests in the following companies:

	<i>Percentage Interest</i>		<i>Amount of Investment</i>		<i>Gain (Loss) ⁽¹⁴⁾</i>	
	2024	2023	2024	2023	2024	2023
Mercy Eden House LLC ⁽¹⁾	21.00%	21.00%	\$ (69,987)	\$ (67,156)	\$ (2,831)	\$ -
Housing Partnership Insurance Exchange ⁽²⁾	13.90%	13.90%	199,453	199,453	-	-
Housing Partnership Insurance Exchange ⁽³⁾	1.37%	1.37%	148,013	148,013	-	-
HPN Select, LLC ⁽⁴⁾	3.45%	3.45%	123,146	132,800	-	-
1990 Folsom Housing Associates, L.P. ⁽⁵⁾	0.005%	0.005%	1,270,901	1,271,056	(155)	(152)
T8 Housing Partners, L.P. ⁽⁶⁾	0.002%	0.002%	499,745	499,784	(39)	(46)
T8 Urban Housing Associates BMR, L.P. ⁽⁷⁾	0.001%	0.001%	(107)	(95)	(12)	(15)
Related/Mariposa Development Co., LP ⁽⁸⁾	0.00%	0.00%	-	-	-	-
1601 Mariposa Street Housing Partners, LP ⁽⁹⁾	0.0049%	0.0049%	291	376	(85)	(78)
1500 Mission Urban Housing, LP ⁽¹⁰⁾	0.00%	0.00%	-	-	-	-
1500 Mission Housing Partners, LP ⁽¹¹⁾	0.0049%	0.0049%	(497)	(370)	(127)	(116)
1990 Folsom Commercial LLC ⁽¹²⁾	50.00%	50.00%	-	-	-	-
681 Florida Street Commercial LLC ⁽¹³⁾	49.00%	49.00%	-	-	-	-
Total			<u>\$ 2,170,958</u>	<u>\$ 2,183,861</u>	<u>\$ (3,249)</u>	<u>\$ (407)</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.

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- (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. The investment is estimated at cost since its fair value is not readily determinable.
- (3) During 2016, TNDC invested in HPIEx for the purpose of gaining access to affordable property and liability insurance from a reciprocal insurance company. The investment is estimated at cost since its fair value is not readily determinable.
- (4) During 2015, TNDC invested in HPN Select, LLC, a group procurement company. The investment is estimated at cost since its fair value is not readily determinable. During 2024 and 2023, TNDC received cash distributions of \$9,654 and \$17,200, respectively, representing the return of principal invested in preferred equity in prior years.
- (5) During 2016, 1990 Folsom TNDC GP LLC, an affiliate of TNDC, and MEDA 1990 Folsom LLC, an affiliate of Mission Economic Development Agency, became equal co-general partners of 1990 Folsom Housing Associates, L.P. with general partner interests of 0.005% each. Also during 2016, Taylor Family Housing, Inc. became an initial co-limited partner of this partnership with a 49.995% interest. During 2019, Taylor Family Housing, Inc. was replaced by permanent limited partners, and its remaining capital balance was transferred to 1990 Folsom TNDC GP LLC.
- (6) During 2015, T8 Housing Partners MGP, LLC, an affiliate of TNDC, and TRCC/T8 Development Co., LLC, an affiliate of Related California Residential, LLC, became co-general partners of T8 Housing Partners, L.P. and hold interests of 0.002% and 0.008% in the partnership, respectively.
- (7) During 2015, T8 Urban Residential MGP, LLC, an affiliate of TNDC, and T8 Urban Development Co., LLC, an affiliate of Related California Residential, LLC, became co-general partners of T8 Urban Housing Associates BMR, L.P. and hold interests of 0.001% and 0.009% in the partnership, respectively.
- (8) During 2017, Mariposa Housing Partners GP LLC, an affiliate of TNDC, and Mariposa Holdco, LLC, an affiliate of Related California Residential, LLC, became equal co-general partners of Related/Mariposa Development Co., LP with general partner interests of 0.00% each.
- (9) During 2017, Mariposa Housing Partners GP LLC, an affiliate of TNDC, and Related/Mariposa Housing Partners, LLC, an affiliate of Related California Residential, LLC, became co-general partners of 1601 Mariposa Street Housing Partners, LP and hold interests of 0.0049% and 0.0051% in the partnership, respectively.
- (10) During 2018, 1500 Mission Housing Partners GP LLC, an affiliate of TNDC, and 1500 Holdco, LLC, an affiliate of Related California Residential, LLC, became equal co-general partners of 1500 Mission Urban Housing, LP with general partner interests of 0.00% each.
- (11) During 2018, 1500 Mission Housing Partners GP LLC, an affiliate of TNDC, and 1500 Mission Development Co., LLC, an affiliate of Related California Residential, LLC, became co-general partners of 1500 Mission Housing Partners, LP and hold interests of 0.0049% and 0.0051% in the partnership, respectively.
- (12) 1990 Folsom Commercial LLC, an affiliate of TNDC, was formed on October 31, 2022 to own and operate the commercial space of 1990 Folsom. TSI and Mission Economic Development Agency became equal co-members with interests of 50% each.
- (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 2024 and 2023 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:

	2024	2023
Total assets	\$ 661,986,385	\$ 695,856,373
Total liabilities	878,812,486	856,815,870
Total equity:		
TNDC and Affiliates	1,700,346	1,703,595
Other	(218,526,447)	(162,663,092)

NOTE 11 – DEVELOPMENT IN PROGRESS

Development in progress consists of the following:

	2024		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
5H GP LLC (future development)	\$ -	\$ 1,423,864	\$ 1,423,864
220 Golden Gate Associates, L.P.	-	6,000	6,000
249 Pennsylvania Associates, L.P.	-	863,833	863,833
430 Turk Associates, L.P.	-	124,855	124,855
730 Stanyan Associates, L.P.	-	118,650,918	118,650,918
1234 Great Highway LLC	-	3,624,309	3,624,309
1300 Fourth Street Commercial LLC	-	586,807	586,807
2550 Irving Associates, L.P.	-	24,819,692	24,819,692
4200 Geary Associates, L.P.	-	66,368,578	66,368,578
Aarti Hotel	-	153,312	153,312
Alabama Street Senior Housing Associates	-	41,810	41,810
Ambassador Ritz Four Percent, L.P.	-	64,458	64,458
AM Preservation, L.P.	-	28,773	28,773
AR Preservation, L.P.	-	90,535	90,535
Candlestick 10a Associates, L.P.	-	2,321,057	2,321,057
Dalt Hotel, L.P.	-	125,070	125,070
Eddy & Taylor Associates, L.P.	-	51,938	51,938
Ellis Street Associates, L.P.	-	27,401	27,401
Haight Street Senior Housing, Inc.	-	33,930	33,930
Howard Street Apartments	-	20,051	20,051
Mason 125 LLC	-	355,184	355,184
Mason 149 LLC	-	131	131
MM Preservation, L.P.	-	65,717	65,717
Normandy Ellis LLC	-	29,419	29,419
Octavia RSU Associates, L.P.	-	34,081,333	34,081,333
Polk Senior Housing Associates, L.P.	-	8,919	8,919
RP Associates, L.P.	-	11,913	11,913
Sierra Madre Apartments	-	1,666,739	1,666,739
West Hotel, L.P.	-	125,289	125,289
Future projects	141,338	-	141,338
Total development in progress	\$ 141,338	\$ 255,771,835	\$ 255,913,173

