

**SAN FRANCISCO COMMUNITY
LAND TRUST AND
SUBSIDIARIES**

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2022 AND 2021

**With Supplementary Information Required by the San Francisco
Mayor's Office of Housing and Community Development**

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

TABLE OF CONTENTS

	Page
Independent Auditor’s Report.....	1
Consolidated Statements of Financial Position.....	4
Consolidated Statements of Activities	6
Consolidated Statements of Functional Expenses.....	7
Consolidated Statements of Cash Flows	9
Notes to Financial Statements.....	11
Supplementary Information	37
Consolidating Schedules of Financial Position.....	38
Consolidating Schedules of Activities	42
Supplementary Information Required by the Mayor’s Office of Housing and Community Development.....	46
Combining Schedules of Operating Revenues.....	47
Combining Schedules of Operating Expenses.....	48
Combining Schedules of Excess/Distributable Cash	50
Combining Schedules of Replacement, Operating, and Other Reserves Activity	52
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53

* * * *



CHARLOTTE SIEW-KUN TAY
CATHY L. HWANG
RITA B. DELA CRUZ
SCOTT K. SMITH
CRISANTO S. FRANCISCO
JOE F. HUIE

SHERMAN G. LEONG
KYLE F. GANLEY

The Board of Directors
San Francisco Community Land Trust and Subsidiaries
San Francisco, California

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of San Francisco Community Land Trust, a California nonprofit public benefit corporation, and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of San Francisco Community Land Trust and Subsidiaries as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of San Francisco Community Land Trust and Subsidiaries 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 opinions.

Emphasis of Matter – New Accounting Standard

As discussed in Note 2 to the consolidated financial statements, San Francisco Community Land Trust and Subsidiaries adopted the new accounting guidance required by accounting principles generally accepted in the United States of America on leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about San Francisco Community Land Trust and Subsidiaries's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 San Francisco Community Land Trust and Subsidiaries's 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about San Francisco Community Land Trust and Subsidiaries's 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 consolidated financial statements as a whole. The accompanying supplementary information on pages 38 through 52, including information required by the Mayor's Office of Housing and Community Development, is presented for the purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2023 on our consideration of San Francisco Community Land Trust and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over consolidated financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of San Francisco Community Land Trust and Subsidiaries' 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 San Francisco Community Land Trust and Subsidiaries' internal control over financial reporting and compliance.

Lindquist, von Husen and Joyce LLP

July 7, 2023

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 530,814	\$ 292,456
Cash held in trust by others	529,254	380,889
Receivables:		
Rent – net	59,836	155,987
Contributions:		
Grant	187,280	46,000
Refundable property taxes and others	81,054	4,353
Prepaid expenses	54,648	27,698
Total current assets	<u>1,442,886</u>	<u>907,383</u>
Restricted cash (Note 3):		
Replacement reserves	1,594,226	1,598,247
Operating reserves	335,175	332,264
Other reserves	531,885	218,684
Tenant security deposits	54,546	41,954
Cash held for property acquisition (Note 11)	-	1,213,152
Deposits	2,503	2,503
Escrow deposits	-	104,750
Property and equipment – net (Note 4)	<u>40,120,989</u>	<u>29,180,990</u>
Total assets	<u>\$ 44,082,210</u>	<u>\$ 33,599,927</u>

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

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2022	2021
LIABILITIES AND NET ASSETS (DEFICIT)		
Current liabilities:		
Accounts payable and accrued expenses	\$ 170,196	\$ 182,055
Deferred revenue	56,151	8,197
Interest payable – current portion (Note 5)	137,265	248,163
Notes payable - current portion expecting to be refinanced (Note 5)	1,382,142	1,787,670
Notes payable – current portion - other (Note 5)	342,206	173,079
Total current liabilities	<u>2,087,960</u>	<u>2,399,164</u>
Tenant security deposits	129,113	55,061
Interest payable – net of current portion (Note 5)	1,248,080	990,342
Notes payable – net of current portion (Note 5):		
Contingent interest loans	18,632,971	18,619,131
Deferred interest loans	4,029,428	4,730,056
Mortgage loans	<u>20,656,883</u>	<u>8,907,965</u>
Total liabilities	<u>46,784,435</u>	<u>35,701,719</u>
Net assets (deficit):		
Without donor restrictions	(2,702,225)	(2,614,944)
With donor restrictions (Note 7)	-	513,152
Total net assets (deficit)	<u>(2,702,225)</u>	<u>(2,101,792)</u>
Total liabilities and net assets (deficit)	<u>\$ 44,082,210</u>	<u>\$ 33,599,927</u>

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

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Support and revenue:						
Rental income	\$ 2,083,329	\$ -	\$ 2,083,329	\$ 1,429,671	\$ -	\$ 1,429,671
Contributions:						
Individual and corporations	758,814	79,080	837,894	43,898	701,200	745,098
Government awards	387,978	-	387,978	188,395	-	188,395
In-kind contributions	24,164	-	24,164	17,333	-	17,333
Membership dues	1,678	-	1,678	1,712	-	1,712
Interest	7,525	-	7,525	771	-	771
Other income	33,112	-	33,112	73,020	-	73,020
Net assets released from restrictions (Note 7)	592,232	(592,232)	-	238,048	(238,048)	-
Total support and revenue	<u>3,888,832</u>	<u>(513,152)</u>	<u>3,375,680</u>	<u>1,992,848</u>	<u>463,152</u>	<u>2,456,000</u>
Expenses:						
Program services	3,559,762	-	3,559,762	2,113,034	-	2,113,034
Supporting services:						
Management and general	405,792	-	405,792	236,381	-	236,381
Fundraising	10,559	-	10,559	14,262	-	14,262
Total expenses	<u>3,976,113</u>	<u>-</u>	<u>3,976,113</u>	<u>2,363,677</u>	<u>-</u>	<u>2,363,677</u>
Change in net assets (deficit)	(87,281)	(513,152)	(600,433)	(370,829)	463,152	92,323
Net assets (deficit), beginning of year	(2,614,944)	513,152	(2,101,792)	(2,244,115)	50,000	(2,194,115)
Net assets (deficit), end of year	<u>\$ (2,702,225)</u>	<u>\$ -</u>	<u>\$ (2,702,225)</u>	<u>\$ (2,614,944)</u>	<u>\$ 513,152</u>	<u>\$ (2,101,792)</u>

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

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022				
	Program Services		Supporting Services		Total
	Property Operations	Core Programs	Management and General	Fundraising	
Salaries and wages	\$ 37,546	\$ 205,024	\$ 228,628	\$ 7,544	\$ 478,742
Employee benefits	18,449	20,563	22,930	757	62,699
Payroll taxes	2,110	17,479	19,492	643	39,724
Legal fees	10,957	-	9,765	-	20,722
Accounting fees	48,749	-	59,254	-	108,003
Other fees	111,071	-	11,966	-	123,037
Advertising	22,520	-	-	-	22,520
Maintenance and repairs	337,681	-	440	-	338,121
Conference and training	-	-	3,648	-	3,648
Insurance	63,253	1,241	1,384	46	65,924
Office expenses	22,610	8,993	10,028	331	41,962
Property taxes	167,662	-	-	-	167,662
Occupancy	-	11,389	12,700	419	24,508
Utilities	243,122	-	-	-	243,122
Miscellaneous	4,830	14,813	16,518	545	36,706
Subgrants and supports	8,831	7,452	8,309	274	24,866
Interest	1,181,200	-	730	-	1,181,930
Total expenses before depreciation and amortization	2,280,591	286,954	405,792	10,559	2,983,896
Amortization of permanent financing fees	29,460	-	-	-	29,460
Depreciation and amortization	962,757	-	-	-	962,757
Total expenses	\$ 3,272,808	\$ 286,954	\$ 405,792	\$ 10,559	\$ 3,976,113

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

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2021				Total
	Program Services		Supporting Services		
	Property Operations	Core Programs	Management and General	Fundraising	
Salaries and wages	\$ 27,374	\$ 146,620	\$ 114,845	\$ 9,652	\$ 298,491
Employee benefits	19,973	12,559	9,838	827	43,197
Payroll taxes	-	12,818	10,040	844	23,702
Legal fees	1,941	-	5,714	-	7,655
Accounting fees	22,897	-	48,044	-	70,941
Other fees	64,401	-	23,554	-	87,955
Transfer of Marty's Place reserves to Dolores Street	46,789	-	-	-	46,789
Advertising	900	-	4,388	-	5,288
Information technology	-	-	1,502	-	1,502
Maintenance and repairs	160,932	-	-	-	160,932
Conference and training	-	-	1,310	-	1,310
Insurance	56,358	261	2,211	17	58,847
Bad debt	13,796	-	-	-	13,796
Office expenses	8,926	8,584	6,723	2,265	26,498
Property taxes	52,927	-	-	-	52,927
Occupancy	-	8,112	6,354	534	15,000
Utilities	166,957	1,862	1,458	123	170,400
Miscellaneous	1,322	-	-	-	1,322
Subgrants and support	-	38,000	400	-	38,400
Interest (net of recovery)	601,757	1,490	-	-	603,247
Total expenses before depreciation and amortization	1,247,250	230,306	236,381	14,262	1,728,199
Depreciation and amortization	635,478	-	-	-	635,478
Total expenses	\$ 1,882,728	\$ 230,306	\$ 236,381	\$ 14,262	\$ 2,363,677

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

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (600,433)	\$ 92,323
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	962,757	635,478
Amortization of permanent financing fees	29,460	-
Contributions for purchase of long-lived assets	-	(701,200)
(Increase) decrease in assets:		
Rent receivable	96,151	(34,846)
Grant contributions	(141,280)	29,000
Refundable property taxes and others	(76,701)	(984)
Development cost contributions	-	97,650
Prepaid expenses	(26,950)	(20,692)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(11,859)	(16,961)
Deferred revenue	47,954	5,698
Tenant security deposits	74,052	(792)
Interest payable	148,907	41,416
Total adjustments	<u>1,102,491</u>	<u>33,767</u>
Net cash provided by operating activities	<u>502,058</u>	<u>126,090</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(989,863)</u>	<u>(590,220)</u>
Net cash used in investing activities	<u>(989,863)</u>	<u>(590,220)</u>
Cash flows from financing activities:		
Contributions for purchase of long-lived assets	-	701,200
Proceeds from notes payable	680,315	807,432
Repayment of notes payable	(624,483)	(269,575)
Payments of permanent financing fees	<u>(174,523)</u>	<u>-</u>
Net cash provided by financing activities	<u>(118,691)</u>	<u>1,239,057</u>
Increase in cash and restricted cash	(606,496)	774,927
Cash and restricted cash, beginning of year	<u>4,182,396</u>	<u>3,407,469</u>
Cash restricted cash, end of year	<u>\$ 3,575,900</u>	<u>\$ 4,182,396</u>

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

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash	\$ 530,814	\$ 292,456
Cash held in trust by others	529,254	380,889
Restricted cash:		
Replacement reserves	1,594,226	1,598,247
Operating reserves	335,175	332,264
Other reserve	531,885	218,684
Tenant security deposits	54,546	41,954
Cash held for acquisition	-	1,213,152
Escrow deposit	-	104,750
	<u>\$ 3,575,900</u>	<u>\$ 4,182,396</u>
Supplementary information:		
Cash paid for interest	<u>\$ 936,563</u>	<u>\$ 633,335</u>
Non-cash investing and financing activities:		
Asset acquired by assuming liabilities	<u>\$ 10,917,027</u>	<u>\$ -</u>

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

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

San Francisco Community Land Trust (SFCLT), a California nonprofit public benefit corporation, was formed in 2003 to acquire properties where low- and moderate-income tenants are threatened with displacement (through eviction, buy-outs, and other market-driven real estate tactics). SFCLT manages the rehabilitation of properties as necessary.

In February 2022, SFCLT formed a limited liability company, 285 Turk Community Holding LLC (285 Turk LLC) to own and operate an affordable housing project located at 285 Turk Street, San Francisco, California. The housing project has 40 residential units and two (2) commercial units. SFCLT is the sole member of 285 Turk LLC.

In February 2022, SFCLT formed a limited liability company, 1130 Filbert LLC to own and operate an affordable housing project located at 1130 Filbert Street, San Francisco, California. The housing project has four (4) residential units. SFCLT is the sole member of 1130 Filbert LLC.

