

**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, 2023 AND 2022

**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, 2023 AND 2022

TABLE OF CONTENTS

	Page
Independent Auditor’s Report.....	1
Consolidated Statements of Financial Position.....	4
Consolidated Statements of Activities	5
Consolidated Statements of Functional Expenses.....	6
Consolidated Statements of Cash Flows	8
Notes to Financial Statements.....	10
Supplementary Information	29
Consolidating Schedules of Financial Position.....	30
Consolidating Schedules of Activities	35
Supplementary Information Required by the City and County of San Francisco Mayor’s Office of Housing and Community Development	38
Combining Schedule of Operating Revenues	39
Combining Schedule of Operating Expenses.....	41
Combining Schedule of Operating Revenue for TNFF Properties	42
Combining Schedule of Operating Expenses for TNFF Properties	43
Combining Schedule of Excess/Distributable Cash.....	45
Combining Schedule of Excess/Distributable Cash for TNFF Properties	46
Combining Schedule of Replacement, Operating, and Other Reserves Activity.....	47
Combining Schedule of Replacement, Operating, and Other Reserves Activity for TNFF Properties.....	48
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>	49
Schedule of Findings and Recommendations	51

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LINDQUIST
VON HUSEN
& JOYCE llp

Certified Public Accountants

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

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

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, 2023 and 2022, 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, 2023 and 2022, 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 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 current expected credit losses. 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' 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 30 through 48, 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 1, 2024 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 1, 2024

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Current assets:		
Cash	\$ 19,874,236	\$ 530,814
Cash held in trust by others	559,249	529,254
Receivables:		
Rent – net	16,151	59,836
Contributions	60,546	187,280
Other	108,006	81,054
Prepaid expenses	116,410	54,648
Total current assets	20,734,598	1,442,886
Restricted cash (Note 3):		
Replacement reserves	2,696,926	1,594,226
Operating reserves	482,388	335,175
Other reserves	436,836	531,885
Tenant security deposits	67,388	54,546
Deposits	2,503	2,503
Note and interest receivable (Note 3)	301,333	-
Property and equipment – net (Note 4)	40,308,052	40,120,989
Total assets	\$ 65,030,024	\$ 44,082,210
LIABILITIES AND NET ASSETS (DEFICIT)		
Current liabilities:		
Accounts payable and accrued expenses	\$ 259,500	\$ 170,196
Deferred revenue	51,055	56,151
Interest payable – current portion (Note 5)	85,425	137,265
Notes payable – current portion (Note 5)	373,758	342,206
Notes payable - current portion expecting to be refinanced (Note 5)	-	1,382,142
Total current liabilities	769,738	2,087,960
Tenant security deposits	159,984	129,113
Interest payable – net of current portion (Note 5)	1,111,431	1,248,080
Notes payable – net of current portion (Note 5):		
Mortgage loans	20,058,538	21,086,359
Contingent interest loans	21,919,387	18,203,495
Deferred interest loans	4,347,538	4,029,428
Total liabilities	48,366,616	46,784,435
Net assets (deficit):		
Without donor restrictions	16,663,408	(2,702,225)
Total net assets (deficit)	16,663,408	(2,702,225)
Total liabilities and net assets (deficit)	\$ 65,030,024	\$ 44,082,210

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, 2023 AND 2022

	2023			2022		
	<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	\$ 2,372,468	\$ -	\$ 2,372,468	\$ 2,083,329	\$ -	\$ 2,083,329
Contributions:						
Individual and corporations	20,626,265	-	20,626,265	758,814	79,080	837,894
Government awards	331,823	-	331,823	387,978	-	387,978
In-kind contributions	11,065	-	11,065	24,164	-	24,164
Membership dues	2,366	-	2,366	1,678	-	1,678
Development income	-	-	-	-	-	-
Interest	340,238	-	340,238	7,525	-	7,525
Unrealized gain/(loss) from investment	-	-	-	-	-	-
Other income	220,267	-	220,267	33,112	-	33,112
Net assets released from restrictions (Note 7)	-	-	-	592,232	(592,232)	-
Total support and revenue	23,904,492	-	23,904,492	3,888,832	(513,152)	3,375,680
Expenses:						
Program services	4,136,148	-	4,136,148	3,559,762	-	3,559,762
Supporting services:						
Management and general	366,346	-	366,346	405,792	-	405,792
Fundraising	36,365	-	36,365	10,559	-	10,559
Total expenses	4,538,859	-	4,538,859	3,976,113	-	3,976,113
Change in net assets (deficit)	19,365,633	-	19,365,633	(87,281)	(513,152)	(600,433)
Net assets (deficit), beginning of year	(2,702,225)	-	(2,702,225)	(2,614,944)	513,152	(2,101,792)
Net assets (deficit), end of year	\$ 16,663,408	\$ -	\$ 16,663,408	\$ (2,702,225)	\$ -	\$ (2,702,225)

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, 2023 AND 2022

	2023					
	Program Services			Supporting Services		Total
	Property Operations	Core Programs	Subtotal	Management and General	Fundraising	
Salaries and wages	\$ 12,000	\$ 367,515	\$ 379,515	\$ 133,716	\$ 27,518	\$ 540,749
Employee benefits	499	49,228	49,727	20,884	3,808	74,419
Payroll taxes	1,454	30,063	31,517	11,059	2,241	44,817
Legal fees	29,448	-	29,448	4,000	-	33,448
Accounting fees	51	-	51	91,331	-	91,382
Other fees	147,335	-	147,335	65,585	-	212,920
Advertising	4,700	-	4,700	-	-	4,700
Maintenance and repairs	422,419	-	422,419	-	-	422,419
Conference and training	-	-	-	16,385	-	16,385
Insurance	110,361	-	110,361	-	-	110,361
Office expenses	29,542	32,782	62,324	8,230	1,525	72,079
Property taxes	96,517	-	96,517	-	-	96,517
Occupancy	-	18,605	18,605	5,151	1,081	24,837
Utilities	339,440	-	339,440	-	-	339,440
Miscellaneous	56,208	3,065	59,273	1,165	192	60,630
Subgrants and supports	-	95,000	95,000	-	-	95,000
In-kind services	831	-	831	8,251	-	9,082
Interest	1,180,006	-	1,180,006	589	-	1,180,595
Total expenses before depreciation and amortization	2,430,811	596,258	3,027,069	366,346	36,365	3,429,780
Amortization of permanent financing fees	58,006	-	58,006	-	-	58,006
Depreciation and amortization	1,051,073	-	1,051,073	-	-	1,051,073
Total expenses	\$ 3,539,890	\$ 596,258	\$ 4,136,148	\$ 366,346	\$ 36,365	\$ 4,538,859

