

**TENDERLOIN NEIGHBORHOOD
DEVELOPMENT CORPORATION
AND AFFILIATES**

COMBINED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2025 AND 2024

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND AFFILIATES
COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 51 through 63 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 August 24, 2026 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

August 24, 2026

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND AFFILIATES
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 38,123,453	\$ 23,469,799
Investments in marketable securities (Note 3)	14,312,819	18,479,844
Rent receivable – net of allowance for credit losses of \$3,742,359 and \$3,414,676, for 2025 and 2024, respectively (Note 4)	5,041,204	4,067,149
Contributions receivable including government contracts – current portion (Note 5)	3,153,488	5,513,181
Other receivables (Note 6)	2,072,000	1,634,561
Related-party receivable – current portion (Note 7)	1,312,868	650,824
Prepaid expenses and deposits – current portion (Note 8)	5,514,496	6,502,017
Total current assets	<u>69,530,328</u>	<u>60,317,375</u>
Long-term assets:		
Restricted cash and deposits (Note 9)	58,939,413	55,134,663
Contributions receivable including government contracts – net of current portion (Note 5)	326,967	200,000
Related-party receivable – net of current portion (Note 7)	1,093,677	993,674
Prepaid expenses and deposits – net of current portion (Note 8)	539,022	236,776
Notes and interest receivable	546,213	524,191
Investments in other companies (Note 10)	2,169,492	2,170,958
Development in progress (Note 11)	109,788,729	255,913,173
Property and equipment – net (Note 12)	1,455,292,481	1,211,203,344
Right-of-use assets – operating lease (Note 16)	46,988,484	45,684,193
Deferred costs – net (Note 13)	1,260,491	1,064,342
Total long-term assets	<u>1,676,944,969</u>	<u>1,573,125,314</u>
Total assets	<u>\$ 1,746,475,297</u>	<u>\$ 1,633,442,689</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, 2025 AND 2024

	2025	2024
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses – current portion	\$ 9,162,279	\$ 11,048,432
Deferred revenue – current portion (Note 17)	1,359,632	1,368,301
Related-party payable – current portion (Note 7)	732,503	1,043,742
Interest payable – current portion (Note 14)	5,087,582	2,976,842
Notes payable – current portion (Note 14)	7,026,939	5,551,300
Operating lease liabilities – current portion (Note 16)	762,625	1,130,389
Operating lease liabilities – interest – current portion (Note 16)	100,341	-
Total current liabilities	<u>24,231,901</u>	<u>23,119,006</u>
Long-term liabilities:		
Accounts payable and accrued expenses – net of current portion (Note 23)	1,540,000	-
Security deposits	3,201,127	2,760,452
Development costs payable	14,545,413	39,524,329
Deferred revenue – net of current portion (Note 17)	-	1,143,626
Related-party payable – net of current portion (Note 7)	2,863,098	2,855,440
Derivative financial instruments (Note 15)	155,288	159,882
Interest payable – net of current portion (Note 14)	125,219,689	111,660,726
Notes payable – net of current portion (Note 14)	1,288,619,606	1,111,294,406
Operating lease liabilities – net of current portion (Note 16)	44,915,651	42,132,432
Operating lease liabilities – interest (Note 16)	444,661	391,526
Total long-term liabilities	<u>1,481,504,533</u>	<u>1,311,922,819</u>
Total liabilities	<u>1,505,736,434</u>	<u>1,335,041,825</u>
Net assets:		
Without donor restrictions:		
Controlling interests	(21,782,605)	8,239,824
Non-controlling interests	253,847,917	286,289,569
Total without donor restrictions	<u>232,065,312</u>	<u>294,529,393</u>
With donor restrictions (Note 19)	<u>8,673,551</u>	<u>3,871,471</u>
Total net assets	<u>240,738,863</u>	<u>298,400,864</u>
Total liabilities and net assets	<u>\$ 1,746,475,297</u>	<u>\$ 1,633,442,689</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, 2025 AND 2024

	2025		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Support and revenue:			
Developer fees (Note 7)	\$ 187,504	\$ -	\$ 187,504
Rental income – residential (net)	82,298,080	-	82,298,080
Rental income – commercial (net) (Note 22)	2,571,590	-	2,571,590
Contributions and program service fees	9,511,919	8,802,236	18,314,155
Operating subsidy (Note 17)	4,437,268	-	4,437,268
NeighborWorks America grants (Notes 18 and 19)	222,000	405,250	627,250
In-kind donations (Note 2)	1,984,011	-	1,984,011
Revenue from special events	259,689	314,618	574,307
Less: cost of special events	(61,719)	(173,971)	(235,690)
Interest and investment income	1,756,771	-	1,756,771
Net realized and unrealized loss on investments	297,595	-	297,595
Employee retention tax credits (Note 23)	5,046,697	-	5,046,697
Other income (Note 23)	3,970,894	-	3,970,894
Net assets released from restrictions (Note 19)	4,546,053	(4,546,053)	-
Total support and revenue	117,028,352	4,802,080	121,830,432
Expenses:			
Program services:			
Housing services	143,323,447	-	143,323,447
Tenant services	11,475,509	-	11,475,509
Housing development	8,353,231	-	8,353,231
Management and general	7,340,902	-	7,340,902
Fundraising	1,286,005	-	1,286,005
Total expenses	171,779,094	-	171,779,094
Change in net assets before other gains (losses)	(54,750,742)	4,802,080	(49,948,662)
Other gains (losses):			
Revenue from insurance proceeds (Note 23)	8,778,471	-	8,778,471
Loss from impairment of property and equipment (Note 2)	(23,210,790)	-	(23,210,790)
Write-off of predevelopment costs (Note 2)	(52,559)	-	(52,559)
Loss from retirement of property and equipment	(275,244)	-	(275,244)
Total other gains (losses)	(14,760,122)	-	(14,760,122)

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, 2025 AND 2024

	2025		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Change in net assets before capital contributions, distributions, and syndication costs	(69,510,864)	4,802,080	(64,708,784)
Intercompany transfers, capital contributions, distributions, and syndication costs:			
Intercompany transfers	4,100	-	4,100
Syndication costs – non-controlling interests	(391,000)	-	(391,000)
Capital contributions – non-controlling interests	7,509,674	-	7,509,674
Capital distributions – non-controlling interests	(75,991)	-	(75,991)
Change in net assets	(62,464,081)	4,802,080	(57,662,001)
Net assets, beginning of year	294,529,393	3,871,471	298,400,864
Net assets, end of year	<u>\$ 232,065,312</u>	<u>\$ 8,673,551</u>	<u>\$ 240,738,863</u>

	2025
Reconciliation of net assets:	
Controlling interests:	
Beginning of year	\$ 12,111,295
Transfer of capital from non-controlling interest	368,994
Change in net assets from operations	(25,589,343)
End of year	<u>(13,109,054)</u>
Non-controlling interests:	
Beginning of year	286,289,569
Capital contributions	7,509,674
Capital distributions	(75,991)
Syndication costs	(391,000)
Transfer of capital to controlling interest	(368,994)
Change in net assets from operations	(39,115,341)
End of year	<u>253,847,917</u>
Net assets, end of year	<u>\$ 240,738,863</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, 2025 AND 2024

	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, 2025 AND 2024

	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 interests	(291,670)	-	(291,670)
Capital contributions – non-controlling interests	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 interests:	
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 interests:	
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>\$ 298,400,864</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, 2025 AND 2024