The following fourteen (14) affordable housing properties located in San Francisco, California are owned by SFCLT:

53 Columbus (see Note 6)	70 Belcher
966 Oak Street	1684 Grove
534 Natoma	308 Turk
23rd Street	2840 Folsom
151 Duboce	4042 Fulton
568-570 Natoma	285 Turk
1353 Folsom	1130 Filbert

Marty's Place (1165 Treat) is owned by Marty's Place LLC whose sole member is another not-for-profit social service organization. SFCLT leased Marty's Place through March 2021 and thereafter, Marty's place is managed by a third-party entity, Marty's Place Affordable Housing Corporation (see Note 6).

The above mentioned fifteen (15) properties are collectively named "the Properties". The "Core" activities of SFCLT are not directly related to any of the fifteen (15) properties.

The acquisition and rehabilitation of the Properties are financed with loans from the City and County of San Francisco through Mayor's Office of Housing (SF-MOH), as well as various other community lenders, financial institutions, and income from operations.

The operations of the Properties are subject to various covenants by loan and regulatory agreements, such covenants include, but are not limited to rent amounts charged to tenants, income levels of tenants, and reserve requirements. Covenants impose restrictions on the activities of SFCLT for up to 99 years.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

Accounting principles generally accepted in the United States require limited liability companies to be consolidated in the sole member's financial statements. The consolidated financial statements include the accounts of SFCLT and two subsidiaries, 285 Turk LLC and 1130 Filbert LLC, whereas SFCLT is the sole member of these two limited liability companies. All material intercompany balances and transactions have been eliminated in the consolidated financial statements.

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Accounting Method

SFCLT and subsidiaries 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 accounting principles generally accepted in the United States of America (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 revenue and expense during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

SFCLT reports information regarding its financial position and 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 the Projects.
- Net assets with donor restrictions include those assets subject to donor restrictions and for which the applicable restrictions were not met as of the end of the current reporting period. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. When a donor restriction expires – that is, when a stipulated time restriction ends, or purpose restriction is accomplished – net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated 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. SFCLT had no donor-imposed restrictions that are perpetual in nature at December 31, 2022 and 2021.

Revenue Recognition

Rental Income:

Rental income is shown at its maximum gross potential. Vacancy loss is shown as a reduction of rental income. Uncollectible rental income written off is shown as a reduction of rental income when collection appears doubtful.

The Properties' revenue is mainly derived from leases. Other income is ancillary to the lease proceeds and is recognized as revenue at the point in time such income or fees are earned.

Contributions:

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recorded at their fair value as support without donor restrictions or support with donor restrictions, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as *net assets released from restrictions*.

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Unconditional promises to give are recognized as contribution revenue in the period that the promise is received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. A portion of SFCLT’s revenue is derived from cost-reimbursement government grants and contracts, which are conditioned upon incurring of allowable qualifying expense and/or accomplishments of programmatic objectives. Amounts received are recognized as revenue when SFCLT has incurred expenditures and/or accomplished programmatic objectives in compliance with specific contract or grant provisions. Amount received prior to incurring qualifying expenditure and/or accomplishing programmatic objectives are reported as deferred revenue in the combined consolidated statements of financial position. At December 31, 2022 and 2021, contributions of approximately \$612,000 and \$-0-, respectively, were not recognized in the accompanying consolidated statements of activities because the conditions on which they depend have not been met.

Developer Fees

SFCLT earns developer fees for development of affordable rental housing projects and generally recognizes developer fees as revenue over the development period. Developer fee profits recognized from properties owned by SFCLT and consolidated subsidiaries are eliminated as intercompany transactions. Developer fee project costs are also eliminated as intercompany transactions. SFCLT estimated that 25% of its developer fees cover related project costs in 2022 and 2021, respectively. 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, affordable housing property costs have been reduced by developer fees, amounting to \$284,345 and \$83,874 in 2022 and 2021, respectively.

Management Revenue and Related Accounts

In addition to developing affordable rental housing projects, SFCLT also provides property and asset management services. Income is earned in accordance with the terms of the agreements and recorded as revenue. Such intercompany has been eliminated in the consolidated financial statements.

Memberships

Memberships comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. The contribution portion is recognized immediately. The exchange portion of the membership is to be recognized over the membership period in accordance with GAAP. However, since the deferred portion over the membership period is not material at year end, management elects to record the exchange portion at the time of memberships receipt.

In-Kind Contributions

Contributed services are stated at their estimated fair value, if ordinarily purchased and are of a special nature. SFCLT generally records the fair value of contributed services as both income and expense in the consolidated statements of activities. Accounting service providers made in-kind contributions in the amount of \$24,164 and \$17,333 during 2022 and 2021, respectively.

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

New Accounting Standard on Leases

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

SFCLT adopted the leasing standard effective January 1, 2022, using the modified retrospective approach with January 1, 2022 as the initial date of application. SFCLT elected to use all available practical expedients provided in the transition guidance. These practical expedients allow entities to not reassess the identification, classification and initial direct costs of lease agreements, to not separate lease and non-lease components for underlying equipment assets, and to use hindsight in lease agreements for determining lease term and the ROU asset impairment, as applicable. As of January 1, 2022, the adoption of the new leasing standard did not have a significant impact on the financial statements related to both lessor and lessee accounting.

SFCLT accounts for the existing leases with residential tenants of the Project as operating leases. The adoption of the new leasing standard did not result in adjustments to the financial statements for these leases.

SFCLT accounts for existing equipment and ground leases as operating leases. Due to the nominal rent amounts, ROU assets and liabilities are not recognized. However, the effect of not recognizing ROU assets and lease liabilities is not materially different from the result that would have been obtained had the requirement to recognize been followed.

Cash and Restricted Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand. Restricted cash are funds restricted as to their use, regardless of liquidity, such as replacement reserves, operating reserves, other reserves, funds held in trust by others, and tenant security deposits. SFCLT occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balance, including restricted cash, was approximately \$2,276,000 as of December 31, 2022. SFCLT has not experienced any losses arising from cash held in excess of FDIC limits in such accounts.

In light of the banking crisis of early 2023, in consultation with the Board of Directors, SFCLT has worked to ensure a banking strategy to increase the balance protected under FDIC insurance limits.

Cash held in trust by others consists of operating cash accounts held by a third-party property management company for certain properties under their management.

Accounts Receivable

SFCLT reassesses the collectability during the lease term and elects to record a general reserve for operating lease receivable when the collectability is uncertain based on a review of outstanding receivables, historical collection information, and existing economic conditions. The general reserve balance was \$8,617 as of December 31, 2022.

Prior to January 1, 2021, SFCLT recorded an allowance for doubtful collections based on a review of outstanding receivables, historic collection information, and existing economic conditions. The allowance for doubtful collections as of December 31, 2021 was \$43,835.

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Property and Equipment

Property and equipment is stated at cost of acquisition or construction fair value if donated. The cost of maintenance and repairs below \$1,000 that neither significantly add to the permanent value of a property nor prolong its intended useful life is charged to expense as incurred. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets.

SFCLT incurs costs during the development phase of each affordable housing project undertaken. Such costs include acquisition costs, permits, design fees, legal and consulting fees needed to investigate the feasibility and arrange for the financing of each project under consideration, as well as construction costs. SFCLT records these costs as assets (development in progress) and the costs are not depreciated until the completion of each development.

The useful lives of the assets are estimated as follows:

Building and improvements	27.5 years
Furniture, fixtures and equipment	7 years

SFCLT reviews the property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such properties 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 properties, including 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 of which the carrying amount of the property and equipment exceeds the fair value of such properties. There were no impairment losses recognized in 2022 and 2021.

Loans

SFCLT categorizes its loans into three categories as follows:

- Contingent interest loans generally bear interest only to the extent that cash flow is adequate to pay interest annually. The lender forgives the remainder of the interest.
- Deferred interest loans generally bear interest at a stated rate however payment is only required annually based on cash flow with the remainder of interest due at maturity.
- Mortgage loans generally require monthly payments of principal and interest with the balance due at maturity.

Permanent Financing Costs

Costs incurred in order to obtain construction and permanent financing are stated at cost and amortized on a straight-line basis into interest expense over the term of the respective loans. Permanent financing costs are reported as a direct deduction from the face amount of the related debt.

Capitalized Interest

SFCLT capitalized interest incurred during development as a component of property and equipment. For the year ended December 31, 2022 and 2021, SFCLT capitalized interest of \$20,296 and \$-0-, respectively.

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Income Taxes

SFCLT is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and the related California code sections.

SFCLT believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. SFCLT's federal and state information returns for the years 2018 through 2021 are subject to examination by regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively.

Functional Expenses Allocation

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The 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 function that require consistent allocation on a reasonable basis. Accordingly, certain costs are allocated among program services and supporting services based on estimates of employees' time incurred and on usage of resources. Directly identifiable expenses are charged to programs and supporting services.

Expenses that are allocated include employee benefits and payroll taxes, outside services, facility and other office expenses, travel, communications, supplies, and miscellaneous expenses. These expenses have been allocated on the basis of salaries per function over total salaries of all functions.

Subsequent Events

Management has evaluated subsequent events through July 7, 2023, the date on which the financial statements were available to be issued.

Reclassification

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

NOTE 3 – RESTRICTED DEPOSITS

53 Columbus

Replacement Reserve

SFCLT is required to maintain a reserve for replacement and repair of property and equipment in accordance with the LIIF and CCSF loan agreements. The reserve is required to be funded by monthly deposits of \$1,667 which shall be increased by 2.5% each year and may otherwise be adjusted from time to time. In addition, SFCLT is required to deposit an amount equal to fifty percent (50%) of residual receipts, if any. The annual deposit requirements were \$34,016 for 2022 and 2021, respectively. Withdrawals require the lender's written approval.

Management plans to deposit the 2021 surplus cash distribution of \$10,123 into the replacement reserve in 2023.

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Operating Reserve

SFCLT is required to maintain an operating reserve in accordance with the LIIF loan agreement. The reserve balance is required to be maintained in a minimum amount equal to 25% of (a) annual expenses, based on the greater of (i) actual expenses for the prior calendar year, or (ii) projected expenses for the current year, plus (b) actual annual debt service for the current year. If the reserve falls below the required balance, an additional amount will be required to be funded monthly in an amount equal to 3% of (a) average monthly expenses based on prior year actual expenses, plus (b) monthly debt service. Withdrawals require the lender's written approval.

966 Oak St.

Replacement Reserve

SFCLT is required to maintain a reserve for replacement and repair of property and equipment in accordance with the SF-MOH SSP loan agreement. The reserve was initially funded in the amount of \$182,354. Thereafter, The reserve is required to be funded in the amount of \$4,000 annually. Quarterly deposits must equal to the higher of the amount needed based on the approved capital needs assessment, or \$4,000 annually. SFCLT may request adjustment every seven (7) years based on the most recently approved capital needs assessment. Any withdrawal from the reserve other than for capital improvements requires the lender's written approval.

Operating Reserve

SFCLT is required to maintain an operating reserve in accordance with the SF-MOH SSP loan agreement. The reserve was initially funded in the amount of \$21,127. Thereafter, the reserve is required to be funded necessary to bring the balance in operating reserve to an amount equal to 25% of the prior year's actual project expenses. Any withdrawal (including any accrued interest) from the reserve for any other purpose shall not be made without the lender's prior written approval.

534 Natoma

Replacement Reserve

SFCLT is required to maintain a reserve for replacement and repair of property and equipment in accordance with the SF-MOH SSP loan agreement. The reserve is required to be funded in the amount of \$2,000 annually. Quarterly deposits must equal to the higher of the amount needed based on the approved capital needs assessment, or \$2,000 annually. SFCLT may request adjustment every seven (7) years based on the most recently approved capital needs assessment. Any withdrawal from the reserve other than for capital improvements requires the lender's written approval.

Due to insufficient cash flow, the reserve was underfunded by approximately \$2,000 as of December 31, 2022 and 2021.

Operating Reserve

SFCLT is required to maintain an operating reserve in accordance with the SF-MOH SSP loan agreement. The reserve was initially required to be funded in an amount equal to 25% of the approved budget for project expenses for the first year of operation. Thereafter, the reserve is required to be funded necessary to bring the balance in operating reserve to an amount equal to 25% of the prior year's actual project expenses. Any withdrawal (including any accrued interest) from the reserve for any other purpose shall not be made without the lender's prior written approval.