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, 2023 AND 2022

	2022					
	Program Services			Supporting Services		Total
	Property Operations	Core Programs	Subtotal	Management and General	Fundraising	
Salaries and wages	\$ 37,546	\$ 205,024	\$ 242,570	\$ 228,628	\$ 7,544	\$ 478,742
Employee benefits	18,449	20,563	39,012	22,930	757	62,699
Payroll taxes	2,110	17,479	19,589	19,492	643	39,724
Legal fees	10,957	-	10,957	9,765	-	20,722
Accounting fees	48,749	-	48,749	59,254	-	108,003
Other fees	111,071	-	111,071	11,966	-	123,037
Advertising	22,520	-	22,520	-	-	22,520
Maintenance and repairs	337,681	-	337,681	440	-	338,121
Conference and training	-	-	-	3,648	-	3,648
Insurance	63,253	1,241	64,494	1,384	46	65,924
Office expenses	22,610	8,993	31,603	10,028	331	41,962
Property taxes	167,662	-	167,662	-	-	167,662
Occupancy	-	11,389	11,389	12,700	419	24,508
Utilities	243,122	-	243,122	-	-	243,122
Miscellaneous	4,830	14,813	19,643	16,518	545	36,706
Subgrants and support	8,831	7,452	16,283	8,309	274	24,866
Interest	1,181,200	-	1,181,200	730	-	1,181,930
Total expenses before depreciation and amortization	2,280,591	286,954	2,567,545	405,792	10,559	2,983,896
Amortization of permanent financing fees	29,460	-	29,460	-	-	29,460
Depreciation and amortization	962,757	-	962,757	-	-	962,757
Total expenses	\$ 3,272,808	\$ 286,954	\$ 3,559,762	\$ 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 CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 19,365,633	\$ (600,433)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,051,073	962,757
Amortization of permanent financing fees	58,006	29,460
Loss from disposal of property and equipment	15,467	-
(Increase) decrease in assets:		
Rent receivable	43,685	96,151
Grant contributions	126,734	(141,280)
Refundable property taxes and others	(26,952)	(76,701)
Prepaid expenses	(61,762)	(26,950)
Interest receivable	(1,333)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	89,304	(11,859)
Deferred revenue	(5,096)	47,954
Tenant security deposits	30,871	74,052
Interest payable	(188,489)	148,907
Total adjustments	<u>1,131,508</u>	<u>1,102,491</u>
Net cash provided by operating activities	<u>20,497,141</u>	<u>502,058</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,253,603)	(989,863)
Note receivable disbursed	(300,000)	-
Net cash used in investing activities	<u>(1,553,603)</u>	<u>(989,863)</u>
Cash flows from financing activities:		
Proceeds from notes payable	2,657,535	680,315
Repayment of notes payable	(896,174)	(624,483)
Payments of permanent financing fees	(163,776)	(174,523)
Net cash provided by (used in) financing activities	<u>1,597,585</u>	<u>(118,691)</u>
Increase in cash and restricted cash	20,541,123	(606,496)
Cash and restricted cash, beginning of year	<u>3,575,900</u>	<u>4,182,396</u>
Cash and restricted cash, end of year	<u>\$ 24,117,023</u>	<u>\$ 3,575,900</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, 2023 AND 2022

	2023	2022
Cash	\$ 19,874,236	\$ 530,814
Cash held in trust by others	559,249	529,254
Restricted cash:		
Replacement reserves	2,696,926	1,594,226
Operating reserves	482,388	335,175
Other reserve	436,836	531,885
Tenant security deposits	67,388	54,546
Total cash and restricted cash shown in the consolidated statements of cash flows	<u>\$ 24,117,023</u>	<u>\$ 3,575,900</u>
Supplementary information:		
Cash paid for interest	<u>\$ 1,380,979</u>	<u>\$ 936,563</u>
Non-cash investing and financing activities:		
Asset acquired by assuming liabilities	<u>\$ -</u>	<u>\$ 10,917,027</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 FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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.

During 2023 and 2022, SFCLT formed various limited liability companies, which SFCLT is the sole member, to own and operate the following affordable housing projects:

<i>Formation Year</i>	<i>Legal Entity</i>	<i>Property</i>	<i>Number of Residential Units</i>	<i>Number of Commerical Units</i>
February 2022	1130 Filbert LLC	1130 Filbert Street	4	-
February 2022	285 Turk Community Holding LLC	285 Turk Street	40	2
February 2023	SFCLT 23rd St. Holdings LLC	2976 23rd Street	14	-
February 2023	SFCLT TNFF Holdings LLC	2840 Folsom Street	6	-
		308 Turk Street	20	-
		568 - 570 Natoma Street	5	-
		4042 Fulton Street	5	-
March 2023	SFCLT Folsom Holdings 1 LLC	1353 Folsom Street	3	-
March 2023	SFCLT Duboce Holdings LLC	151 Duboce Street	4	-
March 2023	SFCLT Grove Holdings LLC	1684 - 1688 Grove Street	3	-
March 2023	SFCLT Natoma Holdings LLC	534 Natoma Street	5	-
March 2023	SFCLT Belcher Holdings LLC	70 - 72 Belcher Street	5	-
March 2023	SFCLT Oak Holdings LLC	966 Oak Street	10	-

SFCLT committed to make capital contributions to these limited liability companies range from \$100 to \$1,000 in accordance with the respective operating agreement.

SFCLT also 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 above-mentioned fourteen (14) properties are collectively named "the Properties". The “Core” activities of SFCLT are not directly related to any of the fourteen (14) 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.

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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 seven limited liability companies whereas SFCLT is the sole member of these seven limited liability companies. All material intercompany balances and transactions have been eliminated in the consolidated financial statements.

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 consolidated 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 and subsidiaries report information regarding their consolidated 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 and subsidiaries had no donor-imposed restrictions that are perpetual in nature at December 31, 2023 and 2022.