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	2023		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
4th & Folsom Associates, L.P.	\$ -	\$ 1,523,192	\$ 1,523,192
5H GP LLC (future development)	-	1,423,863	1,423,863
180 Jones Associates, L.P.	-	43,833,394	43,833,394
220 Golden Gate Associates, L.P.	-	42,148	42,148
430 Turk Associates, L.P.	-	135,219	135,219
730 Stanyan Associates, L.P.	-	44,472,719	44,472,719
1036 Mission Associates, L.P.	-	30,690	30,690
1166 Howard Street Associates	-	6,982	6,982
1234 Great Highway LLC	-	2,316,726	2,316,726
1300 Fourth Street Associates, L.P.	-	115,342	115,342
1300 Fourth Street Commercial LLC	-	586,807	586,807
2550 Irving Associates, L.P.	-	8,310,588	8,310,588
4200 Geary Associates, L.P.	-	27,663,692	27,663,692
Aarti Hotel	-	23,455	23,455
Alabama Street Senior Housing Associates	-	41,810	41,810
Candlestick 10a Associates, L.P.	-	2,259,844	2,259,844
Curran House Limited Partnership	-	78,865	78,865
Dalt Hotel, L.P.	-	51,065	51,065
Folsom/Dore Associates	-	106,847	106,847
Haight Street Senior Housing, Inc.	-	33,930	33,930
Mason 125 LLC	-	339,957	339,957
MM Preservation, L.P.	-	103,857	103,857
O'Farrell Towers Associates, L.P.	-	65,908	65,908
Octavia RSU Associates, L.P.	-	11,347,702	11,347,702
Pennsylvania 249 Housing Associates LLC	-	486,421	486,421
Plaza Apartments Associates, L.P.	-	41,272	41,272
Rosa Parks II, L.P.	-	37,416	37,416
RP Associates, L.P.	-	40,779	40,779
Sierra Madre Apartments	-	245,130	245,130
West Hotel, L.P.	-	53,091	53,091
Yosemite Apartment Associates, L.P.	-	18,628,006	18,628,006
Future projects	46,820	-	46,820
Total development in progress	\$ 46,820	\$ 164,446,717	\$ 164,493,537

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NOTE 12 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2024		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Land and leased land improvements	\$ 5,298,165	\$ 88,627,844	\$ 93,926,009
Buildings and improvements	470,578	1,426,169,127	1,426,639,705
Furniture, fixtures and equipment	822,750	18,596,246	19,418,996
Leasehold improvements	2,894,470	732,519	3,626,989
	9,485,963	1,534,125,736	1,543,611,699
Less: accumulated depreciation	(2,451,100)	(329,957,255)	(332,408,355)
Total property and equipment	\$ 7,034,863	\$ 1,204,168,481	\$ 1,211,203,344

	2023		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Land and leased land improvements	\$ 5,298,165	\$ 97,333,224	\$ 102,631,389
Buildings and improvements	470,578	1,355,638,254	1,356,108,832
Furniture, fixtures and equipment	822,750	16,941,600	17,764,350
Leasehold improvements	2,894,470	545,984	3,440,454
	9,485,963	1,470,459,062	1,479,945,025
Less: accumulated depreciation	(2,241,007)	(290,295,918)	(292,536,925)
Total property and equipment	\$ 7,244,956	\$ 1,180,163,144	\$ 1,187,408,100

Depreciation expense of property and equipment totaled \$38,921,436 and \$36,945,862 for 2024 and 2023, respectively.

NOTE 13 – DEFERRED COSTS

Deferred costs are summarized as follows:

	<i>Properties and Other</i>	
	2024	2023
Deferred leasing commission	\$ 122,274	\$ 122,274
Tax credit costs	2,907,862	2,630,437
	3,030,136	2,752,711
Less: accumulated amortization	(1,965,794)	(1,784,856)
Total	\$ 1,064,342	\$ 967,855

Amortization expense of deferred costs totaled \$180,938 and \$139,348 for 2024 and 2023, respectively.

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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:

	2024		2023	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<u>TNDC General Fund Loans:</u>				
Deferred loans from CCSF, 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 2024 and 2023.	\$ 2,122,542	\$ 3,669,446	\$ 2,036,609	\$ 3,669,446
Deferred loan from CCSF, bearing interest of 5.67%, with principal and interest to be repaid in full by 2049. Interest expense was \$113,400 annually in 2024 and 2023.	2,943,472	2,000,000	2,830,072	2,000,000
Deferred loan from Bank of America – AHP, bearing no interest, with entire principal to be repaid in full by 2069.	-	1,040,000	-	1,040,000
Deferred loan from Pacific Premier Bank – AHP, bearing no interest, with entire principal to be repaid in full by 2061.	-	1,250,000	-	1,250,000
Working capital loans, bearing variable and fixed interest of 2.25%, with interest due monthly or quarterly, to be repaid in full through 2026. Interest expense was \$6,270 and \$31,638 in 2024 and 2023, respectively.	1,936	212,041	22,942	4,127,367
Subtotal – TNDC General Fund loans	5,067,950	8,171,487	4,889,623	12,086,813
<u>Properties and Other Loans:</u>				
Permanent amortizing loans, bearing fixed interest ranging from 0.96% to 7%, generally with principal and interest due monthly, to be repaid in full through 2063. Interest expense was \$6,138,728 and \$4,881,667 in 2024 and 2023, respectively.	305,324	188,197,788	183,374	126,535,516