Due to insufficient cash flow, the reserve was underfunded by approximately \$5,789 and \$10,000 as of December 31, 2022 and 2021, respectively.

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

23rd St.

Replacement Reserve

SFCLT is required to maintain a reserve for replacement and repair of property and equipment in accordance with the SF-MOH SSP loan agreement. The reserve was initially funded in an amount equal to \$198,897. Thereafter, the reserve shall be funded quarterly in the amount equal to the higher of the amount needed under the approved capital needs assessment, or \$4,900 annually. SFCLT may request adjustments every seven (7) years based on the most recently approved capital needs assessment. Any withdrawal from the reserve other than for capital improvements requires the lender's written approval.

Due to insufficient cash flow, the reserve was underfunded by \$9,800 and \$4,900 as of December 31, 2022 and 2021, respectively.

Operating Reserve

SFCLT is required to maintain an operating reserve in accordance with the SF-MOH SSP loan agreement. The reserve was initially funded in the amount of \$36,934. Thereafter, the reserve is required to be funded by the amount necessary to bring the balance to 25% of the prior year's actual project expenses. Any withdrawal from the reserve other than to alleviate certain cash flow shortages requires the lender's written approval.

Due to insufficient cash flow, the reserve was underfunded by approximately \$33,405 and \$13,200 as of December 31, 2022 and 2021, respectively.

151 Duboce

Replacement Reserve

SFCLT is required to maintain a reserve for replacement and repair of property and equipment in accordance with the SF-MOH SSP loan agreement. The reserve was initially funded in the amount of \$61,308. Thereafter, the reserve shall be funded quarterly in the amount equal to the higher of the amount needed under the approved capital needs assessment, or \$1,600 annually. SFCLT may request adjustments every seven years based on the most recently approved capital needs assessment. Any withdrawal from the reserve other than for capital improvements requires the lender's written approval.

During 2021, the reserve was underfunded by \$1,600 which was deposited in 2022.

Operating Reserve

SFCLT is required to maintain an operating reserve in accordance with the SF-MOH SSP loan agreement. The reserve was initially funded in the amount of \$14,589. Thereafter, the reserve is required to be funded by the amount necessary to bring the balance to 25% of the prior year's actual project expenses. Any withdrawal from the reserve other than to alleviate certain cash flow shortages requires the lender's written approval.

The reserve was underfunded by approximately \$561 and \$400 as of December 31, 2022 and 2021, respectively.

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

568-570 Natoma

Replacement Reserve

SFCLT is required to maintain a reserve for replacement and repair of property and equipment in accordance with the SF-MOH SSP loan agreement. The reserve was initially funded in the amount of \$34,474. Thereafter, the reserve shall be funded quarterly in the amount equal to the higher of the amount needed under the approved capital needs assessment, or \$2,000 annually. SFCLT may request adjustments every seven (7) years based on the most recently approved capital needs assessment. Any withdrawal from the reserve other than for capital improvements requires the lender's written approval.

Operating Reserve

SFCLT is required to maintain an operating reserve in accordance with the SF-MOH SSP loan agreement. The reserve was initially required to be funded in the amount of \$11,110. Thereafter, the reserve is required to be funded by the amount necessary to bring the balance to 25% of the prior year's actual project expenses. Any withdrawal from the reserve other than to alleviate certain cash flow shortages requires the lender's written approval.

Due to insufficient cash flow, the reserve was underfunded by approximately \$5,971 as of December 31, 2022.

1353 Folsom

Replacement Reserve

SFCLT is required to maintain a reserve for replacement and repair of property and equipment in accordance with the SF-MOH SSP loan agreement. The reserve was initially funded in the amount of \$95,129. Thereafter, the reserve shall be funded quarterly in the amount equal to the higher of the amount needed under the approved capital needs assessment, or \$1,200 annually. SFCLT may request adjustments every seven (7) years based on the most recently approved capital needs assessment. Any withdrawal from the reserve other than for capital improvements requires the lender's written approval.

Due to insufficient cash flow, the reserve was underfunded by \$2,400 and \$1,200 as of December 31, 2022 and 2021, respectively.

Operating Reserve

SFCLT is required to maintain an operating reserve in accordance with the SF-MOH SSP loan agreement. The reserve was initially funded in the amount of \$16,996. Thereafter, the reserve is required to be funded by the amount necessary to bring the balance to 25% of the prior year's actual project expenses. Any withdrawal from the reserve other than to alleviate certain cash flow shortages requires the lender's written approval.

Due to insufficient cash flow, the reserve was underfunded by approximately \$218 and \$6,500 as of December 31, 2022 and 2021, respectively.

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

70 Belcher

Replacement Reserve

SFCLT is required to maintain a reserve for replacement and repair of property and equipment in accordance with the SF-MOH SSP loan agreement. The reserve was initially required to be funded in the amount of \$55,174. Thereafter, the reserve shall be funded quarterly in the amount equal to the higher of the amount needed under the approved capital needs assessment, or \$2,000 annually. SFCLT may request adjustments every seven (7) years based on the most recently approved capital needs assessment. Any withdrawal from the reserve other than for capital improvements requires the lender's written approval.

Due to insufficient cash flow, the reserve was underfunded by approximately \$4,000 and \$2,000 as of December 31, 2022 and 2021, respectively.

Operating Reserve

SFCLT is required to maintain an operating reserve in accordance with the SF-MOH SSP loan agreement. The reserve was initially required to be funded in the amount of \$20,780. Thereafter, the reserve is required to be funded by the amount necessary to bring the balance to 25% of the prior year's actual project expenses. Any withdrawal from the reserve other than to alleviate certain cash flow shortages requires the lender's written approval.

Due to insufficient cash flow, the reserve was underfunded by approximately \$12,559 as of December 31, 2022.

Other Reserve

SFCLT funded a construction reserve in the initial amount of \$314,557 with proceeds from the PASS bonds and SSP loan to fund future construction and rehabilitation work.

1684 Grove

Replacement Reserve

SFCLT is required to maintain a reserve for replacement and repair of property and equipment in accordance with the SF-MOH SSP loan agreement. The reserve was initially funded in the amount of \$50,000. Thereafter, the reserve shall be funded quarterly in the amount equal to the higher of the amount needed under the approved capital needs assessment, or \$1,200 annually. SFCLT may request adjustments every seven (7) years based on the most recently approved capital needs assessment. Any withdrawal from the reserve other than for capital improvements requires the lender's written approval.

The reserve was overfunded by \$2,200 as of December 31, 2022.

Operating Reserve

SFCLT is required to maintain an operating reserve in accordance with the SF-MOH SSP loan agreement. The reserve was initially funded in the amount of \$15,096. Thereafter, the reserve is required to be funded by the amount necessary to bring the balance to 25% of the prior year's actual project expenses. Any withdrawal from the reserve other than to alleviate certain cash flow shortages requires the lender's written approval.

The reserve was underfunded by approximately \$207 as of December 31, 2022.

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

308 Turk

Replacement Reserve

SFCLT is required to maintain a reserve for replacement and repair of property and equipment in accordance with the SF-MOH SSP loan agreement. The reserve was initially funded in the amount of \$209,500. Thereafter, the reserve shall be funded quarterly in the amount equal to the higher of the amount needed under the approved capital needs assessment, or \$7,000 annually. SFCLT may request adjustments every seven (7) years based on the most recently approved capital needs assessment. Any withdrawal from the reserve other than for capital improvements requires the lender's written approval.

Due to insufficient cash flow, the reserve was underfunded by \$2,320 as of December 31, 2022.

Operating Reserve

SFCLT is required to maintain an operating reserve in accordance with the SF-MOH SSP loan agreement. The reserve was initially funded in the amount of \$64,384. Thereafter, the reserve is required to be funded by the amount necessary to bring the balance to 25% of the prior year's actual project expenses. Any withdrawal from the reserve other than to alleviate certain cash flow shortages requires the lender's written approval.

2840 Folsom

Replacement Reserve

SFCLT is required to maintain a reserve for replacement and repair of property and equipment in accordance with the SF-MOH SSP loan agreement. The reserve was initially required to be funded in the amount of \$62,638. Thereafter, the reserve shall be funded quarterly in the amount equal to the higher of the amount needed under the approved capital needs assessment, or \$2,400 annually. SFCLT may request adjustments every seven (7) years based on the most recently approved capital needs assessment. Any withdrawal from the reserve other than for capital improvements requires the lender's written approval.

Operating Reserve

SFCLT is required to maintain an operating reserve in accordance with the SF-MOH SSP loan agreement. The reserve was initially required to be funded in the amount of \$26,693. Thereafter, the reserve is required to be funded necessary to bring the balance to 25% of the prior year's actual project expenses. Any withdrawal from the reserve other than to alleviate certain cash flow shortages requires the lender's written approval.

Due to insufficient cash flow, the reserve was underfunded by approximately \$9,719 and \$1,500 as of December 31, 2022 and 2021, respectively.

4042 Fulton

Replacement Reserve

SFCLT is required to maintain a reserve for replacement and repair of property and equipment in accordance with the SF-MOH SSP loan agreement. The reserve was initially funded in the amount of \$162,434. Thereafter, the reserve shall be funded quarterly in the amount equal to the higher of the amount needed under the approved capital needs assessment, or \$2,000 annually. SFCLT may request adjustments every seven (7) years based on the most recently approved capital needs assessment. Any withdrawal from the reserve other than for capital improvements requires the lender's written approval.

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Due to insufficient cash flow, the reserve was underfunded by approximately \$2,000 as of December 31, 2021, which was deposited during 2022.

Operating Reserve

SFCLT is required to maintain an operating reserve in accordance with the SF-MOH SSP loan agreement. The reserve was initially funded in the amount of \$21,071. Thereafter, the reserve is required to be funded by the amount necessary to bring the balance to 25% of the prior year's actual project expenses. Any withdrawal from the reserve other than to alleviate certain cash flow shortages requires the lender's written approval.

Due to insufficient cash flow, the reserve was underfunded by approximately \$701 as of December 31, 2022.

285 Turk

Capital Asset Reserve

SFCLT is required to maintain a reserve for capital assets in accordance with the loan agreement. The reserve was initially funded in the amount of \$111,000. Thereafter, the reserve shall be funded monthly in the amount of \$1,415 monthly commencing March 2023. Any withdrawal from the reserve other than for capital improvements requires the lender's written approval.

Debt Service Reserve

SFCLT is required to maintain a debt reserve to be available solely to the lender upon the occurrence of a default or event of default in accordance with the loan agreement. The reserve was initially funded in the amount of \$205,000. Thereafter, any withdrawals from the debt service reserve should be replenished promptly.

Core

Cash Held for Acquisition

SFCLT received contributions amounting to \$701,200 for the acquisition of 285 Turk. SFCLT also received loan proceeds from Marlena Sonn and Solidaire Network, Inc. in the total amount of \$700,000 for the acquisition. Funds were spent for the acquisition completed in January 2022.

Tenant Security Deposits

SFCLT is required to hold security deposits in a separate bank account.