Revenue Recognition

Rental Income:

Rental income is shown at its maximum gross potential. Vacancy loss and operating lease receivable deemed uncollectible are shown as reductions of rental income. Rental units occupied by employees are included in rental income and expenses of operations.

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.

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

SFCLT and subsidiaries account for the existing leases with residential and commercial tenants of properties as operating leases.

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*.

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, 2023 and 2022, contributions of approximately \$-0- and \$612,000, 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. SFCLT estimated that related project costs incurred in 2023 and 2022 were more than developer fees recognized during the year. 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, which increased the affordable housing property costs by approximately \$363,000 in 2023. The affordable housing property costs have been reduced by developer fees, amounting to \$170,568 and \$284,345 in 2023 and 2022, 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 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, 2023 AND 2022

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 and subsidiaries generally record 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 \$11,065 and \$24,164 during 2023 and 2022, respectively.

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 \$4,294,000 as of December 31, 2023. SFCLT and subsidiaries have 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 and subsidiaries reassess the collectability during the lease term and elect to record a general reserve for operating lease receivable when collection is uncertain based on a review of outstanding receivables, historical collection information, and existing economic conditions. The general reserve balance was \$-0- and \$8,617 as of December 31, 2023 and 2022, respectively.

Grants and contracts receivable within one (1) year are recorded at net realizable value. Grants receivable expected to be received in future years are recorded at present value of their estimated cash flows. No allowance for uncollectible accounts has been provided since the receivables are all deemed to be collectible.

Pledges receivable are recorded as support when pledges are unconditional. All pledges are valued at the estimated fair present value at June 30, 2023 and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been provided.

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

New Accounting Standard on Allowance for Credit Losses

New accounting standard on current expected credit losses, required by accounting principles generally accepted in the United States of America, significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the consolidated financial statements with useful information in analyzing an organization's exposure to credit risk and the measurement of credit losses. Neither contributions receivable nor operating lease receivable are subject to the standard. Financial assets held by SFCLT and subsidiaries that could subject to the standard are certain program income receivables

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

Except for the operating lease and contribution receivables, SFCLT and subsidiaries records an allowance for credit losses based on a review of other outstanding receivables, historical collections information, and existing economic conditions. The allowance for credit losses was \$-0- as of December 31, 2023 and 2022.

Property and Equipment

Property and equipment is stated at cost of acquisition or construction, or 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 and subsidiaries incur costs during the rehabilitation 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 the financing of each project under consideration, as well as construction costs. SFCLT and subsidiaries record these costs as assets (development in progress) and the costs are not depreciated until the completion of each rehabilitation.

The useful lives of the assets are estimated as follows:

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

SFCLT and subsidiaries review 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 2023 and 2022.

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Loans

SFCLT and subsidiaries categorize their loans into three categories as follows:

- Mortgage loans generally require monthly payments of principal and interest with the balance due at maturity.
- Deferred interest loans generally bear interest at a stated rate; however, payments are only required annually based on cash flow with the remainder of interest due at maturity.
- 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.

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. Financing costs are reported as a direct deduction from the face amount of the related debt.

Capitalized Interest

SFCLT and subsidiaries capitalized interest incurred during development as a component of property and equipment. For the year ended December 31, 2023 and 2022, SFCLT capitalized interest of \$41,496 and \$20,296, respectively.

Leases

The accounting standard on leases, required by accounting principles generally accepted in the United States of America, requires 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 sheets 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 and subsidiaries account for the existing equipment and ground leases as operating leases. Due to the nominal rent amounts, ROU assets and lease 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 the ROU assets and lease liabilities been followed.

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.

No income tax provision has been included in the consolidated financial statements since limited liability companies are treated as a disregarded entity for federal income tax purposes. The subsidiaries' sole member is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and the related California code sections.

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

SFCLT and subsidiaries believe that they have 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 and subsidiaries' state income tax returns for the years 2019 through 2022 are subject to examination by regulatory agencies, generally for three (3) years and four (4) 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 consolidated statements of activities. The consolidated 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 1, 2024, the date on which the financial statements were available to be issued.

Reclassification

Certain amounts previously reported in the 2022 financial statements were reclassified to conform to the 2023 presentation to comparative purposes.

NOTE 3 – RESTRICTED CASH AND DEPOSITS

Restricted cash and deposits as of December 31, 2023 and 2022 consist of the following:

	2023			2022		
	<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	\$ 1,594,226	\$ 335,175	\$ 531,885	\$ 1,598,247	\$ 332,264	\$ 218,684
Initial funding ⁽¹⁾	1,130,398	130,838	44,400	-	-	316,000
Deposits	36,356	1,005	14,150	57,130	11,580	-
Other deposits	148,329	21,966	-	46,675	28,525	-
Withdrawals	(218,403)	(7,111)	(161,756)	(111,800)	(37,682)	(4,220)
Interest received	6,280	741	8,157	4,114	588	1,421
Bank fees	(260)	(227)	-	(140)	(100)	-
Balance, end of year	\$ 2,696,926	\$ 482,387	\$ 436,836	\$ 1,594,226	\$ 335,175	\$ 531,885

⁽¹⁾ Net of transfers from exiting reserve balances

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

The required initial deposit amounts consist of the following:

	<i>Replacement Reserve</i>	<i>Operating Reserve</i>
1130 Filmore	\$ 157,367	\$ 56,401
1353 Folsom	95,129	16,996
151 Duboce	61,308	14,589
1684 Grove	50,000	15,096
2976 23rd St.	380,606	66,441
53 Columbus	30,000	-
70 Belcher	55,174	21,223
TNFF LLC	1,265,000	140,682
	<u>\$ 2,094,584</u>	<u>\$ 331,428</u>

General Reserve Requirements

Replacement Reserves

SFCLT and subsidiaries are required to maintain reserves for replacement and repair of property and equipment in accordance with loan agreements. Generally, the reserves were initially funded in the amounts as stipulated in the loan agreements. In addition, quarterly deposits must equal to the higher of the amount needed (i) based on the approved capital needs assessment, or (ii) \$400 per unit per year for properties with up to 10 units, or \$350 per unit per year for properties with more than 10 units. SFCLT and subsidiaries 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. If the account balances are below one and a half (1.5) times the original initial deposit amount ("required balance") of each applicable property, SFCLT and subsidiaries shall make additional deposits into the replacement reserve account from the respective property's available annual surplus cash until the required balance is reached.