	2025					
	<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	\$ 18,131,070	\$ 1,337,596	\$ 278,327	\$ 4,050,802	\$ 767,341	\$ 24,565,136
Employee benefits	4,196,858	341,598	47,470	544,426	88,685	5,219,037
Management fees	324,209	-	-	-	-	324,209
Office expense	3,231,487	663,478	962,081	430,778	132,055	5,419,879
Repairs and maintenance	21,335,259	76,363	(13,248)	30,813	9,863	21,439,050
Utilities	9,910,057	6,037	3,670	7,156	1,284	9,928,204
Security	1,621,342	6,342	6,138	6,779	1,217	1,641,818
Professional fees	3,377,629	244,642	256,017	503,124	175,520	4,556,932
Supportive services and program expenses	123,548	8,444,733	-	-	-	8,568,281
Insurance and property taxes	15,093,373	353,406	1,208,501	192,271	110,040	16,957,591
Interest – mortgage loans and others	9,296,193	-	4,249,514	(15,950)	-	13,529,757
Other (Note 23)	-	-	-	1,540,000	-	1,540,000
Total operating expenses before deferred interest, depreciation and amortization, and other (income) expenses	86,641,025	11,474,195	6,998,470	7,290,199	1,286,005	113,689,894
Interest – deferred loans	12,184,795	-	1,280,699	-	-	13,465,494
Depreciation and amortization	43,122,490	1,314	-	52,063	-	43,175,867
Ground lease	1,214,739	-	-	-	-	1,214,739
Ground lease – interest	153,476	-	-	-	-	153,476
Other non-operating (income) expenses	6,922	-	74,062	(1,360)	-	79,624
Total expenses as shown in the combined statements of activities	143,323,447	11,475,509	8,353,231	7,340,902	1,286,005	171,779,094
Fundraising event costs	-	-	-	-	235,690	235,690
Total expenses	\$ 143,323,447	\$ 11,475,509	\$ 8,353,231	\$ 7,340,902	\$ 1,521,695	\$ 172,014,784

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, 2025 AND 2024

	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 CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ (64,708,784)	\$ (54,813,013)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	43,175,867	39,102,374
Ground lease – amortization of right-of-use assets – operating lease	286,160	279,251
Loss from retirement of property and equipment	275,244	459,809
Impairment loss on property and equipment	23,210,790	-
Interest expense – amortization of financing costs	1,302,659	1,975,419
Grants for housing development	(5,824,344)	-
Net realized and unrealized gain on investments in marketable securities	(297,595)	(695,055)
Debt forgiveness income	-	(1,525,242)
Write-off of predevelopment costs	52,559	1,525,242
Capitalization of development expenses	-	(1,070,573)
Loss on sale of land	-	512,948
Gain from derivative financial instruments	(4,594)	(60,453)
Loss from investments in other companies	1,466	3,249
(Increase) decrease in assets:		
Receivables	721,232	(1,636,306)
Prepaid expenses and deposits	(364,725)	1,730,460
Related-party receivable	(762,047)	(146,867)
Other assets	-	2,471,457
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(499,157)	576,581
Related-party payable	(20,363)	203,935
Deferred revenue	(1,152,295)	(2,699,141)
Security deposits	440,675	354,187
Interest payable	13,858,860	8,884,532
Operating lease liabilities	978,480	671,364
Net cash provided by (used in) operating activities	10,670,088	(3,895,842)
Cash flows from investing activities:		
Purchase of investments in marketable securities	(558,058)	(641,294)
Proceeds from sale of investments in marketable securities	5,022,678	10,555,920
Decrease (increase) in deposits for development expenditures	1,050,000	(1,050,000)
Increase in development in progress	(113,390,659)	(119,908,971)
Purchase of property and equipment	(37,098,069)	(3,439,615)
Payment of deferred costs	(179,402)	(205,510)
Decrease in investments in other companies	-	9,654
Payment of development costs payable	(39,516,145)	(31,546,293)
Proceeds from energy savings rebate	520,655	229,500
Increase in notes and interest receivable	(22,022)	(36,189)
Net cash used in investing activities	(184,171,022)	(146,032,798)

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, 2025 AND 2024

	2025	2024
Cash flows from financing activities:		
Capital contributions – non-controlling interest	7,509,674	123,264,823
Capital distributions – non-controlling interest	(71,891)	(15,000)
Proceeds from housing development grants	5,824,344	-
Payment of developer fee	(498,253)	(403,021)
Proceeds from notes payable	215,510,294	288,931,648
Repayment of notes payable	(35,777,305)	(249,272,126)
Proceeds from construction financing costs refund	190	73,898
Payment of construction and permanent financing costs	(532,715)	(1,068,899)
Payment of syndication costs	(5,000)	(34,625)
Net cash provided by financing activities	191,959,338	161,476,698
Increase in cash, cash equivalents, restricted cash and deposits	18,458,404	11,548,058
Cash, cash equivalents, restricted cash and deposits, beginning of year	78,604,462	67,056,404
Cash, cash equivalents, restricted cash and deposits, end of year	<u>\$ 97,062,866</u>	<u>\$ 78,604,462</u>
Supplementary information:		
Cash paid for interest (net of capitalized interest)	<u>\$ 11,643,216</u>	<u>\$ 17,376,913</u>
Noncash investing and financing activities:		
Lease assets obtained in exchange for lease obligations – operating lease	<u>\$ 1,590,451</u>	<u>\$ 477,590</u>
Assets acquired by assuming liabilities	<u>\$ 17,147,916</u>	<u>\$ 43,347,274</u>
Development in progress reclassified to property and equipment	<u>\$ 271,792,854</u>	<u>\$ 68,248,363</u>
Deferred costs reclassified from development in progress	<u>\$ 223,583</u>	<u>\$ 71,915</u>
Financing costs reclassified from development in progress	<u>\$ 2,228,093</u>	<u>\$ 643,907</u>
Syndication costs reclassified from development in progress	<u>\$ 444,000</u>	<u>\$ 257,045</u>
Cash and cash equivalents	\$ 38,123,453	\$ 23,469,799
Restricted cash and deposits	<u>58,939,413</u>	<u>55,134,663</u>
Total cash, cash equivalents, restricted cash and deposits shown in the combined statements of cash flows	<u>\$ 97,062,866</u>	<u>\$ 78,604,462</u>

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, 2025 AND 2024

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, and housing development. Tenant services include, among others, the Tenderloin After-School Program (TASP), social work services, community organizing, 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%
730 Stanyan TNDC GP LLC (TSI)	730 Stanyan Associates, L.P.	0.005%
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%
4200 Geary LLC (TSI)	4200 Geary Associates, L.P.	1.00%
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%

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<i>Not-For-Profit Corporation and LLC (Sole Member unless specified)</i>	<i>Limited Partnership</i>	<i>Ownership Interest</i>
Antonia GP LLC (TNDC)	AM Preservation, L.P.	0.10%
Clementina Towers DE GP LLC (TSI)	Clementina Towers Associates, L.P.	0.01%
E&T Housing GP LLC (TSI 79%)	Eddy & Taylor Associates, L.P.	0.01%
Eddy Street, Inc.	Ritz Hotel, L.P.	99.00%
Ellis 350 GP LLC (TSI 90%)	Ellis 350 Associates, L.P.	0.01%
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%
Octavia RSU GP LLC (TSI)	Octavia RSU Associates, L.P.	0.0001%
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 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⁾
1234 Great Highway JV GP LLC (TNDC 80%)	1234 Great Highway Associates, L.P.
2550 Irving GP LLC (TSI)	2550 Irving Associates, L.P.
Candlestick 10a GP LLC (TSI 80%)	Candlestick 10a 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.

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- LLCs directly owning projects or parcels:
 - 5H GP LLC (TSI, sole member) owns multiple parcels and improvements. Certain parcels and improvements comprising the site for the 5th and Howard development were sold to the City and County of San Francisco in 2021. The remaining parcels and improvements are dedicated as a site for future development.
 - 220 Golden Gate Clinic LLC (TSI, sole member) owns the ground floor commercial parcel of the Kelly Cullen Community project.
 - 270 Turk GP LLC (O’Farrell Senior Housing, Inc., sole member and an affiliate of TNDC) owns the 85-unit multi-family apartment complex.
 - 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. Normandy Ellis LLC transferred the Normandy Property to 1155 Ellis GP LLC (TSI, sole member) through a grant deed executed in April 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>
Taylor Family Housing, Inc.	220 Golden Gate Associates, L.P.	99.99%
	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%

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

<u>Not-For-Profit Corporation</u>	<u>Limited Partnership</u>
Howard Street Development Corporation	Polk Senior Housing Associates, L.P.
Taylor Family Housing, Inc.	Curran House Limited Partnership
TNDC	Ambassador Ritz Four Percent, L.P. (the Ambassador 4% parcel)
	Ambassador Nine Percent, L.P.
	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.