	2022			2021		
	<i>Replacement Reserve</i>	<i>Operating Reserve</i>	<i>Other Reserves</i>	<i>Replacement Reserve</i>	<i>Operating Reserve</i>	<i>Other Reserves</i>
Balance, beginning of year	\$ 1,598,247	\$ 332,264	\$ 218,684	\$ 1,554,862	\$ 316,215	\$ 311,466
Deposits	57,130	11,580	-	47,991	45,241	-
Other deposits	46,675	28,525	316,000	80,906	11,500	-
Withdrawals	(111,800)	(37,682)	(4,220)	(85,949)	(40,723)	(92,831)
Interest received	4,114	588	1,421	562	56	49
Bank fees	(140)	(100)	-	(125)	(25)	-
Balance, end of year	<u>\$ 1,594,226</u>	<u>\$ 335,175</u>	<u>\$ 531,885</u>	<u>\$ 1,598,247</u>	<u>\$ 332,264</u>	<u>\$ 218,684</u>

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2022	2021
Land	\$ 17,379,985	\$ 13,827,765
Buildings and improvements	27,434,496	18,175,605
Furniture, fixtures and equipment	35,472	34,072
Development in progress	1,049,738	1,959,493
	<u>45,899,691</u>	<u>33,996,935</u>
Less: accumulated depreciation	(5,778,702)	(4,815,945)
Total property and equipment	<u>\$ 40,120,989</u>	<u>\$ 29,180,990</u>

NOTE 5 – NOTES PAYABLE

Notes payable are secured by the property unless otherwise noted and consist of the following:

	2022		2021	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
Contingent Interest Loans:				
<u>966 Oak St.</u>				
City and County of San Francisco SSP loan, Housing Trust Fund (HTF), in the original amount of \$1,695,902, bears 3% simple interest commencing on the date of closing of escrow until the principal is fully paid. Annual payments are to be made from 2/3 of residual receipts with entire principal and interest due in full in June 2029 with an option to extend upon lender approval for an additional 30 years. Interest expense (recovery of over-accrued interest) was \$-0- in 2022 and (\$81,078) for 2021, respectively.	\$ -	\$ 110,902	\$ -	\$ 110,902
<u>534 Natoma</u>				
City and County of San Francisco SSP loan, SOMA Community Stabilization Fund (SOMA) and Affordable Housing Fund (AHF), in the original amount of \$1,875,000, bears 3% simple interest which accrues only to the extent currently payable. Annual payments are to be made from 50% of residual receipts with the balance due in August 2069.	-	1,873,027	-	1,873,027

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022		2021	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<u>23rd St.</u>				
City and County of San Francisco SSP loan, AHF, in the original amount of \$1,470,000, bears 3% simple interest which accrues only to the extent currently payable. Annual payments are to be made from 50% of residual receipts with the balance due in September 2047.	-	1,470,002	-	1,470,002
<u>151 Duboce</u>				
City and County of San Francisco SSP loan, HTF, in the original amount of \$1,194,157, bears 3% simple interest which accrues only to the extent currently payable. Annual payments are to be made from 50% of residual receipts with the balance due in December 2044. Interest expense was \$-0- and \$775 in 2022 and 2021, respectively.	-	1,194,157	775	1,194,157
<u>568-570 Natoma</u>				
City and County of San Francisco SSP loan, SOMA and AHF, in the original amount of \$1,875,000, bears 3% simple interest which accrues only to the extent currently payable. Annual payments are to be made from residual receipts with \$1,435,000 and the related interest due by April 2046, and the balance due by June 2048. ⁽¹⁾	-	1,766,189	-	1,766,189
<u>1353 Folsom</u>				
City and County of San Francisco SSP loan, SOMA, in the original amount of \$1,200,003, bears 3% simple which accrues only to the extent currently payable. Annual payments are to be made from residual receipts with the balance due in January 2046. Interest expense was \$-0- and \$4,269 in 2022 and 2021, respectively.	-	1,200,003	4,269	1,200,003

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022		2021	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<u>70 Belcher</u>				
City and County of San Francisco SSP loan, AHF, in the original amount of \$2,124,210, bears 3% simple interest which accrues only to the extent currently payable. Annual payments are to be made from residual receipts with the balance due in January 2046. Interest expense (recovery of over-accrued interest) was \$-0- and (\$35.560) for 2022 and 2021, respectively.	-	2,124,210	-	2,124,210
<u>1684 Grove</u>				
City and County of San Francisco SSP loan, AHF, in the original amount of \$1,274,970, bears 3% simple interest which accrues only to the extent currently payable. Annual payments are to be made from residual receipts with the balance due in January 2046. Interest expense was \$1,931 and \$-0- for 2022 and 2021, respectively.	1,931	1,274,970	-	1,274,970
<u>308 Turk</u>				
City and County of San Francisco SSP loan, AHF and HTF, in the original amount of \$2,569,456, bears 3% simple interest which accrues only to the extent currently payable. Annual payments are to be made from residual receipts, with the balance due in June 2045. ⁽¹⁾	-	2,569,456	-	2,569,456
<u>2840 Folsom</u>				
City and County of San Francisco SSP loan, HTF, in the original amount of \$2,496,642, bears 3% simple which accrues only to the extent currently payable. Annual payments are to be made from residual receipts with the balance due in September 2045. Interest expense was \$15,739 and \$-0- for 2022 and 2021, respectively. ⁽¹⁾	14,405	2,495,579	-	2,495,579

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022		2021	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<u>4042 Fulton</u>				
City and County of San Francisco SSP loan, AHF, in the original amount of \$2,125,000, bears 3% simple interest, which accrues only to the extent currently payable. Annual payments are to be made from residual receipts, with the balance due in March 2047. ⁽¹⁾	-	2,125,000	-	2,125,000
Total contingent interest loans	16,336	18,203,495	5,044	18,203,495
Deferred Interest Loans:				
<u>53 Columbus</u>				
City and County of San Francisco, Seismic Safety Loan Program, in the original amount of \$3,893,228, bears 2.05% simple interest. Annual interest payments are to be made from 50% of residual receipts with entire principal and interest due in full in December 2062. Interest expense was \$63,346 and \$79,811 in 2022 and 2021, respectively.	1,061,238	3,893,228	1,000,465	3,893,228
<u>966 Oak St.</u>				
City and County of San Francisco PASS deferred loan, in the original amount of \$64,140, bears 1.39% compound interest which is added to principal each year through June 2029 when the balance is due. Interest expense was \$6,164 and \$892 for 2022 and 2021, respectively.	6,115	64,140	-	64,140
<u>70 Belcher</u>				
City and County of San Francisco, PASS deferred loan, in the amount of \$72,060, bears 1.39% compound interest. All unpaid interest and principal shall be due in June 2060.	-	72,060	-	72,060
Total deferred interest loans	1,067,353	4,029,428	1,000,465	4,029,428

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022		2021	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
Mortgage Loans:				
<u>53 Columbus</u>				
Low Income Investment (LIIF) loan, in the original amount of \$2,135,000, bears 7.30% simple interest with monthly payments of principal and interest of \$14,792 due through August 2039. Interest expense was \$127,581 and \$131,132 and in 2022 and 2021, respectively.	-	1,696,499	-	1,746,418
<u>966 Oak St.</u>				
City and County of San Francisco PASS market rate loan, bears 5.17% compound interest with monthly payments of principal and interest of \$2,969 due through June 2029 when a balloon payment of approximately \$546,000 will be due. Interest expense was \$30,381 and \$30,422 for 2022 and 2021, respectively.	-	585,527	-	590,735
City and County of San Francisco PASS BMR loan, in the original amount of \$610,399, bears 1.39% compound interest with monthly payments of principal and interest of \$1,057 due through June 2029 when a balloon payment of approximately \$312,000 will be due. Interest expense was \$5,098 and \$5,702 for 2022 and 2021, respectively.	-	363,553	-	371,125
<u>534 Natoma</u>				
Clearinghouse Community Development Financial Institution loan, bore 5.5% simple interest with monthly payments of principal and interest of \$2,556 due through February 2020. The maturity date was extended, and the loan was refinanced with the Community Vision Capital & Consulting loan below in July 2022 including repayments for the COVID-19 deferment. Interest expense was \$16,812 and \$21,804 and in 2022 and 2021, respectively.	-	-	1,804	386,382

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022		2021	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
Community Vision Capital & Consulting loan, in the maximum amount of \$430,000, bears 5% simple interest with monthly payments of principal and interest of \$2,532 due through July 2032. Interest expense was \$10,090 and \$-0- and in 2022 and 2021, respectively.	1,830	425,599	-	-
<u>23rd St.</u> Silicon Valley Bank (formerly Boston Private Bank & Trust) loan, in the original amount of \$1,350,000, bears 5.61% simple interest with monthly payments of principal and interest of \$7,829 due through June 2024, when a balloon payment of \$1,128,231 is due. Interest expense was \$69,624 and \$77,588 in 2022 and 2021, respectively. A payment moratorium was in place from June to November 2020 due to COVID-19, during which time interest continued to accrue.	5,866	1,214,281	-	1,229,380
<u>151 Duboce</u> Clearinghouse Community Development Financial Institution loan, in the original amount of \$390,000, bears 5.75% simple interest with monthly payments of principal and interest of \$2,297 due through January 2025, when a balloon payment of \$327,236 is due. Interest expense was \$20,175 and \$23,135 in 2022 and 2021, respectively.	2,363	342,740	1,734	349,979
<u>568-570 Natoma</u> Silicon Valley Bank (formerly Boston Private Bank & Trust) loan, in the original amount of \$300,000, bore 3.94% simple interest and was adjusted to 3.79% in 2021, with monthly payments of principal and interest of \$1,436 due through April 2026, when a balloon payment of \$238,478 is due. Interest expense was \$10,448 and \$12,432 in 2022 and 2021, respectively. A payment moratorium was in place from June to November 2020 due to COVID-19, during which time interest continued to accrue.	877	268,631	899	275,416

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022		2021	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<u>1353 Folsom</u>				
First Republic Bank loan, in the original amount of \$600,000, bears 4.95% simple interest with monthly payments of principal and interest of \$3,203 due through February 2046. Interest expense was \$27,460 and \$33,770 in 2022 and 2021, respectively.	6,536	549,693	2,313	560,619
<u>70 Belcher</u>				
City and County of San Francisco PASS market rate loan, in the original amount of \$685,771, bears 5.17% simple interest with monthly payments of principal and interest of \$3,383 due through June 2060. Interest expense was \$40,909 and \$35,097 for 2022 and 2021, respectively.	6,037	671,539	-	677,274
City and County of San Francisco PASS BMR loan, in the original amount of \$443,169, bears 1.39% simple interest with monthly payments of principal and interest of \$1,204 due through June 2060. Interest expense was \$5,918 and \$7,839 for 2022 and 2021, respectively.	-	422,090	-	430,609
<u>1684 Grove</u>				
First Republic Bank loan, in the original amount of \$600,000, bears 4.95% simple interest with monthly payments of principal and interest of \$3,203 due through February 2046. Interest expense was \$28,447 and \$30,293 in 2022 and 2021, respectively.	4,118	530,191	2,236	542,057
<u>308 Turk</u>				
Enterprise Community Loan Fund, Inc. loan, in the original amount of \$2,040,000, bears 5.5% simple interest with required monthly payments of principal and interest of \$11,688 based on a 30-year amortization. Unpaid principal and interest are due in June 2025 when a balloon payment of \$1,680,172 is due. Interest expense was \$107,139 and \$102,884 in 2022 and 2021, respectively. A payment moratorium was in place from December 2020 through May 2021, during which time interest continued to accrue.	167,470	1,855,739	167,626	1,888,696

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022		2021	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<u>2840 Folsom</u>				
Pigeon Palace, Inc, secured loan, in the original amount of \$300,000, bears 2% simple interest with annual interest payment due until October 2022, when a balloon payment of unpaid principal and interest is due. However, \$120,000 of the amount due is convertible to a 99-year master lease. Interest expense was \$6,000 in 2022 and 2021. Management is working with lenders to refinance this loan in 2023.	-	300,000	-	300,000
Silicon Valley Bank (formerly Boston Private Bank & Trust) loan, in the original amount of \$1,200,000, bears 4.52% simple interest with monthly payments of principal and interest of \$6,142 due through September 2022, when a balloon payment of \$1,052,428 is due. Interest expense was \$49,962 and \$73,699 and in 2022 and 2021, respectively. A payment moratorium was in place from June to November 2020 due to COVID-19, during which time interest continued to accrue. Management is working with lenders to refinance this loan in 2023.	8,289	1,082,142	4,530	1,101,584
<u>4042 Fulton</u>				
Clearinghouse Community Development Financial Institution loan, in the original amount of \$815,000, bore 5.75% simple interest with monthly interest-only payments of \$4,800 due through April 2027, when a balloon payment of unpaid principal and interest of \$680,364 is due. In April 2020, the interest rate increased to 7.75%. Interest expense was \$56,295 and \$66,701 in 2022 and 2021, respectively. A payment moratorium was in place from April to June 2020 due to COVID-19, during which time interest continued to accrue.	42,062	815,000	43,364	815,000