Due to insufficient cash flow, the reserves were underfunded by approximately \$47,316 and \$21,920 as of December 31, 2023 and 2022, respectively.

Operating Reserves

SFCLT and subsidiaries are required to maintain operating reserves in accordance with the loan agreements. Generally, the reserves were initially funded in the amounts as stipulated in the loan agreements. Thereafter, the reserve of each applicable property is required to be funded by the amount necessary to bring the balance to 25% of the prior year's actual project expenses, including debt services not subject to the availability of surplus cash and required annual reserve deposits. Any withdrawal from the respective property's reserve other than to alleviate certain cash flow shortages requires the lender's written approval.

Due to insufficient cash flow, the reserved were underfunded by approximately \$178,418 and \$69,130 as of December 31, 2023 and 2022, respectively.

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Other Project Specific Reserve Funding Requirements

285 Turk

Capital Asset Reserve

285 Turk 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 commencing March 2023. Any withdrawal from the reserve other than for capital improvements requires the lender's written approval.

Debt Service Reserve

285 Turk 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. Any withdrawals from the debt service reserve are subject to the lender's approval and should be replenished promptly.

2976 23rd Street

Vacancy Reserve

2976 23rd Street is required to fund a vacancy reserve account to cover lost monthly rental income from vacant units due to the ongoing rehabilitation. The reserve is required to be funded in the amount of \$38,532. Once the property is fully leased, the remaining balance from the initial deposit shall be deposited in the operating reserve account.

Management deposited the initial funding into the replacement reserve account and is in the process of transferring the balance to the vacancy reserve account in 2024.

53 Columbus

Replacement Reserve

The reserve is required to be funded by monthly deposits at annual rate of \$20,000, which shall be increased by 2.5% annually commencing January 1, 2010 and may otherwise be adjusted from time to time. The annual deposit requirement was increased to \$34,016 commencing 2022. 53 Columbus is also required to deposit an additional annual replacement reserve deposit of \$12,500 from available annual surplus cash, if any. In addition, 53 Columbus is required to deposit annual residual replacement reserve deposits in an amount equal to fifty percent (50%) of available annual surplus cash, if any. The annual deposit requirement were \$28,260 and \$27,570 for 2023 and 2022, respectively, and management deposited \$34,016 in both 2023 and 2022 according to the annual budget. Withdrawals require the lender's written approval.

Management plans to deposit the 2021 surplus cash distribution of \$10,123 into the replacement reserve in 2024.

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Operating Reserve

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.

70 Belcher

Construction Reserve

70 Belcher 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.

966 Oak

Capital Asset Reserve

966 Oak is required to maintain a capital asset reserve for durable asset replacement and renovation of the property and equipment in accordance with a loan agreement. The reserve shall be funded monthly in the amount of \$342 commencing May 2023. Any withdrawal from the reserve other than for capital improvements requires the lender's written approval.

Management plans to deposit the monthly funding of \$2,736 in 2024 to satisfy the 2023 annual funding requirement.

Core

Cash Held for Acquisition

SFCLT received contributions amounting to \$701,200 for the acquisition of 285 Turk. SFCLT also received loan proceeds from Marlina 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.

TNFF Holding LLC

Vacancy Reserve

TNFF Holding LLC is required to fund a vacancy reserve account to cover lost monthly rental income from vacant units due to the ongoing rehabilitation. The reserve is required to be funded in the amount of \$44,400. Once the property is fully leased, the remaining balance from the initial deposit shall be deposited in the replacement reserve account.

Tenant Security Deposits

SFCLT and subsidiaries are required to hold security deposits in a separate bank account for each property.

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 4 – NOTE RECEIVABLE – RELATED PARTY

In November 2023, as part of the newly created “SFCLT Community Land Trust Solidarity Fund Loan Program, SFCLT lent \$300,000 to Northern California Land Trust, which SFCLT shares a couple of same board members. The note receivable bears a simple interest rate of 4% per year. As of December 31, 2023, note and interest receivable was \$300,000 and \$1,333, respectively. All outstanding note balance, interest receivable, and related origination fee of \$1,000 were due at maturity of May 10, 2024.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 17,379,986	\$ 17,379,985
Buildings and improvements	29,165,994	27,434,496
Furniture, fixtures and equipment	35,473	35,472
Development in progress	554,057	1,049,738
	<u>47,135,510</u>	<u>45,899,691</u>
Less: accumulated depreciation	<u>(6,827,458)</u>	<u>(5,778,702)</u>
Total property and equipment	<u>\$ 40,308,052</u>	<u>\$ 40,120,989</u>