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	2024		2023	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
Predevelopment / construction loans, bearing variable and fixed interest rates ranging from 0% to 4.21%, generally with interest only payments due monthly or deferred, to be repaid in full or partially converted to permanent loans through 2080. Interest capitalized was \$4,957,223 and \$6,759,159 in 2024 and 2023, respectively. Interest expense was \$9,534,640 and \$12,969,256 in 2024 and 2023, respectively.	10,214,762	351,742,726	8,060,802	417,103,490
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 \$76,366 and \$83,537 in 2024 and 2023, respectively (see Note 15).	7,692	1,175,000	10,207	1,375,000
City and county loans, bearing interest from 0% to 6.5%, generally payable out of excess cash, to be repaid in full through 2074. Interest expense was \$8,001,902 and \$7,475,977 in 2024 and 2023, respectively.	87,859,420	389,790,468	81,441,946	377,096,206
State loans, bearing interest from 0% to 3%, with principal payments generally deferred through 2078. Interest expense was \$2,250,029 and \$1,834,169 in 2024 and 2023, respectively.	11,182,420	101,395,987	9,192,286	77,955,326
Federal loans, bearing no interest, generally with principal and interest deferred through 2077. Interest expense was \$-0- in 2024 and 2023.	-	81,836,919	-	80,836,919
Subtotal – Properties and Other loans	109,569,618	1,114,138,888	98,888,615	1,080,902,457
Total loans	114,637,568	1,122,310,375	103,778,238	1,092,989,270
Less: unamortized financing costs ⁽¹⁾	-	(5,464,669)	-	(5,801,180)
Total loans – net	114,637,568	1,116,845,706	103,778,238	1,087,188,090
Less: current portion	(2,976,842)	(5,551,300)	(3,838,443)	(4,585,381)
Long-term portion	\$ 111,660,726	\$ 1,111,294,406	\$ 99,939,795	\$ 1,082,602,709

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- ⁽¹⁾ Costs incurred in order to obtain construction and permanent financing were \$13,386,455 and \$11,747,547 as of December 31, 2024 and 2023, respectively. Interest expense from amortization of construction and permanent financing costs was \$1,975,419 and \$2,269,488 in 2024 and 2023, respectively.

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

<i>Year</i>	<i>Principal Payments</i>		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
2025	\$ 169,151	\$ 5,382,149	\$ 5,551,300
2026	42,890	8,115,733	8,158,623
2027	-	4,481,680	4,481,680
2028	-	4,859,886	4,859,886
2029	-	4,856,818	4,856,818

NOTE 15 – DERIVATIVE FINANCIAL INSTRUMENTS

Interest Rate Swap

Two of TNDC's affiliated partnerships entered into interest rate swap agreements with Citibank, N.A. to potentially minimize the effect of changes in the variable interest rate of the affiliated partnerships' bonds. The swap agreements were effective in 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 \$159,882 and \$220,335 net interest payments as of December 2024 and 2023, respectively, and is included as a liability in the combined statements of financial position. The net change in fair value was \$60,453 and \$6,134 for 2024 and 2023, 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, 2024 and 2023:

	<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, 2024</i>
Derivative financial instrument (liability)	\$ -	\$ (159,882)	\$ -	\$ (159,882)
Total	\$ -	\$ (159,882)	\$ -	\$ (159,882)

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

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

Balance, December 31, 2022	\$	(226,469)
Unrealized gain on derivative financial instruments		6,134
Balance, December 31, 2023		(220,335)
Unrealized gain on derivative financial instruments		60,453
Balance, December 31, 2024	\$	(159,882)

Interest Rate Cap

In 2023, four of TNDC's affiliated partnerships entered into interest rate cap agreements with local banks to potentially minimize the effect of changes in the variable interest rates of the construction loans. The cap agreements were effective in various months in 2023, and the original notional amount of the cap agreements was \$137,751,288. Under the cap agreements, the affiliated partnerships pay interest at variable interest rates and receive interest from local banks equal to the excess of the variable rates over the fixed rates ranging from 3.403% to 4.5%. Two of the four interest rate cap agreements expired in 2024, with the remaining to expire on October 1, 2025 and July 1, 2026. The affiliated partnerships paid cap premium totaling \$2,141,200, which was capitalized in development in progress. Upon completion of the construction, the remaining cap premium of the completed project is reclassified from development in progress to construction financing costs and is fully amortized into interest expense.

The cap's fair value, as estimated by Management, approximates the cost of the premium paid, net of cap settlements, amounting to \$801,135 and \$2,065,017 as of December 31, 2024 and 2023, respectively.

The following table presents information about the affiliated partnerships' fair value hierarchy inputs used in determining fair value of interest rate cap as of December 31, 2024 and 2023:

	Quoted Prices in Active Markets for Identical Assets (Level 1)			Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2024
Derivative financial instrument capitalized as project cost in development in progress	\$	-	\$	-	\$ 801,135	\$ 801,135
Total	\$	-	\$	-	\$ 801,135	\$ 801,135

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	<i>Quoted Prices in</i>			<i>Balance as of</i>
	<i>Active Markets</i>	<i>Significant Other</i>	<i>Significant</i>	<i>December 31,</i>
	<i>for Identical</i>	<i>Observable</i>	<i>Unobservable</i>	<i>2023</i>
	<i>Assets</i>	<i>Inputs</i>	<i>Inputs</i>	
	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	
Derivative financial instrument capitalized as project cost in development in progress	\$ -	\$ -	\$ 2,065,017	\$ 2,065,017
Total	\$ -	\$ -	\$ 2,065,017	\$ 2,065,017

NOTE 16 – GROUND LEASES

Certain affiliated partnerships lease the land on which the respective affordable housing properties were developed from CCSF 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 \$429,000, 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 \$85,000 to \$429,000 are accruable and payable from excess/distributable cash. The contingent rent up to \$120,000 is payable to the extent the affiliated partnership has excess/distributable cash and is not accruable if sufficient excess/distributable cash is not generated. Certain ground lease agreements require base rent and residual rent increases at the fifth and tenth year anniversaries of the leases. The leases have remaining lease terms ranging from 76 to 96 years. The lease asset and liability were calculated utilizing the risk-free discount rate (ranging from 2.01% to 3.07%), according to the affiliated partnerships' 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.

Ground lease expense and related interest for the years ended December 31, 2024 and 2023 of \$1,280,465 and \$1,288,355, respectively, were included in income from continuing operations.

Ground lease and related interest expense consist of the following:

	2024	2023
Base rent	\$ 205,000	\$ 190,000
Residual rent	704,900	742,271
Contingent rent	120,000	120,000
Amortization of prepaid land lease	124,591	124,591
Total ground lease expense	\$ 1,154,491	\$ 1,176,862
Compound interest on unpaid rent based on Applicable Federal Rate (AFR)	\$ 125,974	\$ 111,493

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The line items in the combined statements of financial position which include amounts for the operating lease as of December 31, 2024 and 2023 are summarized as follows:

	2024	2023
Right-of-use asset – operating lease	\$ 45,684,193	\$ 45,485,854
Total operating lease liability	\$ 43,262,821	\$ 42,239,841
Less: current portion	(1,130,389)	(1,155,239)
Long-term portion	\$ 42,132,432	\$ 41,084,602
Operating lease liability – interest ⁽¹⁾	\$ 391,526	\$ 265,552

⁽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 and contingent 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:

2025	\$ 909,900
2026	909,900
2027	909,900
2028	909,900
2029	909,900
Thereafter	76,422,550
Total maturities	80,972,050
Add: base, residual, and contingent rents outstanding as of December 31, 2024	5,162,445
Less: amount representing interest	(42,871,674)
Present value of lease liability	\$ 43,262,821

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 \$156,761 and \$283,693 which were eliminated from the combined financial statements in 2024 and 2023, respectively.