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022		2021	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<u>285 Turk St</u>				
Marlena Sonn deferred loan, in the maximum amount of \$200,000, bears 4% simple interest. Interest only payments shall be due semi-annually until October 1, 2026. Interest cost capitalized was \$666 and \$2,000, and interest expense was \$6,500 and \$-0- for 2022 and 2021, respectively.	5,166	150,000	2,000	200,000
Solidaire Network, Inc. deferred loan, bears 4% simple interest. Interest only payments shall be due semi-annually until October 1, 2026. Interest cost capitalized was \$1,667 and \$5,000, and interest expense was \$18,333 and \$-0- for 2022 and 2021, respectively.	5,000	500,000	5,000	500,000
Self-Help Credit Union deferred loan, in the maximum amount of \$5,400,000, bears 4.1% simple interest, with monthly interest only payments due through February 2023 and monthly payments of interest and principal of \$26,093 through August 2030, when the outstanding balance with a balloon payment of approximately \$4,596,000 is to be repaid in full. Interest expense was \$216,480 and \$-0- for 2022 and 2021, respectively.	19,065	5,400,000	-	-
Local Initiatives Support Corporation deferred loan, in the maximum amount of \$3,000,000, bears 6.25% (\$2,940,000) and 2.24% (\$60,000) simple interest, with monthly interest only payments due through May 2023 and monthly payments of interest and principal of \$14,646 through August 2030, when the outstanding balance with a balloon payment of \$2,557,000 is to be repaid in full. Interest expense was \$117,534 and \$-0- for 2022 and 2021, respectively.	10,162	3,000,000	-	-

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022		2021	
	Interest Payable	Principal	Interest Payable	Principal
Small Change deferred loan, in the maximum amount of \$149,400, bears 2% interest, compound annually, with interest only payments due quarterly commencing 12 months after the individual investor's funds are received. The outstanding principal and interest are due by the earlier of i) when SFCLT completes refinancing, ii) nine (9) years after the funds received, or 3) October 2030. Interest expense was \$2,241 and \$-0- for 2022 and 2021, respectively.	2,241	149,400	-	-
<u>1130 Filbert</u>				
San Francisco Housing Accelerator Fund, construction loan, in the maximum amount of \$3,409,589, bears 6.35% simple interest, with interest only payments due through February 2024. Interest cost capitalized was \$17,963 and \$-0-, and interest expense was \$106,175 and \$-0- for 2022 and 2021, respectively.	14,285	2,613,146	-	-
<u>Core</u>				
Senior and Disability Action Loan, in the original amount of \$20,000, bears 3.65% simple interest. Payable on demand. The proceeds were used to fund the acquisition of 568 Natoma. Interest expense was \$730 and \$1,490 in 2022 and 2021, respectively.	2,220	20,000	1,490	20,000
Total mortgage loans	301,656	22,955,770	232,996	11,985,274
Total	1,385,345	45,188,693	1,238,505	34,217,901
Less: unamortized permanent financing costs ⁽²⁾	-	(145,063)	-	-
Notes payable – net	1,386,679	45,043,630	1,238,505	34,217,901
Less: current portion	(137,265)	(1,724,348)	(248,163)	(1,960,749)
Long-term portion of contingent interest loans	\$ -	\$ 18,203,495	\$ -	\$ 18,203,495
Long-term portion of deferred interest loans	\$ 1,248,080	\$ 4,029,428	\$ 990,342	\$ 4,730,056
Long-term portion of mortgage loans	\$ -	\$ 21,086,359	\$ -	\$ 9,323,601

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

- (1) SFCLT refinanced these four loans with the City and County of San Francisco at the of June 2023. The refinanced loans totaled \$13,767,481 under the SSP program and \$4,933,000 under the PASS program. SFCLT intends to use the additional proceeds from the refinancing to pay off other mortgages for the same properties.
- (2) Costs incurred in order to obtain permanent financing were \$174,523 and \$-0- as of December 31, 2022 and 2021, respectively. Permanent financing costs are amortized on a straight-line basis into interest expense over the terms of the loans. Interest expenses for amortization of permanent financing costs were \$29,460 and \$-0- for 2022 and 2021, respectively.

Principal payments, including scheduled balloon payments, on notes payable for the next five (5) years are subject to changes in net cash flow and are estimated as follows:

2023	\$ 1,724,348
2024	4,143,891
2025	2,415,397
2026	1,214,643
2027	1,066,586

Management expects to refinance mortgages with balloon payments prior to the maturity date of each loan.

NOTE 6 – LEASES COMMITMENTS

Office Leases

SFCLT leased its office space under a noncancellable operating lease which expired on September 15, 2019. The lease was amended on June 28, 2021, October 6, 2021, and November 1, 2022 to extend the lease term through October 31, 2023. The base rent for the period starting November 1, 2022 is \$2,000 per month. The future minimum rent payments total is estimated at \$20,000. Rental expense for 2022 and 2021 was \$24,508 and \$15,000, respectively for the SFCLT office space.

Commercial Lease Income

SFCLT leases a portion of its Columbus Avenue building to the Asian Law Caucus (ALC) under a 99-year lease expiring in 2107. The rent is set annually as a percentage of budgeted expenses and debt service on the LIIF loan with minimum monthly rent levels established for the first 55 years of the lease. The lessee has an option to purchase the commercial portion of the building at any time during the lease as described in the Development Agreement by assuming 86% of the loan balance.

The minimum annual commercial lease income, without percentage rents which are contingent on future annual budgets, are as follows:

For lease years ended April 30,	
2023 to 2038	\$179,376 per year
2039 to 2063	\$12,000 per year
2064 to 2107	\$-0- per year

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Other Leases

53 Columbus

In September 2011, SFCLT entered into a master lease with Columbus United Cooperative (“CUC”) for the 2nd and 3rd floors of the housing project located at 53 Columbus, San Francisco, for residential use. The lease has a term of 99 years, expiring September 2110, with an option to extend the lease term for one (1) additional ninety-nine (99) years. The lease requires the initial minimum annual base rent of \$158,975, subject to annual increases and adjustments by the difference between the current year's projected operating expenses and the prior year's actual operating expenses, as specified in the lease agreement. SFCLT is responsible for supplying utilities-type services and maintenance and repairs. In addition, SFCLT is responsible for asset management of the property, including overseeing the budget preparation and other financial matters and related reporting, while CUS is responsible for property management, including rent collection and approving the budget.

The residential unit tenants terminated their individual leases with SFCLT concurrent with the execution of the master lease and the operating agreement between CUC and a cooperative member governing such cooperative member's right to occupy a unit and giving such member an exclusive possessory interest in such unit in consideration of a monthly carrying charge to be paid by the cooperative member. SFCLT subdivided the property creating three (3) separate legal parcels: i) land parcel, ii) commercial space parcel consisting of the ground floor and a portion of the basement, and iii) residential parcel consisting of the 2nd and 3rd floor. CUC has an option to purchase the residential parcel at the earlier of: i) the full repayment of the mortgage with LIIF, projected to be August 2039, or (ii) 30 days following the early repayment in full of the mortgage with LIIF. The purchase price shall be \$10 if the mortgage with LIIF is repaid in full, or an amount equal to 14% of the remaining principal on the mortgage with LIIF, provided that SFCLT also receives a payment from ALC equivalent to 86% of the remaining principal on the mortgage with LIIF.

Marty's Place

SFCLT also entered into a lease agreement with Marty's Place LLC for property and improvements for a term of 15 years commencing on June 30, 2015 and ending on June 30, 2030. Annual lease payments begin at \$10,000 per year and increase at 2% each year. The lease agreement with Marty's Place LLC was subsequently terminated by mutual agreement in April 2021 and certain reserves were transferred to the property owner.

NOTE 7 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets are released from restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors during the years ended December 31, as follows:

	<i>December 31,</i> <i>2021</i>	<i>Contributions</i>	<i>Releases from</i> <i>Restrictions</i>	<i>December 31,</i> <i>2022</i>
285 Turk acquisition support	\$ 513,152	\$ 79,080	\$ (592,232)	\$ -
	<u>\$ 513,152</u>	<u>\$ 79,080</u>	<u>\$ (592,232)</u>	<u>\$ -</u>

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<i>December 31,</i> <i>2020</i>	<i>Contributions</i>	<i>Releases from</i> <i>Restrictions</i>	<i>December 31,</i> <i>2021</i>
285 Turk acquisition support	\$ -	\$ 701,200	\$ (188,068)	\$ 513,152
COVID-19 emergency funds	50,000	-	(50,000)	-
	<u>\$ 50,000</u>	<u>\$ 701,200</u>	<u>\$ (238,048)</u>	<u>\$ 513,152</u>

NOTE 8 – LIQUIDITY AND AVAILABILITY

SFCLT has financial assets available within one year of the statement of financial position date as shown in the table below. 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 statement of financial position date. As part of its liquidity management, SFCLT maintains reserve accounts as described in Note 3, a portion of which may be available to cover debt service and capital expenditures within one year of statement of financial position date upon approval from regulatory agencies. In addition, some properties' cash is maintained in trust by a third-party property management company and is not included below.

Financial assets available for general expenditure, that is without donor or other restriction limiting their use, within one year of the statement of financial position, comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets at end of year available within one year:		
Cash and cash equivalents	\$ 1,060,068	\$ 673,345
Rent and other receivable	140,890	155,987
Contributions receivable	187,280	50,353
Less: donor restricted net assets	-	-
Financial assets available for general expenditures within one year	<u>\$ 1,388,238</u>	<u>\$ 879,685</u>

The amounts shown above may be used in the subsequent year to fund reserve accounts or distribute residual receipts to lenders as described in Notes 3 and 5.

NOTE 9 – COMMITMENTS AND CONTINGENCIES AND OTHER MATTERS

SFCLT receives a portion of its funding from local governments. A significant reduction in the level of this support, if this were to occur, would have a material effect on SFCLT's programs and activities.

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. SFCLT deems this contingency remote since management is of the opinion that SFCLT has complied with the terms of all grants.

SFCLT entered into a construction contract for rehabilitation improvements to 1130 Filbert at the end of 2022. The contract sum shall be \$356,980, subject to additions and deductions as provided in the contract documents.

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

COVID-19 Pandemic

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

SUPPLEMENTARY INFORMATION

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2022							
	53 Columbus	966 Oak St.	534 Natoma	23rd St.	151 Duboce	568-570 Natoma	1353 Folsom	70 Belcher
ASSETS								
Current assets:								
Cash and cash equivalents	\$ -	\$ 7,462	\$ 6,794	\$ 3,223	\$ 6,578	\$ 594	\$ 4,288	\$ 2,765
Cash held in trust by others	405,451	-	23,678	-	9,075	1,023	6,742	-
Receivables:								
Rent – net	-	328	856	6,420	-	657	400	249
Contributions:								
Grant	-	-	-	-	-	-	-	-
Development cost	-	-	-	-	-	-	-	-
Refundable property taxes and other	-	-	-	-	-	-	-	-
Prepaid expenses	4,828	2,304	1,207	4,792	5,379	2,802	3,549	3,515
Total current assets	410,279	10,094	32,535	14,435	21,032	5,076	14,979	6,529
Restricted cash:								
Replacement reserves	567,459	157,890	24,658	195,878	80,711	5,272	141,705	62,025
Operating reserves	117,778	8,379	11,754	2,999	16,582	7,379	18,228	11,138
Other reserve	-	-	-	-	-	-	-	214,915
Tenant security deposits	-	8,041	4,250	6,345	6,115	-	-	-
Cash held for acquisition	-	-	-	-	-	-	-	-
Due to/from	(11,388)	24,501	(6,578)	(32,330)	2,185	(4,077)	9,104	1,111
Deposits	-	-	-	-	-	-	-	-
Escrow deposits	-	-	-	-	-	-	-	-
Property and equipment – net	4,256,017	1,119,965	2,086,081	2,397,765	1,290,383	1,913,279	1,326,800	2,757,438
Total assets	\$ 5,340,145	\$ 1,328,870	\$ 2,152,700	\$ 2,585,092	\$ 1,417,008	\$ 1,926,929	\$ 1,510,816	\$ 3,053,156
LIABILITIES AND NET DEFICIT								
Current liabilities:								
Accounts payable and accrued expenses	\$ 25,822	\$ 5,615	4,956	\$ 24,408	\$ 17,475	9,077	5,461	\$ 53,806
Deferred revenue	18,199	20	2,418	2,019	8,340	808	13	2,318
Interest payable – current portion	12,267	2,950	1,830	5,866	2,363	877	6,536	6,037
Notes payable – current portion	53,742	13,243	9,024	26,934	7,845	6,925	11,499	14,456
Total current liabilities	110,030	21,828	18,228	59,227	36,023	17,687	23,509	76,617
Tenant security deposits	-	7,022	7,390	6,058	2,533	3,931	2,564	1,966
Interest payable – net of current portion	1,048,971	3,165	-	-	-	-	-	-
Notes payable – net of current portion	5,535,985	1,110,879	2,260,295	2,657,349	1,529,052	2,027,895	1,738,197	3,275,443
Total liabilities	6,694,986	1,142,894	2,285,913	2,722,634	1,567,608	2,049,513	1,764,270	3,354,026
Net deficit:								
Without donor restrictions	(1,354,841)	185,976	(133,213)	(137,542)	(150,600)	(122,584)	(253,454)	(300,870)
With donor restrictions	-	-	-	-	-	-	-	-
Total net deficit	(1,354,841)	185,976	(133,213)	(137,542)	(150,600)	(122,584)	(253,454)	(300,870)
Total liabilities and net deficit	\$ 5,340,145	\$ 1,328,870	\$ 2,152,700	\$ 2,585,092	\$ 1,417,008	\$ 1,926,929	\$ 1,510,816	\$ 3,053,156