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 6 – NOTES PAYABLE

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

2023										
Project Name	Lender Name	Mortgage/ Contingent Interest/ Deferred	Note Amount	Interest Rate	Monthly Payments	Maturity Date	Principal 12/31/2023	Interest Payable 12/31/2023	Interest Expense (Adjustment)	Notes
1130 Filbert	San Francisco Housing Accelerator Fund	M	\$ 3,409,589	6.35%	Interest Only	Feb-2024	\$ -	\$ -	\$ 135,533	Interest cost capitalized was \$11,753 in 2023. The note was refinanced in October 2023.
	City and County of San Francisco (PASS)	M	858,081	3.87% *	3,519	Nov-2063	858,081	2,769	6,288	
	City and County of San Francisco (PASS)	M	473,424	0.96% *	1,188	Nov-2063	472,841	378	834	
	City and County of San Francisco (SSP)	CI	2,139,714	3.00%	Surplus Cash ^	Nov-2063	2,134,821	-	-	
	City and County of San Francisco (PASS)	D	77,495	0.96% *		Nov-2063	77,495	160	160	
1353 Folsom	First Republic Bank	M	600,000	4.95%	3,203	Feb-2046	538,213	2,220	26,904	
	City and County of San Francisco (SSP)	CI	1,200,003	3.00%	Surplus Cash ^	Jan-2046	1,200,003	3,589	3,589	
151 Duboce	Clearinghouse Community Development Financial Institution	M	390,000	5.75%	2,267	Jan-2025	334,895	1,605	19,731	A balloon principal payment of \$327,236 " is due at maturity. Annual payments from 50% of residual receipts.
	City and County of San Francisco (SSP)	CI	1,194,157	3.00%	Surplus Cash	Dec-2044	1,194,157	-	-	
1684 Grove	First Republic Bank	M	600,000	4.95%	3,203	Feb-2046	517,724	2,136	25,913	
	City and County of San Francisco	CI	1,274,970	3.00%	Surplus Cash ^	Jan-2046	1,274,970	1,931	-	
285 Turk	Marlena Sonn	M	200,000	4.00%	Interest Only	Oct-2026	-	-	5,000	The note was paid in full in October 2023. The note was paid in full in October 2023. Interest only payments until February 2023 Interest only payments until August 2023 Interest only payments until August 2023 Interest only payments until August 2023 Principal and accrued interest due at maturity.
	Solidaire Network, Inc.	M	500,000	4.00%	Interest Only	Oct-2026	-	-	16,667	
	Self-Help Federal Credit Union	M	5,400,000	4.10%	26,093	Aug-2030	5,373,020	18,970	226,742	
	Local Initiatives Support Corporation	M	1,305,000	6.25%	8,035	Aug-2030	1,300,026	6,775	81,521	
	Local Initiatives Support Corporation	M	1,635,000	2.24%	6,241	Aug-2030	1,622,224	3,031	36,585	
	Local Initiatives Support Corporation	M	60,000	6.25%	369	Aug-2030	59,772	311	3,748	
	Small Change	M	149,400	2.00% *	Interest Only	Oct-2030	149,400	747	2,988	
2976 23rd	Silicon Valley Bank (formerly Boston Private Bank & Trust)	M	1,350,000	5.61%	7,829	Jun-2024	-	-	48,970	The note was refinanced in September 2023.
	City and County of San Francisco (PASS)	M	370,272	3.87% *	1,518	Oct-2063	369,949	1,746	4,459	
	City and County of San Francisco (PASS)	M	204,288	0.96% *	512	Oct-2063	203,709	163	608	
	City and County of San Francisco (SSP)	CI	2,888,000	3.00%	Surplus Cash ^	Oct-2063	2,445,286	-	-	
	City and County of San Francisco (PASS)	D	33,440	0.96% *		Oct-2063	33,440	100	100	
53 Columbus	Low Income Investment Fund (LIIF)	M	2,135,000	7.30%	14,792	Aug-2039	1,642,757	10,327	123,420	Annual payments from 50% of residual receipts.
	City and County of San Francisco	D	3,893,228	2.05%	Surplus Cash	Dec-2062	3,893,228	1,106,387	79,811	
534 Natoma	Community Vision Capital & Consulting	M	430,000	5.00%	2,532	Jul-2032	416,575	1,794	21,331	Annual payments from 50% of residual receipts.
	City and County of San Francisco (SSP)	CI	1,875,000	3.00%	Surplus Cash ^	Aug-2049	1,875,000	9,014	10,984	
70 Belcher	City and County of San Francisco (PASS)	M	685,771	5.17%	3,383	Jun-2060	671,381	2,891	40,439	
	City and County of San Francisco (PASS)	M	443,169	1.39%	1,204	Jun-2060	414,897	480	7,246	
	City and County of San Francisco	CI	2,124,210	3.00%	Surplus Cash ^	Jan-2046	2,124,210	-	-	
	City and County of San Francisco (PASS)	D	72,060	1.39% *		Jun-2060	72,060	3,673	1,016	

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

2023

<i>Project Name</i>	<i>Lender Name</i>	<i>Mortgage/ Contingent Interest/ Deferred</i>	<i>Note Amount</i>	<i>Interest Rate</i>	<i>Monthly Payments</i>	<i>Maturity Date</i>	<i>Principal 12/31/2023</i>	<i>Interest Payable 12/31/2023</i>	<i>Interest Expense (Adjustment)</i>	<i>Notes</i>
966 Oak	Self-Help Federal Credit Union	M	1,100,000	6.10%	6,201	Nov-2063	1,100,000	5,778	51,423	Interest only payments until November 2023.
	City and County of San Francisco (PASS)	M	610,399	5.17% *	2,969	Jun-2029	-	-	10,407	The note was refinanced in May 2023.
	City and County of San Francisco (PASS)	M	394,461	1.39% *	1,057	Jun-2029	-	-	1,718	The note was refinanced in May 2023.
	City and County of San Francisco	CI	1,695,000	3.00%	Surplus Cash ^	Jun-2029	-	-	10,800	The note was refinanced in May 2023.
	City and County of San Francisco (PASS)	D	64,140	1.39% *	-	Jun-2029	-	-	419	The note was refinanced in May 2023.
Core	Senior and Disability Action	M	20,000	3.65%	Interest Only	On Demand	20,000	2,950	730	The principal is payable upon demand.
TNFF	City and County of San Francisco (PASS)	M	3,004,197	3.87% *	12,319	Jul-2063	2,974,882	5,121	47,795	
	City and County of San Francisco (PASS)	M	1,657,488	0.96% *	4,158	Jul-2063	1,642,783	699	6,784	
	City and County of San Francisco	CI	13,767,481	3.00%	Surplus Cash ^	Jul-2063	9,670,940	-	-	
	City and County of San Francisco (PASS)	D	271,315	0.96% *	-	Jul-2063	271,315	1,111	1,111	
2840 Folsom (TNFF)	Pigeon Palace, Inc.	M	300,000	2.00%	Interest Only	Oct-2022	-	-	3,000	The note was refinanced to TNFF in June 2023.
	Silicon Valley Bank (formerly Boston Private Bank & Trust)	M	1,200,000	4.52%	6,142	Sept-2022	-	-	24,458	The note was refinanced to TNFF in June 2023.
	City and County of San Francisco (SSP)	CI	2,496,642	3.00%	Surplus Cash ^	Sep-2045	-	-	(6,842)	The note was refinanced to TNFF in June 2023.
308 Turk (TNFF)	Enterprise Community Loan Fund, Inc.	M	2,040,000	5.50%	11,688	Jun-2025	-	-	48,781	⁽¹⁾ Amortized over 30-year. The note was refinanced to TNFF in June 2023.
	City and County of San Francisco (SSP)	CI	2,569,456	3.00%	Surplus Cash ^	Jun-2045	-	-	-	The note was refinanced to TNFF in June 2023.
4042 Fulton (TNFF)	Clearinghouse Community Development Financial Institution	M	815,000	7.75%	4,800	Apr-2027	-	-	43,043	⁽²⁾ The note was refinanced to TNFF in June 2023.
	City and County of San Francisco (SSP)	CI	2,125,000	3.00%	Surplus Cash ^	Mar-2047	-	-	-	The note was refinanced to TNFF in June 2023.
568 Natoma (TNFF)	Silicon Valley Bank (formerly Boston Private Bank & Trust)	M	300,000	3.79%	1,436	Apr-2026	-	-	6,522	The note was refinanced to TNFF in June 2023.
	City and County of San Francisco (SSP)	CI	1,435,000	3.00%	Surplus Cash ^	Apr-2046	-	-	-	The note was refinanced to TNFF in June 2023.
	City and County of San Francisco (SSP)	CI	440,000	3.00%	Surplus Cash ^	Jun-2048	-	-	-	The note was refinanced to TNFF in June 2023.
Total							46,950,054	1,196,856	<u>\$ 1,180,736</u>	
Less: unamortized permanent loan costs							(250,833)	-		
Notes and interest payable – net							46,699,221	1,196,856		
Less: current portion							(373,758)	(85,425)		
Long-term portion							<u>\$ 46,325,463</u>	<u>\$ 1,111,431</u>		