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.

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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, 2025 and 2024 (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, 2025 and 2024, contributions of \$30,116,651 and \$30,256,312, 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 2025 and 2024, TNDC and Affiliates received in-kind donations of food totaling \$1,984,011 and \$2,752,639, 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% of its developer fees cover related project costs in 2025 and 2024. The average historical project costs from 2000 to 2025 was 47% 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 the estimated profit portion of developer fees amounting to \$54,318,991 and \$55,394,785 as of December 31, 2025 and 2024, respectively, which are amortized over the 40-year depreciable life of the developed property.

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 \$60,053,000 as of December 31, 2025. 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.

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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 2025 and 2024, 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 \$52,559 and \$1,521,427 in 2025 and 2024, 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 \$5,621,003 and \$4,957,223 during 2025 and 2024, 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.

During the year ended December 31, 2025, management evaluated certain affordable housing properties for impairment in accordance with ASC 360. In early 2026, prior to the issuance of these financial statements, management marketed certain properties for sale. This event, together with recurring operating losses at certain properties, resulted in recoverability assessments as of December 31, 2025. Recoverability was assessed by comparing the carrying amounts of the properties to the estimated future undiscounted cash flows expected to be generated through their continued use and eventual disposition.

Based on these assessments, management determined that the carrying values of Dalt Hotel, West Hotel, Civic Center Residence, and Klimm Apartments were not recoverable and recognized impairment losses totaling \$23,210,790, which is included in impairment loss in the accompanying statement of activities, for the year ended December 31, 2025.

The impairment losses were measured based on the excess of carrying value over estimated fair value. Fair value was determined using estimated sales proceeds based on executed purchase and sale agreements and other market-based assumptions. Significant assumptions used in the analysis included projected rental income, operating costs, estimated disposition values, and estimated selling costs.

There was no impairment loss recognized during the year ended December 31, 2024.

Land

Purchased land is carried at cost, minus impairment adjustments. 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.

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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 2021 through 2024 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).

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 August 24, 2026, the date on which the combined financial statements were available to be issued (see Note 23).

Reclassification

Certain amounts previously reported in the 2024 financial statements were reclassified to conform to the 2025 presentation for comparative purposes and had no impact on net assets.

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NOTE 3 – INVESTMENTS IN MARKETABLE SECURITIES

Investments are held by TSF and summarized as follows:

	2025		2024	
	<i>Cost</i>	<i>Fair Value</i>	<i>Cost</i>	<i>Fair Value</i>
Mutual funds:				
Short-term bond fund	\$ 13,874,471	\$ 14,312,819	\$ 18,266,570	\$ 18,479,844
Total	\$ 13,874,471	\$ 14,312,819	\$ 18,266,570	\$ 18,479,844

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

NOTE 4 – RENT RECEIVABLE

Rent receivable is summarized as follows:

	<i>Properties and Other</i>	
	2025	2024
Residential – tenants	\$ 4,380,139	\$ 3,738,765
Residential – rent subsidies	3,723,185	2,868,790
Commercial – tenants	680,239	874,270
Less: allowance for credit losses – residential	(3,007,615)	(2,636,598)
Less: allowance for credit losses – commercial	(734,744)	(778,078)
Total accounts receivable – net	\$ 5,041,204	\$ 4,067,149
Amounts expected to be received in:		
Less than one year	\$ 5,041,204	\$ 4,067,149

Changes in the allowance for credit losses for the years ended December 31, 2025 and 2024 are summarized as follows:

	2025	2024
Balance, beginning of year	\$ 3,414,676	\$ 3,070,228
Provision, net of write-offs and recoveries	327,683	344,448
Balance, end of year	\$ 3,742,359	\$ 3,414,676

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NOTE 5 – CONTRIBUTIONS RECEIVABLE INCLUDING GOVERNMENT CONTRACTS

Contributions receivable including government contracts is summarized as follows:

	2025		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Contributions without donor restrictions	\$ 1,967	\$ -	\$ 1,967
Contributions with donor restrictions:			
Restricted by passage of time	175,769	-	175,769
Restricted for housing development	800,000	-	800,000
Restricted for tenant services	-	2,502,719	2,502,719
Total contributions receivable	<u>\$ 977,736</u>	<u>\$ 2,502,719</u>	<u>\$ 3,480,455</u>
Amounts expected to be received in:			
Less than one year	<u>\$ 650,769</u>	<u>\$ 2,502,719</u>	<u>\$ 3,153,488</u>
One to five years	<u>\$ 326,967</u>	<u>\$ -</u>	<u>\$ 326,967</u>

	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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NOTE 6 – OTHER RECEIVABLES

Other receivables are summarized as follows:

	2025		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Property tax refunds	\$ -	\$ 679,267	\$ 679,267
Receivable – insurance claims	-	170,138	170,138
Receivable – operating subsidies	-	408,133	408,133
Other	161,673	652,789	814,462
Total other receivables	\$ 161,673	\$ 1,910,327	\$ 2,072,000
Amounts expected to be received in: Less than one year	\$ 161,673	\$ 1,910,327	\$ 2,072,000

	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	\$ 139,818	\$ 1,494,743	\$ 1,634,561
Amounts expected to be received in: Less than one year	\$ 139,818	\$ 1,494,743	\$ 1,634,561

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 2025 and 2024 follow:

2025						
	<i>Government</i>	<i>Non-Government</i>	<i>Total</i>	<i>Current</i>	<i>Past Due</i>	<i>Total</i>
Property tax refunds	\$ 679,267	\$ -	\$ 679,267	\$ 189,066	\$ 490,201	\$ 679,267
Receivable – insurance claims	-	170,138	170,138	170,138	-	170,138
Receivable – operating subsidies	408,133	-	408,133	408,133	-	408,133
Other	-	814,462	814,462	814,462	-	814,462
Total	\$ 1,087,400	\$ 984,600	\$ 2,072,000	\$ 1,581,799	\$ 490,201	\$ 2,072,000

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

NOTE 7 – RELATED-PARTY TRANSACTIONS

Related-party receivable includes the following:

	<i>TNDC General Fund</i>	
	2025	2024
Receivable:		
Developer fee ⁽¹⁾	\$ 1,093,677	\$ 1,093,677 ⁽⁴⁾
Asset and partnership management fees ⁽²⁾	86,762	69,765 ⁽⁴⁾
Advances ⁽³⁾	1,226,106	481,056
	<u>\$ 2,406,545</u>	<u>\$ 1,644,498</u>
Amounts expected to be received in:		
Less than one year	<u>\$ 1,312,868</u>	<u>\$ 650,824</u>
One year or more	<u>\$ 1,093,677</u>	<u>\$ 993,674</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 \$4,183,819 and \$3,007,470 in 2025 and 2024, 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 \$187,504 and \$-0- in 2025 and 2024, respectively, and the corresponding receivables were \$1,093,677 and \$1,093,677 as of December 31, 2025 and 2024, 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, 2025, 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 \$9,618,798 and \$8,174,191 were eliminated from the combined financial statements in 2025 and 2024, respectively. TNDC's general fund earned management fees totaling \$9,171,777 and \$7,638,355 in 2025 and 2024, respectively, after elimination of fees from properties directly owned by TNDC, which are included in the fees earned from commonly-controlled entities.

- (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.
- (4) The balance of developer fee receivable and asset and partnership management fees receivable as of December 31, 2023, representing the beginning balance for 2024, was \$1,399,125 and \$44,155, respectively.

Related-party payable includes the following:

	<i>Properties and Other</i>	
	2025	2024
Payable:		
Developer fee ⁽¹⁾	\$ 3,011,778	\$ 3,294,996
Asset and partnership management fees ⁽²⁾	387,375	315,151
Advances	196,448	289,035
	<u>\$ 3,595,601</u>	<u>\$ 3,899,182</u>
Amounts expected to be paid in:		
Less than one year	<u>\$ 732,503</u>	<u>\$ 1,043,742</u>
One year or more	<u>\$ 2,863,098</u>	<u>\$ 2,855,440</u>

- (1) Third-party co-developers are entitled to developer fees for development services performed under the development services agreement. The entire developer fee, including the deferred portion, must be paid in full by the end of the projects' compliance period.