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NOTE 17 – DEFERRED REVENUE

Deferred revenue as of December 31, 2024 and 2023 consists of the following:

	2024	2023
Tenant deferred rent	\$ 826,981	\$ 516,719
Unearned subsidy	159,780	26,643
Commercial deferred rent ⁽¹⁾	37,253	43,920
Government grant – conditional contribution ⁽²⁾	121,872	863,260
Sierra Madre insurance proceeds	1,143,626	3,069,368
Operating subsidy ⁽³⁾	-	295,595
Other	222,415	395,563
	<u>2,511,927</u>	<u>5,211,068</u>
Less: current portion	<u>(1,368,301)</u>	<u>(2,016,931)</u>
Non-current portion	<u>\$ 1,143,626</u>	<u>\$ 3,194,137</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 2024 and 2023 was included in other income in the accompanying combined statements of activities. The unamortized balance of deferred rental income was \$37,253 and \$43,920 as of December 31, 2024 and 2023, 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 2024 and 2023, which is included as contribution in the accompanying combined statements of activities. The remaining unamortized portion of \$121,872 and \$863,260 as of December 31, 2024 and 2023, 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.
- ⁽³⁾ Seven of TNDC’s affiliated partnerships received conditional commitments of multi-year grants from CCSF under the CCSF’s Local Operating Subsidy Program (LOSP). The grants, which are effective from July 1, 2014 through December 31, 2038, allow the partnerships to receive operating subsidy on all LOSP-assisted units consisting of 273 residential units. Total income was \$2,856,204 and \$2,247,957 in 2024 and 2023, respectively, and is included as operating subsidy grants in the accompanying combined statements of activities. The operating subsidy, at any given year, is calculated as the excess of the costs to operate the assisted units over the income obtained from the assisted units and related sources. The calculation of operational costs allocated to the assisted units for subsequent years will be determined by CCSF in its reasonable discretion. The subsidy is pre-paid annually based on estimated costs. Any subsidy received but not earned is shown as deferred revenue, which was \$295,595 as of December 31, 2023.

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During 2024, CCSF clarified that the annual LOSP disbursements made represent the LOSP revenue for the year. Due to this clarification, the LOSP disbursements for 2024 of \$2,599,825 were recognized as revenue in 2024. In addition, the LOSP disbursements for 2022 of \$256,380 for one of the affiliated partnerships, which were included in deferred revenue as of December 31, 2023, were recognized as revenue in 2024. The remaining deferred revenue balance of \$39,215 was reversed in 2024 and included in other income in the accompanying statements of activities.

The remaining subsidy disbursements for 2025 to 2038 are expected to be \$55,370,243 as of December 31, 2024.

NOTE 18 – NEIGHBORWORKS AMERICA GRANTS

TNDC received the following grants:

Support Without Donor Restrictions

NeighborWorks America (NWA) provided \$260,000 and \$838,750 expendable grants during 2024 and 2023, 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, 2023</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>December 31, 2024</i>
HUD Section 202 capital advance	\$ 2,998,621	\$ -	\$ (127,150)	\$ 2,871,471
Housing development activities	-	1,343,000	(643,000)	700,000
Tenant services	4,989	2,224,658	(2,229,647)	-
Other	166,542	300,000	(166,542)	300,000
	<u>\$ 3,170,152</u>	<u>\$ 3,867,658</u>	<u>\$ (3,166,339)</u>	<u>\$ 3,871,471</u>
	<i>December 31, 2022</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>December 31, 2023</i>
HUD Section 202 capital advance	\$ 3,125,771	\$ -	\$ (127,150)	\$ 2,998,621
Housing development activities	600,000	900,000	(1,500,000)	-
Tenant services	4,990	3,309,776	(3,309,777)	4,989
Other	794,041	250,000	(877,499)	166,542
	<u>\$ 4,524,802</u>	<u>\$ 4,459,776</u>	<u>\$ (5,814,426)</u>	<u>\$ 3,170,152</u>

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NOTE 20 – LIQUIDITY AND AVAILABILITY

Financial assets as of December 31, 2024 and 2023 consist of the following:

	2024		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Cash and cash equivalents	\$ 9,474,032	\$ 13,995,767	\$ 23,469,799
Investments in marketable securities	-	18,479,844	18,479,844
Rent receivable – net	-	4,067,149	4,067,149
Contributions receivable including government contracts – without restrictions	189,021	-	189,021
Other receivables	139,817	1,494,744	1,634,561
Related-party receivable	650,824	-	650,824
Total	\$ 10,453,694	\$ 38,037,504	\$ 48,491,198

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

TNDC and Affiliates have \$48,491,198 and \$59,352,452 as of December 31, 2024 and 2023, 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. Employees are not required to contribute to the plan. As defined in the plan, employees may contribute as of their date of hire and are immediately vested on their contributions. Employer contributions were fully vested after three years. Effective January 1, 2021, TNDC modified the 403(b) plan which is now a safe harbor plan and employer contributions vest immediately. The plan allows for both safe harbor matching contributions and an additional discretionary (non-matching) contribution from the employer for eligible employees who have worked a minimum of 1,000 hours and have completed one year of service. Contributions totaled \$671,509 and \$782,146 for the years ended December 31, 2024 and 2023, 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>	
2025	\$ -	\$ 511,882	\$ 511,882
2026	-	281,244	281,244
2027	-	248,065	248,065
2028	-	232,371	232,371
2029	-	195,374	195,374
Thereafter	-	142,050	142,050
Total	\$ -	\$ 1,610,986	\$ 1,610,986

Commercial rent income received during 2024 and 2023 was \$2,465,871 and \$2,281,967, respectively.

NOTE 23 – COMMITMENTS, CONTINGENCIES AND OTHER MATTERS

Operating Deficit and Other Guarantees

TNDC has provided loan and operating deficit guarantees as well as indemnifications with regard to tax benefits projected for its various affiliates and projects. TNDC will be responsible for repaying a loan if, when the loan becomes due, the respective affiliate or project does not make payment on the loan. TNDC will cover operating deficits as needed up to stated limits which vary by project. TNDC does not require any collateral or other security from its affiliates and projects related to these guarantees nor has TNDC pledged any specific collateral or security to the guaranteed parties. Estimation of the amount of such guarantees is required by GAAP. A reasonable estimate of the outstanding loan, construction completion guarantees, and operating deficit guarantees at December 31, 2024 amounted to approximately \$225,205,000. In addition, TNDC has guaranteed an aggregate amount of approximately \$273,365,000 to the investor limited partners for tax credits and other tax benefits for various affiliated limited partnerships as of December 31, 2024. 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.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
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NOTES TO COMBINED FINANCIAL STATEMENTS
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Loss on Sale of Land

4200 Geary Associates, L.P., an affiliate of TNDC, acquired a parcel of land from a third party in May 2020 for \$10,500,000 financed by a loan with San Francisco Housing Accelerator Fund. The loan was refinanced in May 2021 through a loan with CCSF. The land was subsequently sold to CCSF for \$9,210,000 as a credit toward the unpaid CCSF loan principal of \$11,064,369. The remaining principal balance of \$1,854,369 was forgiven. 4200 Geary Associates, L.P. had capitalized interest of \$973,834, \$607,603 of which was forgiven by CCSF in 2023, loan closing, escrow and legal costs of \$261,973, and property taxes of \$384,686, resulting in a loss on sale of \$448,521 in 2023.