⁽¹⁾ A payment moratorium was in place from December 2020 to May 2021 due to COVID-19, during which time interest continued to accrue and was payable at the maturity.

⁽²⁾ A payment moratorium was in place from April to June 2020 due to COVID-19, during which time interest continued to accrue and was payable at the maturity.

	<i>Principal</i>			<i>Interest Payable</i>		
	<i>Current Portion</i>	<i>Long-term Portion</i>	<i>Total</i>	<i>Current Portion</i>	<i>Long-term Portion</i>	<i>Total</i>
Mortgage payable (M)	\$ 373,758	\$ 20,058,538	\$ 20,432,296	\$ 70,891	\$ -	\$ 70,891
Notes payable with contingent interest (CI)	-	21,919,387	21,919,387	14,534	-	14,534
	373,758	41,977,925	42,351,683	85,425	-	85,425
Deferred notes payable (D)	-	4,347,538	4,347,538	-	1,111,431	1,111,431
	<u>\$ 373,758</u>	<u>\$ 46,325,463</u>	<u>\$ 46,699,221</u>	<u>\$ 85,425</u>	<u>\$ 1,111,431</u>	<u>\$ 1,196,856</u>

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

2022											
Project Name	Lender Name	Mortgage/ Contingent Interest/ Deferred	Note Amount	Interest Rate	Monthly Payments	Maturity Date	Principal 12/31/2022	Interest Payable 12/31/2022	Interest Expense	Notes	
1130 Filbert	San Francisco Housing Acelerator Fund	M	\$ 3,409,589	6.35%	Interest Only	Feb-2024	\$ 2,613,146	\$ 14,285	\$ 106,175	Interest cost capitalized was \$17,963 in 2022.	
1353 Folsom	First Republic Bank	M	600,000	4.95%	3,203	Feb-2046	549,693	2,267	27,460		
	City and County of San Francisco (SSP)	CI	1,200,003	3.00%	Surplus Cash ^	Jan-2046	1,200,003	4,269	8,713		
151 Duboce	Clearinghouse Community Development Financial Institution	M	390,000	5.75%	2,267	Jan-2025	342,740	1,588	20,175	A balloon payment of \$327,236 # of principal and interest due at maturity.	
	City and County of San Francisco (SSP)	CI	1,194,157	3.00%	Surplus Cash	Dec-2044	1,194,157	775	-	Annual payments from 50% of residual receipts.	
1684 Grove	First Republic Bank	M	600,000	4.95%	3,203	Feb-2046	530,191	2,187	26,516		
	City and County of San Francisco (SSP)	CI	1,274,970	3.00%	Surplus Cash ^	Jan-2046	1,274,970	1,931	1,931		
285 Turk	Marlena Sonn	M	200,000	4.00%	Interest Only	Oct-2026	150,000	5,166	6,500	Interest cost capitalized was \$666 in 2022.	
	Solidaire Network, Inc.	M	500,000	4.00%	Interest Only	Oct-2026	500,000	5,000	18,333	Interest cost capitalized was \$1,667 in 2022.	
	Self-Help Federal Credit Union	M	5,400,000	4.10%	26,093	Aug-2030	5,400,000	19,065	216,480	Interest only payments until March 2023	
	Local Initiatives Support Corporation	M	1,305,000	6.25%	8,035	Aug-2030	1,305,000	6,797	78,617	Interest only payments until September 2023	
	Local Initiatives Support Corporation	M	1,635,000	2.24%	6,241	Aug-2030	1,635,000	3,052	35,302	Interest only payments until September 2023	
	Local Initiatives Support Corporation	M	60,000	6.25%	369	Aug-2030	60,000	313	3,615	Interest only payments until September 2023	
	Small Change	M	149,400	2.00% *	Interest Only	Oct-2030	149,400	2,241	2,241	Principal and accrued interest due at maturity.	
2976 23rd	Silicon Valley Bank (formerly Boston Private Bank & Trust)	M	1,350,000	5.61%	7,829	Jun-2024	1,214,281	5,866	69,624	A payment moratorium was in place from June to November 2020 due to COVID-19, during which time interest continued to accrue. Deferred interest was paid during 2021.	
	City and County of San Francisco (SSP)	CI	1,470,000	3.00%	Surplus Cash ^	Sept-2047	1,470,002	-	-		
53 Columbus	Low Income Investment Fund (LIIF)	M	2,135,000	7.30%	14,792	Aug-2039	1,696,499	10,665	127,267		
	City and County of San Francisco	D	3,893,228	2.05%	Surplus Cash	Dec-2062	3,893,228	1,050,573	63,660	Annual payments from 50% of residual receipts.	
534 Natoma	Clearinghouse Community Development Financial Institution	M	400,000	5.50%	2,556	Mar-2022	-	-	16,812	Note was refinanced with the Community Vision Capital & Consulting note in July 2022.	
	Community Vision Capital & Consulting	M	430,000	5.00%	2,532	Jul-2032	425,599	1,830	10,090		
	City and County of San Francisco (SSP)	CI	1,875,000	3.00%	Surplus Cash ^	Aug-2049	1,873,027	-	-	Annual payments from 50% of residual receipts.	
70 Belcher	City and County of San Francisco (PASS)	M	685,771	5.17% *	3,383	Jun-2060	671,539	2,892	39,893		
	City and County of San Francisco (PASS)	M	443,169	1.39% *	1,204	Jun-2060	422,090	488	5,918		
	City and County of San Francisco	CI	2,124,210	3.00%	Surplus Cash ^	Jan-2046	2,124,210	-	-		
	City and County of San Francisco (PASS)	D	72,060	1.39% *		Jun-2060	72,060	2,657	1,016	Principal and accrued interest due at maturity.	
966 Oak	City and County of San Francisco (PASS)	M	610,399	5.17% *	2,969	Jun-2029	585,527	2,521	35,654	A balloon payment of \$546,000 due at maturity.	
	City and County of San Francisco (PASS)	M	394,461	1.39% *	1,057	Jun-2029	363,553	429	5,098	A balloon payment of \$312,000 due at maturity.	
	City and County of San Francisco	CI	1,695,000	3.00%	Surplus Cash ^	Jun-2029	110,902	-	-	Option to extend for an additional 30 years upon lender approval.	
	City and County of San Francisco (PASS)	D	64,140	1.39% *		Jun-2029	64,140	3,165	891	Principal and accrued interest due at maturity.	
Core	Senior and Disability Action	M	20,000	3.65% *	Interest Only	On Demand	20,000	2,220	730		