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- (2) Third-party co-general partners and limited partners are entitled to receive annual asset and partnership management fees from certain affiliated entities commonly-controlled by TNDC. The fees will be paid from the projects' excess/distributable cash.

NOTE 8 – PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits consist of the following:

	2025		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Funds held by bond trustees	\$ -	\$ 2,267,520	\$ 2,267,520
Insurance	34,861	593,881	628,742
Impound deposits	-	2,144,491	2,144,491
Other	46,208	966,557	1,012,765
Total	<u>\$ 81,069</u>	<u>\$ 5,972,449</u>	<u>\$ 6,053,518</u>
Amounts for use in:			
Less than one year	<u>\$ 81,069</u>	<u>\$ 5,433,427</u>	<u>\$ 5,514,496</u>
More than one year	<u>\$ -</u>	<u>\$ 539,022</u>	<u>\$ 539,022</u>
	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>

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NOTE 9 – RESTRICTED CASH AND DEPOSITS

Restricted cash and deposits are summarized as follows:

	2025		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Property development	\$ 1,577,414	\$ 7,500,032	\$ 9,077,446
Operating reserves	-	26,515,145	26,515,145
Replacement reserves	-	13,844,245	13,844,245
Debt service reserves	-	262,326	262,326
Section 8 reserves	1,389	611,329	612,718
Other reserves	-	5,523,315	5,523,315
Tenant security deposits	-	3,104,218	3,104,218
Total restricted cash and deposits	\$ 1,578,803	\$ 57,360,610	\$ 58,939,413

	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

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>	
	2025	2024	2025	2024	2025	2024
Mercy Eden House LLC ⁽¹⁾	21.00%	21.00%	\$ (71,113)	\$ (69,987)	\$ (1,126)	\$ (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	123,146	-	-
1990 Folsom Housing Associates, L.P. ⁽⁵⁾	0.005%	0.005%	1,270,747	1,270,901	(154)	(155)
T8 Housing Partners, L.P. ⁽⁶⁾	0.002%	0.002%	499,719	499,745	(26)	(39)
T8 Urban Housing Associates BMR, L.P. ⁽⁷⁾	0.001%	0.001%	(119)	(107)	(12)	(12)
Related/Mariposa Development Co., LP ⁽⁸⁾	0.00%	0.00%	-	-	-	-
1601 Mariposa Street Housing Partners, LP ⁽⁹⁾	0.0049%	0.0049%	230	291	(61)	(85)
1500 Mission Urban Housing, LP ⁽¹⁰⁾	0.00%	0.00%	-	-	-	-
1500 Mission Housing Partners, LP ⁽¹¹⁾	0.0049%	0.0049%	(584)	(497)	(87)	(127)
1990 Folsom Commercial LLC ⁽¹²⁾	50.00%	50.00%	-	-	-	-
681 Florida Street Commercial LLC ⁽¹³⁾	49.00%	49.00%	-	-	-	-
Total			<u>\$ 2,169,492</u>	<u>\$ 2,170,958</u>	<u>\$ (1,466)</u>	<u>\$ (3,249)</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, TNDC received cash distributions of \$9,654 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 2025 and 2024 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:

	2025	2024
Total assets	\$ 638,845,061	\$ 661,986,385
Total liabilities	889,895,084	878,812,486
Total equity:		
TNDC and Affiliates	1,698,880	1,700,346
Other	(252,748,903)	(218,526,447)

NOTE 11 – DEVELOPMENT IN PROGRESS

Development in progress, which includes repair projects currently in process, consists of the following:

	2025		
	<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.	-	12,800	12,800
249 Pennsylvania Associates, L.P.	-	1,643,306	1,643,306
270 Turk Street	-	72,930	72,930
1155 Ellis GP LLC	-	1,739,927	1,739,927
1234 Great Highway LLC	-	5,288,160	5,288,160
1300 Fourth Street Associates, L.P.	-	56,433	56,433
2550 Irving Associates, L.P.	-	77,898,302	77,898,302
Aarti Hotel	-	175,187	175,187
Alabama Street Housing Associates	-	128,519	128,519
Alabama Street Senior Housing Associates	-	22,361	22,361
Ambassador Nine Percent, L.P.	-	2,811	2,811
Candlestick 10a Associates, L.P.	-	2,381,517	2,381,517
Clementina Towers Associates, L.P.	-	67,870	67,870
Curran House Limited Partnership	-	27,292	27,292
Dalt Hotel, L.P.	-	35,187	35,187
Franciscan Towers Associates, L.P.	-	17,112	17,112
Howard Street Apartments	-	188,686	188,686
Mason 125 LLC	-	1,019,131	1,019,131
McAllister Street Associates	-	45,692	45,692
Polk Senior Housing Associates, L.P.	-	302,857	302,857
RP Associates, L.P.	-	17,915	17,915
Sierra Madre Apartments	-	17,220,870	17,220,870
Total development in progress	\$ -	\$ 109,788,729	\$ 109,788,729

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	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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NOTE 12 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2025		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Land and leased land improvements	\$ 5,298,165	\$ 98,992,610	\$ 104,290,775
Buildings and improvements	470,578	1,697,635,198	1,698,105,776
Furniture, fixtures and equipment	833,157	21,923,293	22,756,450
Leasehold improvements	2,894,470	732,519	3,626,989
	9,496,370	1,819,283,620	1,828,779,990
Less: accumulated depreciation	(2,659,656)	(370,827,853)	(373,487,509)
Total property and equipment	\$ 6,836,714	\$ 1,448,455,767	\$ 1,455,292,481

	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

Depreciation expense of property and equipment totaled \$42,970,031 and \$38,921,436 for 2025 and 2024, respectively.

NOTE 13 – DEFERRED COSTS

Deferred costs are summarized as follows:

	<i>Properties and Other</i>	
	2025	2024
Deferred leasing commission	\$ 194,688	\$ 122,274
Tax credit costs	3,237,433	2,907,862
	3,432,121	3,030,136
Less: accumulated amortization	(2,171,630)	(1,965,794)
Total	\$ 1,260,491	\$ 1,064,342

Amortization expense of deferred costs totaled \$176,553 and \$180,938 for 2025 and 2024, 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:

	2025		2024	
	<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 2025 and 2024.	\$ 2,208,477	\$ 3,669,446	\$ 2,122,542	\$ 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 2025 and 2024.	3,056,869	2,000,000	2,943,472	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 \$2,177 and \$6,270 in 2025 and 2024, respectively.	717	42,890	1,936	212,041
Subtotal – TNDC General Fund loans	5,266,063	8,002,336	5,067,950	8,171,487
<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 \$7,892,735 and \$6,138,728 in 2025 and 2024, respectively.	300,007	184,156,429	305,324	188,197,788

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	2025		2024	
	<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 \$5,515,117 and \$4,957,223 in 2025 and 2024, respectively. Interest expense was \$6,877,846 and \$9,534,640 in 2025 and 2024, respectively.	16,322,841	533,930,073	10,214,762	351,742,726
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 \$70,140 and \$76,366 in 2025 and 2024, respectively (see Note 15).	7,199	1,175,000	7,692	1,175,000
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 \$8,013,197 and \$8,001,902 in 2025 and 2024, respectively.	95,058,592	391,185,429	87,859,420	389,790,468
State loans, bearing interest from 0% to 3%, with principal payments generally deferred through 2078. Interest expense was \$2,446,650 and \$2,250,029 in 2025 and 2024, respectively.	13,352,569	101,395,987	11,182,420	101,395,987
Federal loans, bearing no interest, generally with principal and interest deferred through 2077. Interest expense was \$-0- in 2025 and 2024.	-	82,781,919	-	81,836,919
Subtotal – Properties and Other loans	125,041,208	1,294,624,837	109,569,618	1,114,138,888
Total loans	130,307,271	1,302,627,173	114,637,568	1,122,310,375
Less: unamortized financing costs ⁽¹⁾	-	(6,980,628)	-	(5,464,669)
Total loans – net	130,307,271	1,295,646,545	114,637,568	1,116,845,706
Less: current portion	(5,087,582)	(7,026,939)	(2,976,842)	(5,551,300)
Long-term portion	\$ 125,219,689	\$ 1,288,619,606	\$ 111,660,726	\$ 1,111,294,406

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- ⁽¹⁾ Costs incurred in order to obtain construction and permanent financing were \$16,205,073 and \$13,386,455 as of December 31, 2025 and 2024, respectively. Interest expense from amortization of construction and permanent financing costs was \$1,196,412 and \$1,975,419 in 2025 and 2024, respectively.