2550 Irving Associates, L.P., an affiliate of TNDC, acquired a parcel of land from a third party in November 2021 for \$9,000,000 financed by a loan with CCSF. The land was subsequently sold to CCSF for \$9,600,000 as a credit toward the unpaid CCSF loan principal of \$9,012,905 and accrued interest of \$587,095. 2550 Irving Associates, L.P. had capitalized the remaining interest of \$358,314 which was forgiven by CCSF, loan closing, escrow and legal costs of \$123,312, insurance of \$128,425, and property taxes of \$274,116, resulting in a loss on sale of \$512,948 in 2024.

Transfer Tax

1166 Howard Street Associates (1166 Howard) paid transfer tax totaling \$2,364,720 (inclusive of penalty and interest) in 2021 as a result of the exit of the limited partners in 2019. The transfer tax paid is included in Other assets in the accompanying combined statements of financial position as of December 31, 2023 as 1166 Howard was awaiting the outcome of the new transfer tax legislation, which was passed in December 2023. The new legislation reduced the transfer tax bill amount to \$354,000, which was recognized as an expense in 2023. The remaining transfer tax amounting to \$2,010,720 was refunded to 1166 Howard in March 2024.

Plaza Apartment Associates, L.P. (Plaza Apartment) paid transfer taxes (inclusive of penalty and interest) in 2021 amounting to \$460,737, also included in Other assets as of December 31, 2023, as a result of an upper tier ownership transfer prior to the exit of the former limited partner in 2019. The new legislation reduced the transfer tax bill amount to \$79,031, which was reimbursed by the former limited partner in May 2024. The remaining transfer tax amounting to \$381,706 was refunded to Plaza Apartment in April 2024.

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

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

Government Rental Subsidies

TNDC and Affiliates are highly vulnerable to the inherent risks associated with rental subsidy revenue that is substantially dependent on government funds. Management is aware of these risks and monitors government actions to assess and respond to any impacts as information becomes available.

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.

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Subsequent Events

On January 31, 2025, Normandy Ellis LLC, through TNDC, acquired Normandy Apartments (the property) from Normandy Apartments (the seller), a California general partnership, for a purchase price of \$35,000,000 which was funded by the proceeds from the San Francisco Housing Accelerator Fund loan.

On March 26, 2025, TNDC sold Sierra Madre Apartments to Sierra Madre Associates, L.P. (the Buyer), an affiliate of TNDC, for the price of \$2,804,437. Since the buyer involved in the sale transaction is deemed to be an affiliate under common control of TNDC, GAAP requires that TNDC records the transaction as a transfer based on TNDC's carrying value of the assets and liabilities at the time of the sale. Details follow:

Net carrying value of property and equipment transferred to the Buyer	\$ (1,097,882)
Notes and interest payable assigned to the Buyer	<u>2,804,437</u>
Excess of liabilities assigned over assets transferred	<u>\$ 1,706,555</u>

In addition, the reserves and development costs at the time of sale were transferred to the Buyer through a contribution from TNDC.

SUPPLEMENTARY INFORMATION

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
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		2024						
		<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	\$	9,474,032	\$ 13,987,475	\$ 8,292	\$ -	\$ 23,469,799	\$ -	\$ 23,469,799
Investments in marketable securities		-	-	-	18,479,844	18,479,844	-	18,479,844
Rent receivable – net of allowance for credit losses		-	4,170,132	-	-	4,170,132	(102,983)	4,067,149
Contributions receivable including government contracts – current portion		2,352,223	3,161,182	481,101	-	5,994,506	(481,325)	5,513,181
Other receivables		405,290	1,494,743	60	-	1,900,093	(265,532)	1,634,561
Related-party receivable – current portion		26,914,929	1,804,951	1,894,110	-	30,613,990	(29,963,166)	650,824
Prepaid expenses and deposits – current portion		1,363,076	5,139,068	-	-	6,502,144	(127)	6,502,017
Total current assets		40,509,550	29,757,551	2,383,563	18,479,844	91,130,508	(30,813,133)	60,317,375
Long-term assets:								
Restricted cash and deposits		1,131,635	54,003,028	-	-	55,134,663	-	55,134,663
Contributions receivable including government contracts – net of current portion		200,000	-	-	-	200,000	-	200,000
Related-party receivable – net of current portion		38,630,879	349,280	662,205	-	39,642,364	(38,648,690)	993,674
Prepaid expenses and deposits – net of current portion		-	236,776	-	-	236,776	-	236,776
Notes and interest receivable		21,357,936	33,847,689	9,472,160	-	64,677,785	(64,153,594)	524,191
Investments in other companies		4,207,473	(5,150,224)	(96,038,156)	-	(96,980,907)	99,151,865	2,170,958
Development in progress		141,338	255,965,835	-	-	256,107,173	(194,000)	255,913,173
Property and equipment – net		7,034,863	1,251,486,822	6,806,650	-	1,265,328,335	(54,124,991)	1,211,203,344
Right-of-use assets – operating lease		-	48,434,789	-	-	48,434,789	(2,750,596)	45,684,193
Deferred costs – net		-	1,064,342	-	-	1,064,342	-	1,064,342
Total long-term assets		72,704,124	1,640,238,337	(79,097,141)	-	1,633,845,320	(60,720,006)	1,573,125,314
Total assets	\$	113,213,674	\$ 1,669,995,888	\$ (76,713,578)	\$ 18,479,844	\$ 1,724,975,828	\$ (91,533,139)	\$ 1,633,442,689