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

		2022								
<i>Project Name</i>	<i>Lender Name</i>	<i>Mortgage/ Contingent Interest/ Deferred</i>	<i>Note Amount</i>	<i>Interest Rate</i>	<i>Monthly Payments</i>	<i>Maturity Date</i>	<i>Principal 12/31/2022</i>	<i>Interest Payable 12/31/2022</i>	<i>Interest Expense</i>	<i>Notes</i>
2840 Folsom (TNFF)	Pigeon Palace, Inc.	M	300,000	2.00%	Interest Only	Oct-2022	300,000	-	6,000	\$120,000 of the amount due is convertible to a 99-year master lease.
	Silicon Valley Bank (formerly Boston Private Bank & Trust)	M	1,200,000	4.52%	6,142	Sept-2022	1,082,142	8,289	49,962	A payment moratorium was in place from June to November 2020 due to COVID-19, during which time interest continued to accrue. Deferred interest was paid during 2021. A balloon payment of \$1,052,428 due at maturity.
	City and County of San Francisco (SSP)	CI	2,496,642	3.00%	Surplus Cash ^	Sep-2045	2,495,579	14,405	14,405	
308 Turk (TNFF)	Enterprise Community Loan Fund, Inc.	M	2,040,000	5.50%	11,688	Jun-2025	1,855,739	167,470	107,139	A payment moratorium was in place from December 2020 to May 2021 due to COVID-19, during which time interest continued to accrue. A balloon payment of \$1,680,172 due at maturity.
	City and County of San Francisco (SSP)	CI	2,569,456	3.00%	Surplus Cash ^	Jun-2045	2,569,456	-	-	
4042 Fulton (TNFF)	Clearinghouse Community Development Financial Institution	M	815,000	7.75%	4,800	Apr-2027	815,000	42,062	56,295	A payment moratorium was in place from April to June 2020 due to COVID-19, during which time interest continued to accrue. A balloon payment of \$680,364 due at maturity.
	City and County of San Francisco (SSP)	CI	2,125,000	3.00%	Surplus Cash ^	Mar-2047	2,125,000	-	-	
568 Natoma (TNFF)	Silicon Valley Bank (formerly Boston Private Bank & Trust)	M	300,000	3.79%	1,436	Apr-2026	268,631	877	10,448	A payment moratorium was in place from June to November 2020 due to COVID-19, during which time interest continued to accrue. Deferred interest was paid during 2021. A balloon payment of \$238,478 due at maturity.
	City and County of San Francisco (SSP)	CI	1,435,000	3.00%	Surplus Cash ^	Apr-2046	1,435,000	-	-	
	City and County of San Francisco (SSP)	CI	440,000	3.00%	Surplus Cash ^	Jun-2048	331,189	-	-	
Total							45,188,693	1,385,345	<u>\$ 1,172,960</u>	
Less: unamortized permanent loan costs							(145,063)	-		
Notes and interest payable – net							45,043,630	1,385,345		
Less: current portion							(1,724,348)	(137,265)		
Long-term portion							<u>\$ 43,319,282</u>	<u>\$ 1,248,080</u>		

	<i>Principal</i>			<i>Interest Payable</i>		
	<i>Current Portion</i>	<i>Long-term Portion</i>	<i>Total</i>	<i>Current Portion</i>	<i>Long-term Portion</i>	<i>Total</i>
Mortgage payable (M)	\$ 1,724,348	\$ 21,086,359	\$ 22,810,707	\$ 93,495	\$ 214,075	\$ 307,570
Notes payable with contingent interest (CI)	-	18,203,495	18,203,495	21,380	-	21,380
	1,724,348	39,289,854	41,014,202	114,875	214,075	328,950
Deferred notes payable (D)	-	4,029,428	4,029,428	22,390	1,034,005	1,056,395
	<u>\$ 1,724,348</u>	<u>\$ 43,319,282</u>	<u>\$ 45,043,630</u>	<u>\$ 137,265</u>	<u>\$ 1,248,080</u>	<u>\$ 1,385,345</u>

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

* Interest is compounded monthly.

^ Annual payments are to be made from two-thirds of residual receipts.

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

(3) Costs incurred in order to obtain permanent financing were \$338,299 and \$174,523 as of December 31, 2023 and 2022, 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 \$58,006 and \$29,460 for 2023 and 2022, 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:

2024	\$	373,758
2025		695,197
2026		385,499
2027		402,276
2028		418,734

NOTE 7 – LEASES COMMITMENTS

Office Leases

SFCLT leased its office space under a noncancellable operating lease which expired on September 15, 2019. The lease was amended during 2021 and 2022 to extend the lease term through October 31, 2023. The base rent for the period starting November 1, 2022 was \$2,000 per month through October 31, 2023. Management executed the fourth lease amendment on March 27, 2024 to extend the office lease through July 24, 2024, retroactively effective November 1, 2023. The monthly lease payments are \$2,000 per month through July 24, 2024. The future minimum rent payments total is estimated at \$14,000.