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2022								
	1684 Grove	308 Turk	2840 Folsom	4042 Fulton	285 Turk	1130 Filbert	Core	Eliminations	Total
ASSETS									
Current assets:									
Cash and cash equivalents	\$ 4,187	\$ -	\$ 35,408	\$ 8,905	\$ 16,449	12,010	\$ 422,151	\$ -	\$ 530,814
Cash held in trust by others	9,267	40,500	-	-	20,603	12,915	-	-	529,254
Receivables:									
Rent – net	-	5,404	9,458	1,595	34,469	-	-	-	59,836
Contributions:									
Grant	-	-	-	-	-	-	187,280	-	187,280
Development cost	-	-	-	-	-	-	-	-	-
Refundable property taxes and other	-	-	-	-	75,608	-	258,489	(253,043)	81,054
Prepaid expenses	3,336	3,248	7,291	2,157	-	2,403	7,837	-	54,648
Total current assets	16,790	49,152	52,157	12,657	147,129	27,328	875,757	(253,043)	1,442,886
Restricted cash:									
Replacement reserves	17,477	160,906	28,505	151,740	-	-	-	-	1,594,226
Operating reserves	17,390	80,565	20,108	22,875	-	-	-	-	335,175
Other reserve	-	-	-	-	316,970	-	-	-	531,885
Tenant security deposits	-	20,993	8,802	-	-	-	-	-	54,546
Cash held for acquisition	-	-	-	-	-	-	-	-	-
Due to/from	(2,194)	2,889	(9,382)	(3,498)	(943,790)	(43,306)	1,025,857	(9,104)	-
Deposits	-	-	-	-	-	-	2,503	-	2,503
Escrow deposits	-	-	-	-	-	-	-	-	-
Property and equipment – net	1,695,638	3,775,458	3,624,926	2,483,703	9,289,223	2,472,532	-	(368,219)	40,120,989
Total assets	\$ 1,745,101	\$ 4,089,963	\$ 3,725,116	\$ 2,667,477	\$ 8,809,532	\$ 2,456,554	\$ 1,904,117	\$ (630,366)	\$ 44,082,210
LIABILITIES AND NET DEFICIT									
Current liabilities:									
Accounts payable and accrued expenses	\$ 46,005	\$ 62,431	\$ 25,735	\$ 8,513	\$ 31,514	5,654	105,873	(262,149)	\$ 170,196
Deferred revenue	-	719	13,701	-	4,521	3,075	-	-	56,151
Interest payable – current portion	4,118	8,788	22,694	4,800	41,634	14,285	2,220	-	137,265
Notes payable – current portion	12,575	37,728	1,382,142	14,388	113,847	-	20,000	-	1,724,348
Total current liabilities	62,698	109,666	1,444,272	27,701	191,516	23,014	128,093	(262,149)	2,350,109
Tenant security deposits	4,919	22,914	8,766	3,420	48,686	8,944	-	-	129,113
Interest payable – net of current portion	-	158,682	-	37,262	-	-	-	-	1,248,080
Notes payable – net of current portion	1,792,586	4,387,467	2,495,579	2,925,612	9,013,510	2,569,433	-	-	43,319,282
Total liabilities	1,860,203	4,678,729	3,948,617	2,993,995	9,253,712	2,601,391	128,093	(262,149)	46,784,435
Net deficit:									
Without donor restrictions	(115,102)	(588,766)	(223,501)	(326,518)	(444,180)	(144,837)	1,776,024	(368,217)	(2,702,225)
With donor restrictions	-	-	-	-	-	-	-	-	-
Total net deficit	(115,102)	(588,766)	(223,501)	(326,518)	(444,180)	(144,837)	1,776,024	(368,217)	(2,702,225)
Total liabilities and net deficit	\$ 1,745,101	\$ 4,089,963	\$ 3,725,116	\$ 2,667,477	\$ 8,809,532	\$ 2,456,554	\$ 1,904,117	\$ (630,366)	\$ 44,082,210

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2021							
	53 Columbus	966 Oak St.	534 Natoma	23rd St.	151 Duboce	Marty's Place	568-570 Natoma	1353 Folsom
ASSETS								
Current assets:								
Cash and cash equivalents	\$ -	\$ 17,783	\$ 136	\$ 5,503	\$ 17,650	\$ 55,620	\$ 1,894	\$ 6,784
Cash held in trust by others	347,833	-	7,150	-	(111)	-	2,051	7,109
Receivables:								
Rent – net	-	505	74	21,195	7,908	-	639	10,712
Contributions:								
Grant	-	-	-	-	-	-	-	-
Development cost	-	-	-	-	-	-	-	-
Refundable property taxes and other	-	1,850	-	-	-	-	-	-
Prepaid expenses	-	500	958	2,109	5,119	-	2,741	3,475
Total current assets	347,833	20,638	8,318	28,807	30,566	55,620	7,325	28,080
Restricted cash:								
Replacement reserves	558,352	157,842	22,646	211,206	74,671	-	17,896	140,933
Operating reserves	117,754	20,220	4,109	7,991	16,176	-	13,378	9,954
Other reserve	-	-	-	-	-	-	-	-
Tenant security deposits	-	8,016	1,291	6,365	6,113	-	-	-
Cash held for acquisition	-	-	-	-	-	-	-	-
Due to/from	(11,324)	8,381	(4,513)	(11,063)	(599)	-	(2,070)	6,704
Escrow deposits	-	-	-	-	-	-	-	-
Property and equipment – net	4,466,935	1,131,940	2,153,117	2,410,628	1,305,838	-	1,925,767	1,361,235
Total assets	\$ 5,479,550	\$ 1,347,037	\$ 2,184,968	\$ 2,653,934	\$ 1,432,765	\$ 55,620	\$ 1,962,296	\$ 1,546,906
LIABILITIES AND NET DEFICIT								
Current liabilities:								
Accounts payable and accrued expenses	\$ 3,600	\$ -	\$ 1,613	\$ 17,383	\$ 5,447	\$ 46,789	\$ 3,566	\$ 6,317
Deferred revenue	-	-	-	-	8,184	-	-	13
Interest payable – current portion	10,123	-	1,804	-	2,509	-	899	6,582
Notes payable – current portion	49,919	12,858	386,382	25,450	7,401	-	6,654	10,939
Total current liabilities	63,642	12,858	389,799	42,833	23,541	46,789	11,119	23,851
Tenant security deposits	-	7,000	3,200	7,376	2,533	-	1,898	2,564
Interest payable – net of current portion	990,342	-	-	-	-	-	-	-
Notes payable – net of current portion	5,589,727	1,124,044	1,872,731	2,673,932	1,536,735	-	2,034,951	1,749,683
Total liabilities	6,643,711	1,143,902	2,265,730	2,724,141	1,562,809	46,789	2,047,968	1,776,098
Net deficit:								
Without donor restrictions	(1,164,161)	203,135	(80,762)	(70,207)	(130,044)	8,831	(85,672)	(229,192)
With donor restrictions	-	-	-	-	-	-	-	-
Total net deficit	(1,164,161)	203,135	(80,762)	(70,207)	(130,044)	8,831	(85,672)	(229,192)
Total liabilities and net deficit	\$ 5,479,550	\$ 1,347,037	\$ 2,184,968	\$ 2,653,934	\$ 1,432,765	\$ 55,620	\$ 1,962,296	\$ 1,546,906

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2021								
	70 Belcher	1684 Grove	308 Turk	2840 Folsom	4042 Fulton	285 Turk	Core	Eliminations	Total
ASSETS									
Current assets:									
Cash and cash equivalents	\$ 1,235	\$ 14,881	\$ -	\$ 5,016	\$ 7,567	\$ -	\$ 158,387	\$ -	\$ 292,456
Cash held in trust by others	(10,734)	7,055	26,164	-	(5,628)	-	-	-	380,889
Receivables:									
Rent – net	31	289	80,303	16,495	17,836	-	-	-	155,987
Contributions:									
Grant	-	-	-	-	-	-	46,000	-	46,000
Development cost	-	-	-	-	-	-	-	-	-
Refundable property taxes and other	-	-	-	-	-	-	28,330	(25,827)	4,353
Prepaid expenses	3,462	571	-	3,500	583	5,000	2,183	-	30,201
Total current assets	(6,006)	22,796	106,467	25,011	20,358	5,000	234,900	(25,827)	909,886
Restricted cash:									
Replacement reserves	61,687	34,108	161,979	4,439	152,488	-	-	-	1,598,247
Operating reserves	19,600	16,687	66,662	18,013	21,720	-	-	-	332,264
Other reserve	218,684	-	-	-	-	-	-	-	218,684
Tenant security deposits	-	-	14,249	5,920	-	-	-	-	41,954
Cash held for acquisition	-	-	-	-	-	-	1,213,152	-	1,213,152
Due to/from	1,717	(2,194)	5,881	(5,960)	(234)	509,838	(494,564)	-	-
Escrow deposits	-	-	-	-	-	104,750	-	-	104,750
Property and equipment – net	2,769,223	1,646,232	3,804,874	3,666,234	2,535,429	87,412	-	(83,874)	29,180,990
Total assets	\$ 3,064,905	\$ 1,717,629	\$ 4,160,112	\$ 3,713,657	\$ 2,729,761	\$ 707,000	\$ 953,488	\$ (109,701)	\$ 33,599,927
LIABILITIES AND NET DEFICIT									
Current liabilities:									
Accounts payable and accrued expenses	\$ 11,714	\$ 4,051	\$ 17,914	\$ -	\$ 929	\$ -	\$ 88,559	\$ (25,827)	\$ 182,055
Deferred revenue	-	-	-	-	-	-	-	-	8,197
Interest payable – current portion	-	2,236	167,626	4,530	43,364	7,000	1,490	-	248,163
Notes payable – current portion	14,024	11,963	-	1,401,584	13,575	-	20,000	-	1,960,749
Total current liabilities	25,738	18,250	185,540	1,406,114	57,868	7,000	110,049	(25,827)	2,399,164
Tenant security deposits	1,966	3,225	16,172	5,902	3,225	-	-	-	55,061
Interest payable – net of current portion	-	-	-	-	-	-	-	-	990,342
Notes payable – net of current portion	3,290,129	1,805,064	4,458,152	2,495,579	2,926,425	700,000	-	-	32,257,152
Total liabilities	3,317,833	1,826,539	4,659,864	3,907,595	2,987,518	707,000	110,049	(25,827)	35,701,719
Net deficit:									
Without donor restrictions	(252,928)	(108,910)	(499,752)	(193,938)	(257,757)	-	330,287	(83,874)	(2,614,944)
With donor restrictions	-	-	-	-	-	-	513,152	-	513,152
Total net deficit	(252,928)	(108,910)	(499,752)	(193,938)	(257,757)	-	843,439	(83,874)	(2,101,792)
Total liabilities and net deficit	\$ 3,064,905	\$ 1,717,629	\$ 4,160,112	\$ 3,713,657	\$ 2,729,761	\$ 707,000	\$ 953,488	\$ (109,701)	\$ 33,599,927