In 2026, prior to the issuance of the combined financial statements, management listed certain properties for sale. Certain debt obligations are expected to be repaid from sale proceeds, while management anticipates that certain subordinate loans and accrued interest will be forgiven by lenders as part of the disposition transactions (see Note 23).

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>
2026	\$ 42,890	\$ 6,984,049	\$ 7,026,939
2027	-	5,212,157	5,212,157
2028	-	5,631,350	5,631,350
2029	-	5,744,022	5,744,022
2030	-	6,038,192	6,038,192

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 \$155,288 and \$159,882 net interest payments as of December 2025 and 2024, respectively, and is included as a liability in the combined statements of financial position. The net change in fair value was \$4,594 and \$60,453 for 2025 and 2024, 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, 2025 and 2024:

	<i>Quoted Prices in</i>			<i>Balance as of December 31, 2025</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>	
Derivative financial instrument (liability)	\$ -	\$ (155,288)	\$ -	\$ (155,288)
Total	\$ -	\$ (155,288)	\$ -	\$ (155,288)

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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>December 31,</i>
	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>2024</i>
Derivative financial instrument (liability)	\$ -	\$ (159,882)	\$ -	\$ (159,882)
Total	\$ -	\$ (159,882)	\$ -	\$ (159,882)

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

Balance, December 31, 2023	\$ (220,335)
Unrealized gain on derivative financial instruments	60,453
Balance, December 31, 2024	(159,882)
Unrealized gain on derivative financial instruments	4,594
Balance, December 31, 2025	\$ (155,288)

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, one expired in 2025, and the remaining one will expire on July 1, 2026.

Effective March 2025, an affiliated partnership of TNDC entered into an interest rate cap agreement with a local bank. The agreement has an original notional amount of \$1,441,175 and expires on March 1, 2027. Under the cap agreement, the affiliated partnership pays interest at variable interest rate and receives interest from local bank equal to the excess of the variable rate over the fixed rate of 4%. The affiliated partnership paid cap premium amounting to \$114,000, which was capitalized in development in progress.

The caps' fair value, as estimated by Management, approximates the cost of the premium paid, net of cap settlements, amounting to \$241,199 and \$801,135 as of December 31, 2025 and 2024, respectively.

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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, 2025 and 2024:

	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>			<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>	<i>Balance as of December 31, 2025</i>
Derivative financial instrument capitalized as project cost in development in progress	\$	-	\$	-	\$ 241,199	\$ 241,199
Total	\$	-	\$	-	\$ 241,199	\$ 241,199

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

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 75 to 97 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. The prepaid ground lease is now classified as a ROU asset.

Ground lease expense and related interest for the years ended December 31, 2025 and 2024 of \$1,368,215 and \$1,280,465, respectively, were included in income from continuing operations.

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Ground lease and related interest expense consist of the following:

	2025	2024
Base rent	\$ 250,000	\$ 205,000
Residual rent	720,149	704,900
Contingent rent	120,000	120,000
Amortization of prepaid land lease	124,590	124,591
Total ground lease expense	<u>\$ 1,214,739</u>	<u>\$ 1,154,491</u>
Compound interest on unpaid rent based on Applicable Federal Rate (AFR)	<u>\$ 153,476</u>	<u>\$ 125,974</u>

The line items in the combined statements of financial position which include amounts for the operating lease as of December 31, 2025 and 2024 are summarized as follows:

	2025	2024
Right-of-use asset – operating lease	<u>\$ 46,988,484</u>	<u>\$ 45,684,193</u>
Total operating lease liability	\$ 45,678,276	\$ 43,262,821
Less: current portion	<u>(762,625)</u>	<u>(1,130,389)</u>
Long-term portion	<u>\$ 44,915,651</u>	<u>\$ 42,132,432</u>
Operating lease liability – interest ⁽¹⁾	\$ 545,002	\$ 391,526
Less: current portion	<u>(100,341)</u>	<u>-</u>
Long-term portion	<u>\$ 444,661</u>	<u>\$ 391,526</u>

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

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

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The maturities of lease liabilities are estimated as follows:

2026	\$ 762,625
2027	954,900
2028	954,900
2029	954,900
2030	954,900
Thereafter	<u>79,637,650</u>
Total maturities	84,219,875
 Add: base, residual, and contingent rents outstanding as of December 31, 2025	 6,356,295
 Less: amount representing interest	 <u>(44,897,894)</u>
 Present value of lease liability	 <u><u>\$ 45,678,276</u></u>

Certain affiliates lease the land on which the respective affordable housing properties were built from TNDC. TNDC's general fund accrued ground lease revenues from these affiliates totaling \$160,662 and \$156,761 which were eliminated from the combined financial statements in 2025 and 2024, respectively.

NOTE 17 – DEFERRED REVENUE

Deferred revenue as of December 31, 2025 and 2024 consists of the following:

	2025	2024
Tenant deferred rent	\$ 976,704	\$ 826,981
Unearned subsidy	319,057	159,780
Commercial deferred rent ⁽¹⁾	30,586	37,253
Government grant – conditional contribution ⁽²⁾	-	121,872
Sierra Madre insurance proceeds	-	1,143,626
Other	<u>33,285</u>	<u>222,415</u>
	1,359,632	2,511,927
Less: current portion	<u>(1,359,632)</u>	<u>(1,368,301)</u>
 Non-current portion	 <u><u>\$ -</u></u>	 <u><u>\$ 1,143,626</u></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 2025 and 2024 was included in other income in the accompanying combined statements of activities. The unamortized balance of deferred rental income was \$30,586 and \$37,253 as of December 31, 2025 and 2024, respectively.

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- (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 \$121,872 and \$741,388 in 2025 and 2024, respectively, which is included as contribution in the accompanying combined statements of activities. The remaining unamortized portion of \$-0- and \$121,872 as of December 31, 2025 and 2024, respectively, is included in deferred revenue since it represented a conditional contribution to be recognized as contributions in future years when the grant compliance requirements are met.

Operating Subsidies

Ten 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, 2040, allow the partnerships to receive operating subsidy on all LOSP-assisted units consisting of 347 residential units. Total income was \$3,845,856 and \$2,856,204 in 2025 and 2024, respectively, and is included in operating subsidy 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.

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 combined statements of activities.

The remaining LOSP subsidy disbursements for 2025 to 2040 are expected to be \$87,327,724 as of December 31, 2025.

220 Golden Gate Associates, L.P., an affiliate of TNDC, received a subsidy for operating deficits from CalHFA for the MHSA units. During 2025 and 2024, \$202,130 and \$277,980, respectively, was recognized as revenue and included in operating subsidy in the accompanying combined statements of activities. The Project received subsidy funds in advance, which were included in deferred revenue in the accompanying combined statements of financial position. As of December 31, 2025 and 2024, the balance of unearned operating subsidy was \$-0- and \$202,130, respectively which was included in deferred revenue in the accompanying combined statements of financial position.

CalHFA has agreed to provide an operating subsidy reserve for the Kelly Cullen Community project in accordance with the capitalized operating subsidy reserve agreement in the maximum amount of \$1,700,000. The funds are owned and held by CalHFA but are available for the Project to draw to cover the differences between the approved operating expenses attributable to the 17 MHSA housing units and the rental income from these units. As of December 31, 2025 and 2024, the balance available on the reserve was \$-0-.