⁽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
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2024							
	<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	\$ 1,609,872	\$ 9,521,916	\$ 19,685	\$ -	\$ 11,151,473	(103,041)	\$ 11,048,432
Deferred revenue – current portion	80	1,368,301	87	-	1,368,468	(167)	1,368,301
Related-party payable – current portion	3,025,350	21,372,318	2,551,494	9,945	26,959,107	(25,915,365)	1,043,742
Interest payable – current portion	-	2,976,842	-	-	2,976,842	-	2,976,842
Notes payable – current portion	169,151	5,382,149	-	-	5,551,300	-	5,551,300
Operating lease liabilities – current portion	-	1,130,389	-	-	1,130,389	-	1,130,389
Total current liabilities	4,804,453	41,751,915	2,571,266	9,945	49,137,579	(26,018,573)	23,119,006
Long-term liabilities:							
Security deposits	-	2,760,452	-	-	2,760,452	-	2,760,452
Development costs payable	448	39,523,881	-	-	39,524,329	-	39,524,329
Deferred revenue – net of current portion	-	1,143,626	-	-	1,143,626	-	1,143,626
Related-party payable – net of current portion	-	40,949,600	-	-	40,949,600	(38,094,160)	2,855,440
Derivative financial instruments	-	159,882	-	-	159,882	-	159,882
Interest payable – net of current portion	6,004,849	112,973,678	4,187,096	-	123,165,623	(11,504,897)	111,660,726
Notes payable – net of current portion	8,454,836	1,143,407,350	12,080,917	-	1,163,943,103	(52,648,697)	1,111,294,406
Operating lease liabilities – net of current portion	-	49,770,233	-	-	49,770,233	(7,637,801)	42,132,432
Operating lease liabilities – interest	-	412,194	-	-	412,194	(20,668)	391,526
Contribution to affiliates	481,131	-	481,295	-	962,426	(962,426)	-
Total long-term liabilities	14,941,264	1,391,100,896	16,749,308	-	1,422,791,468	(110,868,649)	1,311,922,819
Total liabilities	19,745,717	1,432,852,811	19,320,574	9,945	1,471,929,047	(136,887,222)	1,335,041,825
Net assets:							
Without donor restrictions:							
Controlling interests	92,467,957	(52,747,868)	(95,304,247)	18,469,899	(37,114,259)	45,354,083	8,239,824
Non-controlling interests	-	287,019,474	(729,905)	-	286,289,569	-	286,289,569
Total without donor restrictions	92,467,957	234,271,606	(96,034,152)	18,469,899	249,175,310	45,354,083	294,529,393
With donor restrictions	1,000,000	2,871,471	-	-	3,871,471	-	3,871,471
Total net assets	93,467,957	237,143,077	(96,034,152)	18,469,899	253,046,781	45,354,083	298,400,864
Total liabilities and net assets	\$ 113,213,674	\$ 1,669,995,888	\$ (76,713,578)	\$ 18,479,844	\$ 1,724,975,828	\$ (91,533,139)	\$ 1,633,442,689

⁽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
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DECEMBER 31, 2024 AND 2023

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

⁽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.

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2023							
	<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	\$ 2,067,036	\$ 8,457,095	\$ 17,650	\$ -	\$ 10,541,781	\$ (69,930)	\$ 10,471,851
Deferred revenue – current portion	76,509	1,940,503	88	-	2,017,100	(169)	2,016,931
Related-party payable – current portion	3,320,391	22,999,780	2,038,259	7,810	28,366,240	(27,745,680)	620,560
Interest payable – current portion	-	3,838,443	-	-	3,838,443	-	3,838,443
Notes payable – current portion	165,326	4,420,055	-	-	4,585,381	-	4,585,381
Operating lease liabilities – current portion	-	1,155,239	-	-	1,155,239	-	1,155,239
Total current liabilities	5,629,262	42,811,115	2,055,997	7,810	50,504,184	(27,815,779)	22,688,405
Long-term liabilities:							
Security deposits	-	2,406,265	-	-	2,406,265	-	2,406,265
Development costs payable	6,115	31,540,178	-	-	31,546,293	-	31,546,293
Deferred revenue – net of current portion	-	3,194,137	-	-	3,194,137	-	3,194,137
Related-party payable – net of current portion	-	41,301,257	-	-	41,301,257	(38,527,022)	2,774,235
Derivative financial instruments	-	220,335	-	-	220,335	-	220,335
Interest payable – net of current portion	5,758,471	100,181,219	3,998,604	-	109,938,294	(9,998,499)	99,939,795
Notes payable – net of current portion	12,373,987	1,111,290,590	12,080,917	-	1,135,745,494	(53,142,785)	1,082,602,709
Operating lease liabilities – net of current portion	-	48,766,246	-	-	48,766,246	(7,681,644)	41,084,602
Operating lease liabilities – interest	-	276,125	-	-	276,125	(10,573)	265,552
Contribution to affiliates	481,131	-	481,295	-	962,426	(962,426)	-
Total long-term liabilities	18,619,704	1,339,176,352	16,560,816	-	1,374,356,872	(110,322,949)	1,264,033,923
Total liabilities	24,248,966	1,381,987,467	18,616,813	7,810	1,424,861,056	(138,138,728)	1,286,722,328
Net assets:							
Without donor restrictions:							
Controlling interests	88,094,315	(46,158,578)	(96,643,779)	27,691,605	(27,016,437)	43,595,539	16,579,102
Non-controlling interests	-	211,236,171	(729,701)	-	210,506,470	-	210,506,470
Total without donor restrictions	88,094,315	165,077,593	(97,373,480)	27,691,605	183,490,033	43,595,539	227,085,572
With donor restrictions	171,530	2,998,622	-	-	3,170,152	-	3,170,152
Total net assets	88,265,845	168,076,215	(97,373,480)	27,691,605	186,660,185	43,595,539	230,255,724
Total liabilities and net assets	\$ 112,514,811	\$ 1,550,063,682	\$ (78,756,667)	\$ 27,699,415	\$ 1,611,521,241	\$ (94,543,189)	\$ 1,516,978,052

⁽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.

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COMBINING SCHEDULES OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024						
	<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	\$ 3,007,470	\$ -	\$ -	\$ -	\$ 3,007,470	\$ (3,007,470)	\$ -
Rental income – residential (net)	-	74,926,758	-	-	74,926,758	(26,945)	74,899,813
Rental income – commercial (net)	-	2,599,816	-	-	2,599,816	(133,945)	2,465,871
Contributions and program service fees	18,044,883	8,248,394	-	-	26,293,277	(10,500,000)	15,793,277
Operating subsidy grants	-	3,134,184	-	-	3,134,184	-	3,134,184
NeighborWorks America grants	665,000	-	-	-	665,000	-	665,000
In-kind donations	2,752,639	-	-	-	2,752,639	-	2,752,639
Revenue from special events	524,798	-	-	-	524,798	-	524,798
Less: cost of special events	(388,014)	2,893	-	-	(385,121)	-	(385,121)
Interest and investment income	300,706	2,373,965	109,185	641,294	3,425,150	(1,535,283)	1,889,867
Net realized and unrealized loss on investments	-	-	-	695,055	695,055	-	695,055
Loss from investment in other companies	555,055	(1,157,243)	(11,150,456)	-	(11,752,644)	11,749,395	(3,249)
Management revenue	7,872,781	191,931	667,573	-	8,732,285	(8,174,191)	558,094
Ground leases	156,760	-	1	-	156,761	(156,761)	-
Other income	445,105	1,511,472	76,335	-	2,032,912	(414,857)	1,618,055
Total support and revenue	33,937,183	91,832,170	(10,297,362)	1,336,349	116,808,340	(12,200,057)	104,608,283
Expenses	20,757,391	151,066,046	1,067,384	58,055	172,948,876	(14,496,522)	158,452,354
Change in net assets before other gains (losses)	13,179,792	(59,233,876)	(11,364,746)	1,278,294	(56,140,536)	2,296,465	(53,844,071)