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULES OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022								
	53 Columbus	966 Oak St.	534 Natoma	23rd St.	151 Duboce	Marty's Place	568-570 Natoma	1353 Folsom	70 Belcher
Support and revenue:									
Rental income	\$ 404,020	\$ 56,898	\$ 80,702	\$ 95,051	\$ 59,246	\$ -	\$ 43,228	\$ 81,693	\$ 94,583
Individual and corporations	-	-	-	-	-	-	-	-	-
Government awards	-	-	-	-	-	-	-	-	-
In-kind contributions	-	-	-	-	-	-	-	-	-
Membership dues	-	-	-	-	-	-	-	-	-
Development income	-	-	-	-	-	-	-	-	-
Interest	181	349	14	1,261	66	-	61	867	859
Other income	19,266	722	174	-	-	-	25	2,400	-
Net assets released from restrictions	-	-	-	-	-	-	-	-	-
Total support and revenue	423,467	57,969	80,890	96,312	59,312	-	43,314	84,960	95,442
Expenses:									
Program services	602,486	72,192	131,864	159,510	78,686	8,831	78,749	108,335	141,907
Supporting services:									
Management and general	11,661	2,936	1,477	4,137	1,182	-	1,477	887	1,477
Fundraising	-	-	-	-	-	-	-	-	-
Total expenses	614,147	75,128	133,341	163,647	79,868	8,831	80,226	109,222	143,384
Change in net assets	(190,680)	(17,159)	(52,451)	(67,335)	(20,556)	(8,831)	(36,912)	(24,262)	(47,942)
Net assets, beginning of year	(1,164,161)	203,135	(80,762)	(70,207)	(130,044)	8,831	(85,672)	(229,192)	(252,928)
Distributions	-	-	-	-	-	-	-	-	-
Net assets, end of year	\$ (1,354,841)	\$ 185,976	\$ (133,213)	\$ (137,542)	\$ (150,600)	\$ -	\$ (122,584)	\$ (253,454)	\$ (300,870)

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULES OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022								
	1684 Grove	308 Turk	2840 Folsom	4042 Fulton	285 Turk	1130 Filbert	Core	Eliminations	Total
Support and revenue:									
Rental income	\$ 72,150	\$ 245,574	\$ 162,224	\$ 77,277	\$ 530,187	\$ 80,496	\$ -	\$ -	\$ 2,083,329
Individual and corporations	-	-	-	-	-	-	837,894	-	837,894
Government awards	-	-	-	-	-	-	387,978	-	387,978
In-kind contributions	-	-	-	-	-	-	24,164	-	24,164
Membership dues	-	-	-	-	-	-	1,678	-	1,678
Development income	-	-	-	-	-	-	284,345	(284,345)	-
Interest	237	24	251	1,089	2,217	33	16	-	7,525
Other income	-	276	-	4,500	1,445	439	88,700	(84,835)	33,112
Net assets released from restrictions	-	-	-	-	-	-	-	-	-
Total support and revenue	72,387	245,874	162,475	82,866	533,849	80,968	1,624,775	(369,180)	3,375,680
Expenses:									
Program services	77,692	323,518	179,150	150,150	970,644	225,182	633,492	(84,837)	3,857,551
Supporting services:									
Management and general	887	11,370	1,773	1,477	7,385	623	59,254	-	108,003
Fundraising	-	-	-	-	-	-	10,559	-	10,559
Total expenses	78,579	334,888	180,923	151,627	978,029	225,805	703,305	(84,837)	3,976,113
Change in net assets	(6,192)	(89,014)	(18,448)	(68,761)	(444,180)	(144,837)	921,470	(284,343)	(600,433)
Net assets, beginning of year	(108,910)	(499,752)	(193,938)	(257,757)	-	-	843,439	(83,874)	(2,101,792)
Distributions	-	-	(11,115)	-	-	-	11,115	-	-
Net assets, end of year	\$ (115,102)	\$ (588,766)	\$ (223,501)	\$ (326,518)	\$ (444,180)	\$ (144,837)	\$ 1,776,024	\$ (368,217)	\$ (2,702,225)

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULES OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2021							
	<i>53 Columbus</i>	<i>966 Oak St.</i>	<i>534 Natoma</i>	<i>23rd St.</i>	<i>151 Duboce</i>	<i>Marty's Place</i>	<i>568-570 Natoma</i>	<i>1353 Folsom</i>
Support and revenue:								
Rental income	\$ 394,678	\$ 75,745	\$ 63,885	\$ 95,219	\$ 72,682	\$ 15,317	\$ 53,753	\$ 84,287
Individual and corporations	-	-	-	-	-	-	-	-
Government awards	-	-	-	-	-	-	-	-
In-kind contributions	-	-	-	-	-	-	-	-
Development income	-	-	-	-	-	-	-	-
Membership dues	-	-	-	-	-	-	-	-
Interest	42	28	14	186	42	8	12	74
Other income	18,039	700	-	-	-	(44,897)	-	2,400
Net assets released from restrictions	-	-	-	-	-	-	-	-
Total support and revenue	412,759	76,473	63,899	95,405	72,724	(29,572)	53,765	86,761
Expenses:								
Program services	609,803	(17,424)	127,220	137,604	85,418	100,495	58,237	102,462
Supporting services:								
Management and general	3,505	2,179	834	3,336	668	1,338	831	501
Fundraising	-	-	-	-	-	-	-	-
Total expenses	613,308	(15,245)	128,054	140,940	86,086	101,833	59,068	102,963
Change in net assets	(200,549)	91,718	(64,155)	(45,535)	(13,362)	(131,405)	(5,303)	(16,202)
Net assets, beginning of year	(963,612)	111,417	(16,607)	(24,672)	(116,682)	140,236	(80,369)	(212,990)
Net assets, end of year	\$ (1,164,161)	\$ 203,135	\$ (80,762)	\$ (70,207)	\$ (130,044)	\$ 8,831	\$ (85,672)	\$ (229,192)

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULES OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2021							
	70 Belcher	1684 Grove	308 Turk	2840 Folsom	4042 Fulton	Core	Eliminations	Total
Support and revenue:								
Rental income	\$ 80,744	\$ 76,440	\$ 214,380	\$ 116,919	\$ 85,622	\$ -	\$ -	\$ 1,429,671
Individual and corporations	-	-	-	-	-	745,098	-	745,098
Government awards	-	-	-	-	-	188,395	-	188,395
In-kind contributions	-	-	-	-	-	17,333	-	17,333
Development income	-	-	-	-	-	83,874	(83,874)	-
Membership dues	-	-	-	-	-	1,712	-	1,712
Interest	91	25	22	16	157	54	-	771
Other income	61	-	-	-	4,500	213,777	(121,560)	73,020
Net assets released from restrictions	-	-	-	-	-	-	-	-
Total support and revenue	80,896	76,465	214,402	116,935	90,279	1,250,243	(205,434)	2,456,000
Expenses:								
Program services	70,826	86,271	304,924	167,241	145,965	230,311	(121,560)	2,087,793
Supporting services:								
Management and general	834	501	8,879	1,001	834	236,381	-	261,622
Fundraising	-	-	-	-	-	14,262	-	14,262
Total expenses	71,660	86,772	313,803	168,242	146,799	480,954	(121,560)	2,363,677
Change in net assets	9,236	(10,307)	(99,401)	(51,307)	(56,520)	769,289	(83,874)	92,323
Net assets, beginning of year	(262,164)	(98,603)	(400,351)	(142,631)	(201,237)	74,150	-	(2,194,115)
Net assets, end of year	\$ (252,928)	\$ (108,910)	\$ (499,752)	\$ (193,938)	\$ (257,757)	\$ 843,439	\$ (83,874)	\$ (2,101,792)

**SUPPLEMENTARY INFORMATION REQUIRED BY THE
MAYOR'S OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT**

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

COMBINING SCHEDULES OF OPERATING REVENUES

YEAR ENDED DECEMBER 31, 2022

	53 Columbus	966 Oak St.	534 Natoma	2976 23rd St.	151 Duboce	568-570 Natoma	1353 Folsom	70 Belcher	1684 Grove	308 Turk	2840 Folsom	4042 Fulton
Rental income:												
5120	\$ 404,020	\$ 96,966	\$ 92,722	\$ 151,028	\$ 59,246	\$ 72,529	\$ 81,693	\$ 94,583	\$ 76,314	\$ 254,010	\$ 162,224	\$ 85,367
5121	-	-	-	-	-	-	-	-	-	-	-	-
5140	-	-	-	-	-	-	-	-	-	-	-	-
	Total rent revenue											
	404,020	96,966	92,722	151,028	59,246	72,529	81,693	94,583	76,314	254,010	162,224	85,367
Vacancies												
5220	-	(40,068)	(12,020)	(55,977)	-	(29,301)	-	-	(4,164)	(8,436)	-	(8,090)
5240	-	-	-	-	-	-	-	-	-	-	-	-
	Total vacancies											
	-	(40,068)	(12,020)	(55,977)	-	(29,301)	-	-	(4,164)	(8,436)	-	(8,090)
	Net rental revenue: (rent revenue less vacancies)											
	404,020	56,898	80,702	95,051	59,246	43,228	81,693	94,583	72,150	245,574	162,224	77,277
Other revenue:												
5170	Rent revenue – garage and parking											
5190	-	-	-	-	-	-	-	-	-	-	-	-
5300	Supportive services income											
5400	Financial revenue – project operations											
	(from operating account only)											
	48	-	-	41	-	-	-	451	-	-	17	-
5400	Financial revenue – project operations											
	(from all other accounts)											
	133	349	14	1,220	66	61	867	408	237	24	234	1,089
5910	Laundry and vending revenue											
5920	Tenant charges											
5990	Miscellaneous revenue											
	19,266	722	174	-	-	25	2,400	-	-	276	-	4,500
	Total other revenue											
	19,447	1,071	188	1,261	66	86	3,267	859	237	300	251	5,589
Total revenue												
	\$ 423,467	\$ 57,969	\$ 80,890	\$ 96,312	\$ 59,312	\$ 43,314	\$ 84,960	\$ 95,442	\$ 72,387	\$ 245,874	\$ 162,475	\$ 82,866

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

COMBINING SCHEDULES OF OPERATING EXPENSES

YEAR ENDED DECEMBER 31, 2022

		568-570													
		53 Columbus	966 Oak St.	534 Natoma	23rd St.	151 Duboce	Marty's Place	Natoma	1353 Folsom	70 Belcher	1684 Grove	308 Turk	2840 Folsom	4042 Fulton	
Management fees:															
6320	Management fee	\$ 14,008	\$ -	\$ 4,745	7,126	\$ 3,713	\$ -	\$ 4,526	\$ 2,715	\$ 4,526	\$ 2,716	\$ 17,485	\$ -	\$ 4,550	
	"Above the line" asset management fee	18,000	5,320	5,713	(7,126)	5,109	-	5,507	2,860	4,769	2,861	19,847	5,924	5,507	
	Total management expenses	32,008	5,320	10,458	-	8,822	-	10,033	5,575	9,295	5,577	37,332	5,924	10,057	
Salaries and benefits:															
6310	Office salaries	16,502	-	-	-	-	-	1,500	-	-	-	-	-	-	
6330	Manager salaries	-	-	-	-	-	-	-	-	-	-	11,694	-	-	
6723	Employee benefits: health insurance and disability insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Employee benefits: retirement and other salary/benefit expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	
6331	Administrative rent free unit	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Total salaries/benefit expenses	16,502	-	-	-	-	-	1,500	-	-	-	11,694	-	-	
Administration:															
6210	Advertising and marketing	-	-	1,500	5,650	1,150	-	300	-	-	-	-	6,000	5,700	
6311	Office expense	3,035	-	285	3,096	157	-	172	147	177	147	3,539	-	159	
6312	Office rent	-	-	-	-	-	-	-	-	-	-	-	-	-	
6340	Legal expense – property	18,000	-	-	3,780	1,920	-	3,508	-	-	-	-	-	-	
6350	Audit expense	1,988	927	473	1,325	379	-	473	284	473	284	1,893	568	473	
6351	Bookkeeping/accounting services	9,673	2,009	1,004	2,812	803	-	1,004	603	1,004	603	9,477	1,205	1,004	
6370	Bad debts	-	-	-	-	-	-	-	-	-	-	-	-	-	
6390	Miscellaneous administration expenses	56	881	268	100	286	8,831	1,146	446	376	162	4,479	3,040	3,842	
	Total administration expenses	32,752	3,817	3,530	16,763	4,695	8,831	6,603	1,480	2,030	1,196	19,388	10,813	11,178	
Utilities:															
6450	Electricity	23,951	4,108	3,370	10,701	352	-	115	-	-	50	6,849	123	1,201	
6451	Water	40,193	3,357	9,694	4,342	3,376	-	3,228	9,945	5,226	4,546	18,121	5,978	5,441	
6452	Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	
6453	Sewer	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Total utilities expenses	64,144	7,465	13,064	15,043	3,728	-	3,343	9,945	5,226	4,596	24,970	6,101	6,642	
Taxes and licenses:															
6710	Real estate taxes	5,489	37	1,712	276	10,089	-	5,312	6,837	6,789	948	3,560	9,292	938	
6711	Payroll taxes	-	-	-	-	-	-	-	-	-	-	1,200	-	-	
6790	Miscellaneous taxes, licenses, and permits	156	-	118	-	117	-	325	97	187	96	419	119	120	
	Total taxes and licenses expenses	5,645	37	1,830	276	10,206	-	5,637	6,934	6,976	1,044	5,179	9,411	1,058	
Insurance:															
6720	Property and liability insurance	13,694	4,993	2,969	5,631	3,079	-	2,275	2,243	2,530	-	9,557	2,707	5,047	
6721	Fidelity bond insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	
6722	Workers' compensation	-	-	-	-	-	-	-	-	-	-	323	-	-	
6724	Director and officers liabilities insurance	1,317	-	-	-	-	-	-	-	-	-	-	-	-	
	Total insurance expenses	15,011	4,993	2,969	5,631	3,079	-	2,275	2,243	2,530	-	9,880	2,707	5,047	