4200 Geary Associates, L.P., an affiliate of TNDC, received conditional commitment of multi-year Senior Operating Subsidy (SOS) grant from CCSF for a maximum funding amount of \$7,795,022. The SOS grant became effective on January 1, 2025, and has a fifteen-year term which will end in December 2040. The grant allows 4200 Geary Associates, L.P. to receive an operating subsidy on all SOS-assisted units, consisting of 30 residential units. Total income was \$389,282 in 2025, which is included in operating subsidy in the accompanying combined statements of activities.

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NOTE 18 – NEIGHBORWORKS AMERICA GRANTS

TNDC received the following grants:

Support Without Donor Restrictions

NeighborWorks America (NWA) provided \$222,000 and \$260,000 expendable grants during 2025 and 2024, 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, 2024</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>December 31, 2025</i>
HUD Section 202 capital advance	\$ 2,871,471	\$ -	\$ (127,150)	\$ 2,744,321
Housing development activities	700,000	6,455,594 ⁽¹⁾	(1,515,646)	5,639,948
Tenant services	-	2,442,539 ⁽¹⁾	(2,153,257)	289,282
Other	300,000	450,000	(750,000)	-
	<u>\$ 3,871,471</u>	<u>\$ 9,348,133</u>	<u>\$ (4,546,053)</u>	<u>\$ 8,673,551</u>

	<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 ⁽²⁾	(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>

⁽¹⁾ NWA provided \$401,250 and \$4,000 restricted grants during 2025 to support housing development activities and tenant services activities, respectively.

⁽²⁾ NWA provided \$405,000 restricted grant during 2024 to support housing development activities.

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NOTE 20 – LIQUIDITY AND AVAILABILITY

Financial assets as of December 31, 2025 and 2024 consist of the following:

	2025		
	<i>TNDC General Fund</i>	<i>Properties and Other</i>	<i>Total</i>
Cash and cash equivalents	\$ 6,282,985	\$ 31,840,468	\$ 38,123,453
Investments in marketable securities	-	14,312,819	14,312,819
Rent receivable – net	-	5,041,204	5,041,204
Contributions receivable including government contracts – without restrictions	1,967	-	1,967
Other receivables	161,673	1,917,586	2,079,259
Related-party receivable	1,312,868	-	1,312,868
Total	<u>\$ 7,759,493</u>	<u>\$ 53,112,077</u>	<u>\$ 60,871,570</u>

	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	<u>\$ 10,453,694</u>	<u>\$ 38,037,504</u>	<u>\$ 48,491,198</u>

TNDC and Affiliates have \$60,871,570 and \$48,491,198 as of December 31, 2025 and 2024, 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 \$792,776 and \$671,509 for 2025 and 2024, 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>	
2026	\$ -	\$ 649,627	\$ 649,627
2027	-	394,107	394,107
2028	-	350,463	350,463
2029	-	318,931	318,931
2030	-	183,888	183,888
Thereafter	-	288,014	288,014
Total	\$ -	\$ 2,185,030	\$ 2,185,030

Commercial rent income received during 2025 and 2024 was \$2,571,590 and \$2,465,871, 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, 2025 amounted to approximately \$361,444,349. In addition, TNDC has guaranteed an aggregate amount of approximately \$224,927,852 to the investor limited partners for tax credits and other tax benefits for various affiliated limited partnerships as of December 31, 2025. 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.

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Loss on Sale of Land

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.

Acquisition of Normandy Apartments

On January 31, 2025, Normandy Ellis LLC, through TNDC, acquired Normandy Apartments 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. Normandy Ellis LLC transferred the Normandy Apartments to 1155 Ellis GP LLC through a grant deed executed in April 2025.

Sierra Madre Insurance Claims

During 2021, fire damage occurred at Sierra Madre Apartments. Qualifying replacements costs totaling \$1,418,507 were incurred and were funded by insurance proceeds. The remaining unspent insurance proceeds of \$781,493 was in deferred revenue. In 2022, additional qualifying replacements costs totaling \$1,249,686 were incurred, of which, \$781,493 were funded by 2021 unspent insurance proceeds and \$310,472 were funded by insurance proceeds received in 2022. The remaining unreimbursed costs of \$157,721 in 2022 and the additional qualifying costs totaling \$1,234,250 incurred in 2023 were funded by insurance proceeds received in 2023 amounting to \$4,461,339. Additional qualifying costs totaling \$423,678 incurred in 2024 were funded by insurance proceeds received in 2023. In 2024, insurance proceeds received in 2023 in the amount of \$1,502,064 were applied to the development costs incurred and operating losses resulting from the fire. As of December 31, 2024, the unspent balance of insurance proceeds of \$1,143,626 was in deferred revenue. In 2025, additional insurance proceeds totaling \$7,704,948 were received and additional qualifying costs of \$70,103 were incurred. All claims related to the fire are now closed and there are no further losses or expenses anticipated. The remaining unspent insurance proceeds of \$8,778,471 were recognized as revenue and are included in other income in the accompanying combined statements of activities.

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.

Employee Retention Tax Credits

In January 2024, TNDC filed four claims for employee retention tax credits for the quarters ended June 30, 2020, September 30, 2020, December 31, 2020, and March 31, 2021. As of December 31, 2025, the Internal Revenue Service had approved all claims, and TNDC received refunds totaling \$5,046,697 related to the 2021 and 2020 tax years.

Defective Construction Lawsuit Settlement Proceeds

On December 28, 2018, TNDC filed a lawsuit alleging defective construction of the Mosaica Family project owned by Alabama Street Housing Associates. The parties reached a settlement and executed mutual releases of all claims effective October 2, 2024. In 2025, Alabama Street Housing Associates received \$1,359,132 in insurance settlement proceeds, which is included in other income in the accompanying combined statements of activities.

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Legal Matters

TNDC and Affiliates were named in various complaints in the normal course of business.

In August 2026, TNDC and Affiliates reached a final settlement agreement of \$1,540,000 relating to the employment claim brought under California's Private Attorneys General Act (PAGA) prior to December 31, 2025. Accordingly, an amount of \$1,540,000 has been accrued as of December 31, 2025.

No accrual has been recorded for other pending legal matters because the outcome of those matters remains uncertain and the amount of liability, if any, cannot be determined or established.

Subsequent Event - Property Dispositions

During 2026, management listed certain properties for sale and received offers from buyers for their dispositions. The contemplated transactions remain subject to final contracts, lender approvals and final agreements regarding the treatment of outstanding debt balances.

Management expects that proceeds from the transactions will not be sufficient to satisfy all outstanding debt obligations associated with the properties. Certain debt obligations are expected to be repaid from sale proceeds, while management anticipates that certain subordinate loans and accrued interests will be forgiven by lenders as part of the disposition transactions.

Based on discussions with lenders to date, management expects that any remaining subordinate loans and accrued interests will be forgiven at closing. Because the related agreements had not been executed as of December 31, 2025, no gain related to debt forgiveness has been recognized in the accompanying combined financial statements.

Management currently expects the sales to close during 2026.