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COMBINING SCHEDULES OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024						
	<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	-	1,525,242	-	-	1,525,242	-	1,525,242
Write-off of predevelopment costs	(25,000)	(1,525,242)	-	-	(1,550,242)	28,815	(1,521,427)
Loss on sale of land	-	(512,948)	-	-	(512,948)	-	(512,948)
Loss from retirement of property and equipment	-	(459,809)	-	-	(459,809)	-	(459,809)
Total other gains (losses)	(25,000)	(972,757)	-	-	(997,757)	28,815	(968,942)
Change in net assets before intercompany transfers, capital contributions, distributions, and syndication costs	13,154,792	(60,206,633)	(11,364,746)	1,278,294	(57,138,293)	2,325,280	(54,813,013)
Intercompany transfers, capital contributions, distributions, and syndication costs:							
Contributions from affiliates	327,618	423,472	7,642,776	-	8,393,866	(8,393,866)	-
Contributions to affiliates	(8,280,298)	-	(436,302)	(10,500,000)	(19,216,600)	19,201,600	(15,000)
Distribution to sole member	-	-	(205,623)	-	(205,623)	205,623	-
Capital contributions – controlling interest	-	7,859,221	7,203,693	-	15,062,914	(15,062,914)	-
Capital contributions – non-controlling interest	-	123,264,823	-	-	123,264,823	-	123,264,823
Syndication costs – non-controlling interest	-	(291,670)	-	-	(291,670)	-	(291,670)
Capital distributions – controlling interest	-	(1,982,351)	(1,500,470)	-	(3,482,821)	3,482,821	-
Change in net assets	5,202,112	69,066,862	1,339,328	(9,221,706)	66,386,596	1,758,544	68,145,140
Net assets, beginning of year	88,265,845	168,076,215	(97,373,480)	27,691,605	186,660,185	43,595,539	230,255,724
Net assets, end of year	\$ 93,467,957	\$ 237,143,077	\$ (96,034,152)	\$ 18,469,899	\$ 253,046,781	\$ 45,354,083	\$ 298,400,864

⁽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, 2024 AND 2023

	2023						
	<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	\$ 5,187,596	\$ -	\$ -	\$ -	\$ 5,187,596	\$ (5,187,596)	\$ -
Rental income – residential (net)	-	66,168,357	-	-	66,168,357	(49,313)	66,119,044
Rental income – commercial (net)	-	2,401,426	-	-	2,401,426	(119,459)	2,281,967
Contributions and program service fees	4,315,242	8,105,680	-	-	12,420,922	-	12,420,922
Operating subsidy grants	-	2,448,953	-	-	2,448,953	-	2,448,953
NeighborWorks America grants	838,750	-	-	-	838,750	-	838,750
In-kind donations	149,683	-	-	-	149,683	-	149,683
Revenue from special events	497,653	-	-	-	497,653	-	497,653
Less: cost of special events	(207,966)	-	-	-	(207,966)	(124,480)	(332,446)
Interest and investment income	189,187	1,867,245	104,997	683,073	2,844,502	(1,425,162)	1,419,340
Net realized and unrealized loss on investments	122	-	-	3,370,709	3,370,831	-	3,370,831
Loss from investment in other companies	(936,092)	(1,343,926)	(32,612,391)	-	(34,892,409)	34,892,002	(407)
Management revenue	7,343,502	81,255	1,407,485	-	8,832,242	(8,525,841)	306,401
Ground leases	153,483	-	130,211	-	283,694	(283,694)	-
Other income	1,207,975	1,283,851	92,608	1	2,584,435	(1,389,745)	1,194,690
Total support and revenue	18,739,135	81,012,841	(30,877,090)	4,053,783	72,928,669	17,786,712	90,715,381
Expenses	19,553,802	141,893,245	1,703,554	64,105	163,214,706	(14,673,343)	148,541,363
Change in net assets before other gains (losses)	(814,667)	(60,880,404)	(32,580,644)	3,989,678	(90,286,037)	32,460,055	(57,825,982)

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND AFFILIATES
COMBINING SCHEDULES OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2023						
	<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	-	1,001,672	-	-	1,001,672	-	1,001,672
Write-off of predevelopment costs		(321,007)			(321,007)	-	(321,007)
Loss on sale of land	-	(448,521)	-	-	(448,521)	-	(448,521)
Loss from retirement of property and equipment	-	(915,330)	-	-	(915,330)	-	(915,330)
Other loss	(289,411)	-	-	-	(289,411)	-	(289,411)
Total other gains (losses)	(289,411)	(683,186)	-	-	(972,597)	-	(972,597)
Change in net assets before intercompany transfers, capital contributions, distributions, and syndication costs	(1,104,078)	(61,563,590)	(32,580,644)	3,989,678	(91,258,634)	32,460,055	(58,798,579)
Intercompany transfers, capital contributions, distributions, and syndication costs:							
Contributions from affiliates	6,246,330	60,000	4,849,132	-	11,155,462	(11,155,462)	-
Contributions to affiliates	(4,854,877)	(4,881,949)	(1,469,428)	-	(11,206,254)	11,155,462	(50,792)
Capital contributions – controlling interest	-	4,864,907	4,839,907	-	9,704,814	(9,704,814)	-
Capital contributions – non-controlling interest	-	65,114,517	-	-	65,114,517	-	65,114,517
Syndication costs – non-controlling interest	-	(536,891)	-	-	(536,891)	-	(536,891)
Capital distributions – controlling interest	-	(983,870)	-	-	(983,870)	983,870	-
Capital distributions – non-controlling interest	-	(28,771)	-	-	(28,771)	-	(28,771)
Change in net assets	287,375	2,044,353	(24,361,033)	3,989,678	(18,039,627)	23,739,111	5,699,484
Net assets, beginning of year	87,978,470	166,031,862	(73,012,447)	23,701,927	204,699,812	19,856,428	224,556,240
Net assets, end of year	\$ 88,265,845	\$ 168,076,215	\$ (97,373,480)	\$ 27,691,605	\$ 186,660,185	\$ 43,595,539	\$ 230,255,724