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

COMBINING SCHEDULES OF OPERATING EXPENSES

YEAR ENDED DECEMBER 31, 2022

	568-570												
	53 Columbus	966 Oak St.	534 Natoma	23rd St.	151 Duboce	Marty's Place	Natoma	1353 Folsom	70 Belcher	1684 Grove	308 Turk	2840 Folsom	4042 Fulton
Maintenance and repairs:													
6510 Payroll	-	-	-	-	-	-	-	-	-	-	-	-	-
6515 Supplies	22	-	31	196	113	-	1,060	45	10	136	-	1,659	847
6520 Contracts	36,189	13,676	3,250	34,497	2,590	-	23,922	10,694	8,566	44,763	31,302	8,399	6,437
6525 Garbage and trash removal	10,029	787	1,681	1,692	3,005	-	2,917	1,698	1,775	1,226	13,588	3,234	2,340
6530 Security payroll/contract	-	-	1,090	-	-	-	-	-	-	-	-	-	-
6546 HVAC repairs and maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-
6570 Vehicle and maintenance equipment operation and repairs	-	-	-	-	-	-	-	-	-	-	-	-	-
6590 Miscellaneous operating and maintenance expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Total maintenance and repairs expenses	46,240	14,463	6,052	36,385	5,708	-	27,899	12,437	10,351	46,125	44,890	13,292	9,624
6900 Supportive services	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital and non-capital expenditures to be reimbursed from replacement reserve	(25,018)	(15,455)	-	(32,910)	-	-	(6,034)	-	-	(34,233)	(7,755)	(6,652)	(5,700)
Total operating expenses	187,284	20,640	37,903	41,188	36,238	8,831	51,256	38,614	36,408	24,305	145,578	41,596	37,906
Financial expenses:													
6820 Interest on first mortgage (or bonds) payable	190,927	41,643	26,902	69,624	20,175	-	10,448	36,173	46,827	28,447	107,139	70,367	56,295
6825 Interest on other mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-
6830 Interest on notes payable (long term)	-	-	-	-	-	-	-	-	-	-	-	-	-
6840 Interest on notes payable (short term)	-	-	-	-	-	-	-	-	-	-	-	-	-
6850 Mortgage insurance premium/service charge	-	-	-	-	-	-	-	-	-	-	-	-	-
6890 Miscellaneous financial expenses	-	-	1,500	-	-	-	-	-	-	-	-	-	-
Total financial expenses	190,927	41,643	28,402	69,624	20,175	-	10,448	36,173	46,827	28,447	107,139	70,367	56,295
6000 Total cost of operations before depreciation and amortization	378,211	62,283	66,305	110,812	56,413	8,831	61,704	74,787	83,235	52,752	252,717	111,963	94,201
5060 Operating profit (loss)	45,256	(4,314)	14,585	(14,500)	2,899	(8,831)	(18,390)	10,173	12,207	19,635	(6,843)	50,512	(11,335)
Depreciation and amortization expense:													
6600 Depreciation expense	210,918	10,566	67,036	52,835	23,455	-	12,488	34,435	60,149	25,827	75,816	68,960	51,726
6610 Amortization expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit (loss) after depreciation and amortization	(165,662)	(14,880)	(52,451)	(67,335)	(20,556)	(8,831)	(30,878)	(24,262)	(47,942)	(6,192)	(82,659)	(18,448)	(63,061)
Net entity expenses:													
7190 Developer fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Total net entity expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
3250 Change in total net assets from operations – net income (net loss)	(165,662)	(14,880)	(52,451)	(67,335)	(20,556)	(8,831)	(30,878)	(24,262)	(47,942)	(6,192)	(82,659)	(18,448)	(63,061)
Capital contributions and distributions:													
Contribution from affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital distribution	-	-	-	-	-	-	-	-	-	-	-	-	-
3250 Total change in net assets	\$ (165,662)	\$ (14,880)	\$ (52,451)	\$ (67,335)	\$ (20,556)	\$ (8,831)	\$ (30,878)	\$ (24,262)	\$ (47,942)	\$ (6,192)	\$ (82,659)	\$ (18,448)	\$ (63,061)

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

COMBINING SCHEDULES OF EXCESS/DISTRIBUTABLE CASH

YEAR ENDED DECEMBER 31, 2022

	<i>53 Columbus</i>	<i>966 Oak St.</i>	<i>534 Natoma</i>	<i>2976 23rd St.</i>	<i>151 Duboce</i>	<i>568-570 Natoma</i>
Operating income:						
Total income	\$ 423,467	\$ 57,969	\$ 80,890	\$ 96,312	\$ 59,312	\$ 43,314
Interest earned on reserves net of bank fees	(133)	(349)	(14)	(1,220)	(66)	(61)
Adjusted operating income	423,334	57,620	80,876	95,092	59,246	43,253
Operating expenses	(187,284)	(20,640)	(37,903)	(41,188)	(36,238)	(51,256)
Adjusted net income	236,050	36,980	42,973	53,904	23,008	(8,003)
Other activity:						
Mandatory debt service	(177,500)	(48,308)	(37,482)	(93,946)	(27,558)	(17,255)
Required deposits to replacement reserve	(34,016)	(4,000)	(2,000)	(4,900)	(1,600)	(2,000)
Deposits to operating reserve	-	-	(14,000)	-	(401)	-
Withdrawals from operating reserve	-	-	83	-	-	20,584
Excess/distributable cash (deficit)	\$ 24,534	\$ (15,328)	\$ (10,426)	\$ (44,942)	\$ (6,551)	\$ (6,674)
Uses of excess/ distributable cash :						
Developer fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating reserve replenishment	-	-	-	-	-	-
Replacement reserve (if bal is less than 1.5 x initial amount)	12,267	-	-	-	-	-
Owner distribution	-	-	-	-	-	-
MOHCD residual receipt due for loan repayment	12,267	-	-	-	-	-
Total uses	\$ 24,534	\$ -	\$ -	\$ -	\$ -	\$ -

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

COMBINING SCHEDULES OF EXCESS/DISTRIBUTABLE CASH

YEAR ENDED DECEMBER 31, 2022

	<i>1353 Folsom</i>	<i>70 Belcher</i>	<i>1684 Grove</i>	<i>308 Turk</i>	<i>2840 Folsom</i>	<i>4042 Fulton</i>
Operating income:						
Total income	\$ 84,960	\$ 95,442	\$ 72,387	\$ 245,874	\$ 162,475	\$ 82,866
Interest earned on reserves net of bank fees	(867)	(408)	(237)	(24)	(234)	(1,089)
Adjusted operating income	84,093	95,034	72,150	245,850	162,241	81,777
Operating expenses	(38,614)	(36,408)	(24,305)	(145,578)	(41,596)	(37,906)
Adjusted net income	45,479	58,626	47,845	100,272	120,645	43,871
Other activity:						
Mandatory debt service	(38,432)	(55,044)	(38,431)	(140,252)	(79,699)	(57,597)
Required deposits to replacement reserve	(1,200)	(2,000)	(1,200)	(7,000)	(2,400)	(2,000)
Deposits to operating reserve	(8,179)	-	(611)	(13,896)	(2,000)	(1,018)
Withdrawals from operating reserve	-	-	-	-	-	-
Excess/distributable cash (deficit)	\$ (2,332)	\$ 1,582	\$ 7,603	\$ (60,876)	\$ 36,546	\$ (16,744)
Uses of excess/ distributable cash :						
Developer fee	\$ -	\$ -	\$ 4,500	\$ -	\$ 5,220	\$ -
Operating reserve replenishment	-	1,582	207	-	9,719	-
Replacement reserve (if bal is less than 1.5 x initial amount)	-	-	965	-	7,202	-
Owner distribution	-	-	-	-	-	-
MOHCD residual receipt due for loan repayment	-	-	1,931	-	14,405	-
Total uses	\$ -	\$ 1,582	\$ 7,603	\$ -	\$ 36,546	\$ -

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

COMBINING SCHEDULES OF REPLACEMENT, OPERATING, AND OTHER RESERVES ACTIVITY

YEAR ENDED DECEMBER 31, 2022

	53 Columbus	966 Oak St.	534 Natoma	2976 23rd St.	151 Duboce	568-570 Natoma	1353 Folsom	70 Belcher	1684 Grove	308 Turk	2840 Folsom	4042 Fulton
Replacement Reserve												
Balance, beginning of year	\$ 558,352	\$ 157,842	\$ 22,646	\$ 211,206	\$ 74,671	\$ 17,896	\$ 140,933	\$ 61,687	\$ 34,108	\$ 161,979	\$ 4,439	\$ 152,488
Annual deposits	34,016	-	2,000	-	1,600	8,034	-	-	2,400	4,680	2,400	2,000
Deposit from 2020 surplus	-	-	-	-	449	-	-	-	4,185	-	22,567	-
Other deposits	-	11,759	-	-	3,930	-	-	-	200	585	1,000	2,000
Bank charges	-	-	-	-	-	(100)	-	-	-	-	(40)	-
Withdrawals	(25,018)	(12,042)	-	(16,540)	-	(20,584)	-	-	(23,561)	(6,355)	(2,000)	(5,700)
Interest earned	109	331	12	1,212	61	26	772	338	145	17	139	952
Balance, end of year	\$ 567,459	\$ 157,890	\$ 24,658	\$ 195,878	\$ 80,711	\$ 5,272	\$ 141,705	\$ 62,025	\$ 17,477	\$ 160,906	\$ 28,505	\$ 151,740
Operating Reserve												
Balance, beginning of year	\$ 117,754	\$ 20,220	\$ 4,109	\$ 7,991	\$ 16,176	\$ 13,378	\$ 9,954	\$ 19,600	\$ 16,687	\$ 66,662	\$ 18,013	\$ 21,720
Annual deposits	-	-	14,000	-	401	-	8,179	-	611	11,580	2,000	1,018
Other deposits	-	-	-	-	-	-	-	-	-	2,316	-	-
Withdrawal	-	(11,759)	(6,357)	(5,000)	-	(6,034)	-	(8,532)	-	-	-	-
Bank charges	-	(100)	-	-	-	-	-	-	-	-	-	-
Interest earned	24	18	2	8	5	35	95	70	92	7	95	137
Balance, end of year	\$ 117,778	\$ 8,379	\$ 11,754	\$ 2,999	\$ 16,582	\$ 7,379	\$ 18,228	\$ 11,138	\$ 17,390	\$ 80,565	\$ 20,108	\$ 22,875



CHARLOTTE SIEW-KUN TAY

CATHY L. HWANG

RITA B. DELA CRUZ

SCOTT K. SMITH

CRISANTO S. FRANCISCO

JOE F. HUIE

SHERMAN G. LEONG

KYLE F. GANLEY

The Board of Directors
San Francisco Community Land Trust and Subsidiaries
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 financial statements of San Francisco Community Land Trust and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 7, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered San Francisco Community Land Trust and Subsidiaries' 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Francisco Community Land Trust and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of San Francisco Community Land Trust and Subsidiaries' 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 San Francisco Community Land Trust and Subsidiaries' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Lindquist, von Husen and Joyce LLP

July 7, 2023