SUPPLEMENTARY INFORMATION

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
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		2025												
		<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	\$	6,282,985	\$	24,659,338	\$	17,543	\$	7,163,587	\$	38,123,453	\$	-	\$	38,123,453
Investments in marketable securities		-		-		-		14,312,819		14,312,819		-		14,312,819
Rent receivable – net of allowance for credit losses		-		5,159,667		-		-		5,159,667		(118,463)		5,041,204
Contributions receivable including government contracts – current portion		816,110		2,337,602		481,101		-		3,634,813		(481,325)		3,153,488
Other receivables		451,482		1,895,682		60		-		2,347,224		(275,224)		2,072,000
Related-party receivable – current portion		16,194,863		1,738,754		1,740,699		-		19,674,316		(18,361,448)		1,312,868
Prepaid expenses and deposits – current portion		78,233		5,436,388		-		-		5,514,621		(125)		5,514,496
Total current assets		23,823,673		41,227,431		2,239,403		21,476,406		88,766,913		(19,236,585)		69,530,328
Long-term assets:														
Restricted cash and deposits		1,578,803		57,360,610		-		-		58,939,413		-		58,939,413
Contributions receivable including government contracts – net of current portion		326,967		-		-		-		326,967		-		326,967
Related-party receivable – net of current portion		65,903,002		344,755		948,326		-		67,196,083		(66,102,406)		1,093,677
Prepaid expenses and deposits – net of current portion		-		539,022		-		-		539,022		-		539,022
Notes and interest receivable		26,175,948		35,109,339		9,560,799		-		70,846,086		(70,299,873)		546,213
Investments in other companies		3,275,628		(7,052,236)		(131,085,258)		-		(134,861,866)		137,031,358		2,169,492
Development in progress		-		110,085,729		-		-		110,085,729		(297,000)		109,788,729
Property and equipment – net		6,836,715		1,494,797,609		6,806,650		-		1,508,440,974		(53,148,493)		1,455,292,481
Right-of-use assets – operating lease		-		49,678,207		-		-		49,678,207		(2,689,723)		46,988,484
Deferred costs – net		-		1,260,491		-		-		1,260,491		-		1,260,491
Total long-term assets		104,097,063		1,742,123,526		(113,769,483)		-		1,732,451,106		(55,506,137)		1,676,944,969
Total assets	\$	127,920,736	\$	1,783,350,957	\$	(111,530,080)	\$	21,476,406	\$	1,821,218,019	\$	(74,742,722)	\$	1,746,475,297

⁽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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2025							
	<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 – current portion	\$ 2,497,887	\$ 6,765,203	\$ 17,650	\$ -	\$ 9,280,740	\$ (118,461)	\$ 9,162,279
Deferred revenue	77	1,359,632	87	-	1,359,796	(164)	1,359,632
Related-party payable – current portion	4,165,558	16,962,792	2,512,095	12,240	23,652,685	(22,920,182)	732,503
Interest payable – current portion	717	5,091,840	-	-	5,092,557	(4,975)	5,087,582
Notes payable – current portion	42,890	6,984,049	-	-	7,026,939	-	7,026,939
Operating lease liabilities – current portion	-	762,625	-	-	762,625	-	762,625
Operating lease liabilities – interest – current portion	-	100,341	-	-	100,341	-	100,341
Total current liabilities	6,707,129	38,026,482	2,529,832	12,240	47,275,683	(23,043,782)	24,231,901
Long-term liabilities:							
Accounts payable and accrued expenses – net of current portion	1,540,000	-	-	-	1,540,000	-	1,540,000
Security deposits	-	3,201,127	-	-	3,201,127	-	3,201,127
Development costs payable	-	14,545,413	-	-	14,545,413	-	14,545,413
Related-party payable – net of current portion	93,226	60,334,733	192,504	-	60,620,463	(57,757,365)	2,863,098
Derivative financial instruments	-	155,288	-	-	155,288	-	155,288
Interest payable – net of current portion	6,274,749	127,663,462	4,375,750	-	138,313,961	(13,094,272)	125,219,689
Notes payable – net of current portion	8,411,946	1,325,352,369	12,055,917	-	1,345,820,232	(57,200,626)	1,288,619,606
Operating lease liabilities – net of current portion	-	52,570,715	-	-	52,570,715	(7,655,064)	44,915,651
Operating lease liabilities – interest – net of current portion	-	479,325	-	-	479,325	(34,664)	444,661
Contribution to affiliates	481,131	-	481,295	-	962,426	(962,426)	-
Total long-term liabilities	16,801,052	1,584,302,432	17,105,466	-	1,618,208,950	(136,704,417)	1,481,504,533
Total liabilities	23,508,181	1,622,328,914	19,635,298	12,240	1,665,484,633	(159,748,199)	1,505,736,434
Net assets:							
Without donor restrictions:							
Controlling interests	98,483,325	(96,299,896)	(130,435,677)	21,464,166	(106,788,082)	85,005,477	(21,782,605)
Non-controlling interests	-	254,577,618	(729,701)	-	253,847,917	-	253,847,917
Total without donor restrictions	98,483,325	158,277,722	(131,165,378)	21,464,166	147,059,835	85,005,477	232,065,312
With donor restrictions	5,929,230	2,744,321	-	-	8,673,551	-	8,673,551
Total net assets	104,412,555	161,022,043	(131,165,378)	21,464,166	155,733,386	85,005,477	240,738,863
Total liabilities and net assets	\$ 127,920,736	\$ 1,783,350,957	\$ (111,530,080)	\$ 21,476,406	\$ 1,821,218,019	\$ (74,742,722)	\$ 1,746,475,297

⁽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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		2024							
		<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	\$	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)	(95,737,786)	-	(96,680,537)	98,851,495	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	(78,796,771)	-	1,634,145,690	(61,020,376)	1,573,125,314	
Total assets	\$	113,213,674	\$ 1,669,995,888	\$ (76,413,208)	\$ 18,479,844	\$ 1,725,276,198	\$ (91,833,509)	\$ 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.

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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)	(95,003,877)	18,469,899	(36,813,889)	45,053,713	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	(95,733,782)	18,469,899	249,475,680	45,053,713	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	(95,733,782)	18,469,899	253,347,151	45,053,713	298,400,864
Total liabilities and net assets	\$ 113,213,674	\$ 1,669,995,888	\$ (76,413,208)	\$ 18,479,844	\$ 1,725,276,198	\$ (91,833,509)	\$ 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
COMBINING SCHEDULES OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025						
	<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	\$ 4,183,819	\$ -	\$ -	\$ -	\$ 4,183,819	\$ (3,996,315)	\$ 187,504
Rental income – residential (net)	-	82,313,560	-	-	82,313,560	(15,480)	82,298,080
Rental income – commercial (net)	-	2,705,535	-	-	2,705,535	(133,945)	2,571,590
Contributions and program service fees	12,047,952	8,266,203	-	-	20,314,155	(2,000,000)	18,314,155
Operating subsidy grants	-	4,437,268	-	-	4,437,268	-	4,437,268
NeighborWorks America grants	627,250	-	-	-	627,250	-	627,250
In-kind donations	1,984,011	-	-	-	1,984,011	-	1,984,011
Revenue from special events	574,307	-	-	-	574,307	-	574,307
Less: cost of special events	(235,933)	(441)	-	-	(236,374)	684	(235,690)
Interest and investment income	298,821	2,196,847	113,638	721,645	3,330,951	(1,574,180)	1,756,771
Net realized and unrealized loss on investments	-	-	-	297,595	297,595	-	297,595
Loss from investment in other companies	244,276	(1,393,280)	(42,465,034)	-	(43,614,038)	43,612,572	(1,466)
Management revenue	9,689,603	53,976	374,115	-	10,117,694	(9,618,798)	498,896
Ground leases	160,662	-	-	-	160,662	(160,662)	-
Employee retention tax credits	1,765,594	3,281,103	-	-	5,046,697	-	5,046,697
Other income	1,217,883	2,891,635	54,655	-	4,164,173	(690,709)	3,473,464
Total support and revenue	32,558,245	104,752,406	(41,922,626)	1,019,240	96,407,265	25,423,167	121,830,432
Expenses	23,559,203	164,723,412	638,495	24,973	188,946,083	(17,166,989)	171,779,094
Change in net assets before other gains (losses)	8,999,042	(59,971,006)	(42,561,121)	994,267	(92,538,818)	42,590,156	(49,948,662)
Other gains (losses):							
Revenue from insurance proceeds	-	8,778,471	-	-	8,778,471	-	8,778,471
Loss from impairment of property and equipment	-	(23,210,790)	-	-	(23,210,790)	-	(23,210,790)
Write-off of predevelopment costs	(57,397)	-	-	-	(57,397)	4,838	(52,559)
Loss from retirement of property and equipment	-	(275,244)	-	-	(275,244)	-	(275,244)
Total other gains (losses)	(57,397)	(14,707,563)	-	-	(14,764,960)	4,838	(14,760,122)