⁽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, 2024 AND 2023

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>	
					2024	2023
<u>Deferred Loans</u>						
<u>City and County of San Francisco</u>						
Sierra Madre Apartments	3,169,849	November 2054	0% ⁽³⁾⁽⁵⁾	-0- ⁽⁵⁾	2,211,260	2,211,260
Aarti Hotel	638,256	December 2069	0% ⁽³⁾	-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- ⁽⁴⁾	500,000	500,000
Pierce Apartments	728,274	March 2056	3%	-0- ⁽⁴⁾	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% ⁽³⁾	-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% ⁽³⁾	-0- ⁽¹⁾	790,803	790,803
Cameo Apartments	2,107,108	September 2071	0% ⁽³⁾	-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% ⁽³⁾	-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
					<u>14,749,554</u>	<u>14,749,554</u>
<u>California Department of Housing and Community Development</u>						
Aarti Hotel	630,100	November 2044	3%	-0- ⁽⁴⁾	630,100	630,100
					<u>630,100</u>	<u>630,100</u>
<u>First Citizens Bank</u>						
Aarti Hotel	676,000	December 2027	0%	-0- ⁽¹⁾	676,000	676,000
					<u>676,000</u>	<u>676,000</u>
<u>Bank of America</u>						
Franciscan Towers	1,040,000	February 2069	0%	-0- ⁽¹⁾	1,040,000	1,040,000
					<u>1,040,000</u>	<u>1,040,000</u>
<u>Pacific Premier Bank</u>						
681 Florida	1,250,000	November 2061	0%	-0- ⁽⁴⁾	1,250,000	1,250,000
					<u>1,250,000</u>	<u>1,250,000</u>
Total deferred loans					<u>18,345,654</u>	<u>18,345,654</u>
<u>Other Notes Payable</u>						
<u>Wells Fargo Bank Equity Equivalent Investments (EQ2)</u>						
1036 Mission Project						
Working Capital	1,000,000	August 2022	2%	-0- ⁽⁶⁾	-	-
<u>Capital One Loan</u>						
Working Capital	500,000	December 2022 ⁽⁷⁾	2.25%	-0- ⁽⁶⁾⁽⁷⁾	212,041	377,367

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND AFFILIATES
SCHEDULES OF NOTES PAYABLE
(TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION ONLY)
YEARS ENDED DECEMBER 31, 2024 AND 2023

<i>Lender</i>	<i>Total Commitment</i>	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Payment Terms</i>	<i>Principal Balance</i>	
					2024	2023
<u><i>Bank of America Line of Credit</i></u>						
Working Capital	7,500,000	December 2025	Daily Floating Rate ⁽⁸⁾	-0- ⁽⁹⁾	-	3,750,000
					212,041	4,127,367
Grand total					<u>\$ 18,557,695</u>	<u>\$ 22,473,021</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) Interest is only due upon violation of loan terms, accordingly, no interest expense is accrued.

(4) Principal and interest, if any, are due annually to the extent of surplus cash generated from the project.

(5) 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.

(6) Principal is deferred until maturity date. Interest is due quarterly.

(7) 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.

(8) In August 2024, the interest rate of the loan was modified from BSBY daily floating rate to daily SOFR rate, which is equal to 6.80448% as of December 31, 2024.

(9) Principal is deferred until maturity date. Interest is due monthly.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND AFFILIATES
SCHEDULES OF NOTES PAYABLE
(TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION ONLY)
YEARS ENDED DECEMBER 31, 2024 AND 2023

Interest expense incurred on notes for which payments are expected to be deferred totaled \$299,647 and \$321,629 in 2024 and 2023, respectively. Mortgage and other interest expense was \$6,270 and \$31,638 in 2024 and 2023, respectively. Management anticipates that city and state loans will be extended or refinanced as each loan matures. Interest payable for all notes was \$9,037,589 and \$8,758,948 at December 31, 2024 and 2023, respectively.

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

2025	\$	169,151
2026		42,890
2027		-
2028		-
2029		-

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND AFFILIATES
SCHEDULE OF PROPERTIES DEVELOPED
YEAR ENDED DECEMBER 31, 2024

Units	Project Owner	Notes
Operating Projects		
Cameo Apartments	31 TNDC	
Haight Street Apartments	12 TNDC	
Howard Street	12 TNDC	
Pierce Street Apartments	8 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
Ambassador 9%	36 Ambassador Nine Percent LP (limited partnership)	TNDC affiliate corporation is sole member of General Partner LLC
Alexander Residence	179 AR Preservation LP (limited partnership)	TNDC is sole member of General Partner LLC, City and County of San Francisco owns land ⁽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 Commercial 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

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND AFFILIATES
SCHEDULE OF PROPERTIES DEVELOPED
YEAR ENDED DECEMBER 31, 2024

	Units	Project Owner	Notes
Operating Projects			
270 Turk	85	270 Turk GP LLC	TNDC affiliate corporation is sole member of LLC
125 Mason	81	Mason 125 LLC	TNDC affiliate corporation is sole member of LLC
1990 Folsom	143	1990 Folsom Housing, L.P. (limited partnership)	TNDC affiliate corporation is co-member of General Partner LLC
681 Florida	130	681 Florida Housing Associates, LP (limited partnership)	TNDC affiliate corporation is co-member of General Partner LLC, City and County of San Francisco owns land
500 Turk	108	Turk 500 Associates, L.P. (limited partnership)	TNDC affiliate corporation is sole member of LLC, City and County of San Francisco owns land
Transbay Block 8 (mixed income)	80	T8 Housing Partners, L.P. (limited partnership)	TNDC affiliate corporation is Managing General Partner (joint venture with Related Companies)
Transbay Block 8 (affordable)	71	T8 Urban Housing Associates BMR, L.P. (limited partnership)	TNDC affiliate corporation is Managing General Partner (joint venture with Related Companies)
5th & Howard	203	5th and Howard Associates LP (limited partnership)	TNDC affiliate corporation is sole member of General Partner LLC
180 Jones	69	180 Jones Associates LP (limited partnership)	TNDC affiliate corporation is sole member of General Partner LLC, City and County of San Francisco owns land
Yosemite	33	Yosemite Associates LP (limited partnership)	TNDC affiliate corporation is sole member of General Partner LLC
Projects Under Development			
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
Sierra Madre Apartments	47	TNDC	This building was vacant in 2022 due to the fire in 2021. Substantial renovation is expected to start 03/2025
4200 Geary Street	98	4200 Geary Associates LP (limited partnership)	In construction. TNDC affiliate corporation is sole member of General Partner LLC
730 Stanyan	120	730 Stanyan Associates LP (limited partnership)	In construction. TNDC affiliate corporation is co-member of General Partner LLC
2550 Irving	98	2550 Irving Associates LP (limited partnership)	In construction. TNDC affiliate corporation is sole member of General Partner LLC
1234 Great Highway	TBD	1234 Great Highway LLC	Pre-development for construction. TNDC is sole member of General Partner LLC
249 Pennsylvania	TBD	249 Pennsylvania Associates, L.P. (limited partnership)	Pre-development for construction. TNDC affiliate corporation is co-member of General Partner LLC
⁽¹⁾	As successor agency of San Francisco Redevelopment Agency		

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Tenderloin Neighborhood Development Corporation and Affiliates, which comprise the combined statement of financial position as of December 31, 2024, 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 July 21, 2025.

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

July 21, 2025