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND AFFILIATES
COMBINING SCHEDULES OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025						
	<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>
Change in net assets before intercompany transfers, capital contributions, distributions, and syndication costs	8,941,645	(74,678,569)	(42,561,121)	994,267	(107,303,778)	42,594,994	(64,708,784)
Intercompany transfers, capital contributions, distributions, and syndication costs:							
Contributions from affiliates	11,345,046	-	1,177,096	-	12,522,142	(12,522,142)	-
Contributions to affiliates	(9,342,093)	-	(975)	-	(9,343,068)	9,343,068	-
Contribution from TNDC	-	231,274	3,833,179	4,000,000	8,064,453	(8,060,353)	4,100
Contribution to TNDC	-	(10,446,106)	(702,420)	(2,000,000)	(13,148,526)	13,148,526	-
Distribution to sole member	-	(508,732)	(600,409)	-	(1,109,141)	1,109,141	-
Transfer of controlling interest from acquisition	-	368,994	369,198	-	738,192	(369,198)	368,994
Transfer of non-controlling interest from acquisition	-	(368,994)	-	-	(368,994)	-	(368,994)
Capital contributions – controlling interests	-	5,226,098	3,139,487	-	8,365,585	(8,365,585)	-
Capital contributions – non-controlling interests	-	7,509,674	-	-	7,509,674	-	7,509,674
Syndication costs – non-controlling interests	-	(391,000)	-	-	(391,000)	-	(391,000)
Capital distributions – controlling interests	-	(2,987,682)	(85,631)	-	(3,073,313)	3,073,313	-
Capital distributions – non-controlling interests	-	(75,991)	-	-	(75,991)	-	(75,991)
Change in net assets	10,944,598	(76,121,034)	(35,431,596)	2,994,267	(97,613,765)	39,951,764	(57,662,001)
Net assets, beginning of year	93,467,957	237,143,077	(95,733,782)	18,469,899	253,347,151	45,053,713	298,400,864
Net assets, end of year	<u>\$ 104,412,555</u>	<u>\$ 161,022,043</u>	<u>\$ (131,165,378)</u>	<u>\$ 21,464,166</u>	<u>\$ 155,733,386</u>	<u>\$ 85,005,477</u>	<u>\$ 240,738,863</u>

⁽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, 2025 AND 2024

	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)	(10,826,628)	-	(11,428,816)	11,425,567	(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	(9,973,534)	1,336,349	117,132,168	(12,523,885)	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)	(11,040,918)	1,278,294	(55,816,708)	1,972,637	(53,844,071)
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)

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND AFFILIATES
COMBINING SCHEDULES OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2025 AND 2024

	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>
Change in net assets before intercompany transfers, capital contributions, distributions, and syndication costs	13,154,792	(60,206,633)	(11,040,918)	1,278,294	(56,814,465)	2,001,452	(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 interests	-	7,859,221	7,203,693	-	15,062,914	(15,062,914)	-
Capital contributions – non-controlling interests	-	123,264,823	-	-	123,264,823	-	123,264,823
Syndication costs – non-controlling interests	-	(291,670)	-	-	(291,670)	-	(291,670)
Capital distributions – controlling interests	-	(1,982,351)	(1,500,470)	-	(3,482,821)	3,482,821	-
Change in net assets	5,202,112	69,066,862	1,663,156	(9,221,706)	66,710,424	1,434,716	68,145,140
Net assets, beginning of year	88,265,845	168,076,215	(97,396,938)	27,691,605	186,636,727	43,618,997	230,255,724
Net assets, end of year	\$ 93,467,957	\$ 237,143,077	\$ (95,733,782)	\$ 18,469,899	\$ 253,347,151	\$ 45,053,713	\$ 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
SCHEDULES OF NOTES PAYABLE
(TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION ONLY)
YEARS ENDED DECEMBER 31, 2025 AND 2024

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>	
					2025	2024
<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
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>12,538,294</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>16,134,394</u>	<u>18,345,654</u>
<u>Other Notes Payable</u>						
<u>Capital One Loan</u>						
Working Capital	500,000	December 2022 ⁽⁷⁾	2.25%	-0- ⁽⁶⁾⁽⁷⁾	42,890	212,041

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND AFFILIATES
SCHEDULES OF NOTES PAYABLE
(TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION ONLY)
YEARS ENDED DECEMBER 31, 2025 AND 2024

<i>Lender</i>	<i>Total Commitment</i>	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Payment Terms</i>	<i>Principal Balance</i>	
					2025	2024
<u><i>Bank of America Line of Credit</i></u>						
Working Capital	7,500,000	December 2025	Daily Floating Rate ⁽⁸⁾	-0- ⁽⁹⁾	-	-
					42,890	212,041
Grand total					\$ 16,177,284	\$ 18,557,695

(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. The loan was assigned to Sierra Madre Associates, L.P. when Sierra Madre Apartments was sold in March 2025.

(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, 2025 AND 2024

Interest expense incurred on notes for which payments are expected to be deferred totaled \$299,647 annually in 2025 and 2024. Mortgage and other interest expense was \$2,177 and \$6,270 in 2025 and 2024, respectively. Management anticipates that city and state loans will be extended or refinanced as each loan matures. Interest payable for all notes was \$8,742,839 and \$9,037,589 at December 31, 2025 and 2024, respectively.

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

2026	\$	42,890
2027		-
2028		-
2029		-
2030		-

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND AFFILIATES
SCHEDULE OF PROPERTIES DEVELOPED
YEAR ENDED DECEMBER 31, 2025

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, L.P. (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, L.P. (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, L.P. (limited partnership)	TNDC affiliate corporation is sole member of General Partner LLC
Ambassador 9%	36 Ambassador Nine Percent, L.P. (limited partnership)	TNDC affiliate corporation is sole member of General Partner LLC
Alexander Residence	179 AR Preservation, L.P. (limited partnership)	TNDC is sole member of General Partner LLC, City and County of San Francisco owns land ⁽¹⁾
Antonia Manor	134 AM Preservation, L.P. (limited partnership)	TNDC is sole member of General Partner LLC, City and County of San Francisco owns land ⁽¹⁾
Maria Manor	119 MM Preservation, L.P. (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 (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, L.P. (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, L.P. (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, L.P. (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, L.P. (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, L.P. (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 Commercial	1300 Fourth Street Commercial LLC	TNDC affiliate corporation is sole member of LLC
Eddy & Taylor	113 Eddy & Taylor Associates, L.P. (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, 2025

	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, L.P. (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, L.P. (limited partnership)	TNDC affiliate corporation is sole member of General Partner LLC
180 Jones	69	180 Jones Associates, L.P. (limited partnership)	TNDC affiliate corporation is sole member of General Partner LLC, City and County of San Francisco owns land
Yosemite	33	Yosemite Apartment Associates, L.P. (limited partnership)	TNDC affiliate corporation is sole member of General Partner LLC
78 Haight	63	Octavia RSU Associates, L.P. (limited partnership)	TNDC affiliate corporation is sole member of General Partner LLC, City and County of San Francisco owns land
4200 Geary Street	98	4200 Geary Associates, L.P. (limited partnership)	TNDC affiliate corporation is sole member of General Partner LLC
730 Stanyan	120	730 Stanyan Associates, L.P. (limited partnership)	TNDC affiliate corporation is co-member of General Partner LLC
Normandy	110	1155 Ellis GP LLC	TNDC affiliate corporation is sole member of LLC
Projects Under Development			
Candlestick Point 10a	156	Candlestick 10a Associates, L.P. (limited partnership)	Pre-development for construction. TNDC affiliate corporation is sole member of General Partner LLC
Sierra Madre Apartments	47	Sierra Madre Associates, L.P. (limited partnership)	Substantial renovation in construction. TNDC affiliate corporation is sole member of General Partner LLC
Normandy	110	1155 Ellis GP LLC	Substantial renovation in construction (see operating projects above)
2550 Irving	98	2550 Irving Associates, L.P. (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, 2025, 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 August 24, 2026.

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

August 24, 2026