In addition, on September 18, 2023, SFCLT entered into a lease agreement to expand the office lease to another floor. The lease is on a month-to-month basis beginning September 18, 2023 and continues until cancelled by either party.

Rental expense for 2023 and 2022 was \$24,837 and \$24,508, 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.

285 Turk Holdings LLC entered into two operating leases with commercial tenants. The lease term varies and expires through May 31, 2029, with an option to extend for another 3 years through May 2032. Monthly lease payments subject to annual increases.

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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

<u>For lease years ended December 31,</u>	
2024	\$ 257,377
2025	232,560
2026	234,687
2027	236,900
2028	239,201
Thereafter	<u>1,651,717</u>
	<u>\$ 2,852,442</u>

Commercial lease income for 2023 and 2022 was \$320,697 and \$301,173 for 2023 and 2022, respectively.

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.

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 8 – 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>

There were no contributions with donor restrictions during 2023.

NOTE 9 – 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>2023</u>	<u>2022</u>
Financial assets at end of year available within one year:		
Cash and cash equivalents	\$ 20,433,485	\$ 1,060,068
Rent and other receivable	124,157	140,890
Contributions receivable	60,546	187,280
Less: donor restricted net assets	-	-
Financial assets available for general expenditures within one year	<u>\$ 20,618,188</u>	<u>\$ 1,388,238</u>

The amounts shown above may be used in the subsequent year to fund reserve accounts or distribute residual receipts to lenders, upon receiving approval from MOHCD, as described in Notes 3 and 6.

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 10 – 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 various construction contracts or related service contracts for rehabilitation improvements to several projects, which were not completed as of December 31, 2023 and 2022. The aggregate construction service contracts total approximately \$2,346,000, and approximately \$138,000 was incurred as of December 31, 2023. At the end of 2022, the contract entered into totaled approximately \$357,000, which was completed in 2023.

NOTE 11 – SUBSEQUENT EVENTS

In January 2024, SFCLT and subsidiaries purchased 3975 24th Street for \$1,650,000. In connection with the purchase, SFCLT and subsidiaries executed a loan agreement with the MOHCD for the amount of \$3,975,000 under its PASS and SSP programs. The balance of the loan proceeds is earmarked for the rehabilitation of the property.

SUPPLEMENTARY INFORMATION

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	2023						
	Core	1130 Filbert	1353 Folsom	151 Duboce	1684 Grove	285 Turk	2976 23rd
	ASSETS						
Current assets:							
Cash	\$ 19,455,045	\$ 100	\$ 4,746	\$ 7,329	\$ 3,026	\$ 153,155	\$ 15,639
Cash held in trust by others	-	-	11,267	-	35,418	64,464	-
Receivables:							
Rent – net	-	6,862	-	-	1,370	395	3,933
Contributions	60,546	-	-	-	-	-	-
Related-party fees and other	379,070	-	-	-	-	60,546	-
Related-party advances	1,956,376	-	11,283	-	-	-	-
Prepaid expenses	26,506	3,255	5,891	7,579	3,643	31,435	7,546
Total current assets	21,877,543	10,217	33,187	14,908	43,457	309,995	27,118
Related-party fees and other – net of current portion	31,110	-	-	-	-	-	-
Restricted cash:							
Replacement reserves	-	147,670	136,213	78,452	15,721	-	457,345
Operating reserves	-	56,263	18,464	16,587	17,534	-	70,117
Other reserve	-	-	-	-	-	263,845	-
Tenant security deposits	-	8,605	-	6,117	100	100	8,193
Deposits	2,503	-	-	-	-	-	-
Note and interest receivable	301,333	-	-	-	-	-	-
Property and equipment – net	-	3,021,549	1,292,365	1,266,055	1,668,671	9,181,529	2,344,227
Total assets	\$ 22,212,489	\$ 3,244,304	\$ 1,480,229	\$ 1,382,119	\$ 1,745,483	\$ 9,755,469	\$ 2,907,000
	LIABILITIES AND NET ASSETS (DEFICIT)						
Current liabilities:							
Accounts payable and accrued expenses	\$ 142,127	\$ 1,094	\$ 6,128	\$ 5,813	\$ 3,760	\$ 58,584	\$ 17,976
Deferred revenue	-	-	33	156	-	9,097	840
Related-party fees payable	-	4,990	3,018	16,569	34,018	40,080	20,316
Related-party advances payable	-	38,842	-	6,422	4,423	1,738,152	55,068
Interest payable – current portion	2,950	3,147	5,809	1,605	4,067	29,834	1,909
Notes payable – current portion	20,000	19,701	12,061	9,271	14,220	148,783	8,638
Total current liabilities	165,077	67,774	27,049	39,836	60,488	2,024,530	104,747
Share of pass-through losses in excess of assets of LLCs	1,451,205	-	-	-	-	-	-
Related-party fees payable – net of current portion	-	-	-	-	10,000	-	-
Tenant security deposits	-	8,944	2,502	2,533	4,919	74,449	9,558
Interest payable – net of current portion	-	160	-	-	-	-	100
Notes payable – net of current portion	-	3,477,520	1,726,155	1,519,781	1,778,474	8,291,910	3,003,996
Total liabilities	1,616,282	3,554,398	1,755,706	1,562,150	1,853,881	10,390,889	3,118,401
Net assets (deficit):							
Without donor restrictions	20,596,207	(310,094)	(275,477)	(180,031)	(108,398)	(635,420)	(211,401)
Total net assets (deficit)	20,596,207	(310,094)	(275,477)	(180,031)	(108,398)	(635,420)	(211,401)
Total liabilities and net assets (deficit)	\$ 22,212,489	\$ 3,244,304	\$ 1,480,229	\$ 1,382,119	\$ 1,745,483	\$ 9,755,469	\$ 2,907,000

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	2023						
	53 Columbus	534 Natoma	70 Belcher	966 Oak St.	TNFF	Eliminations	Total
	ASSETS						
Current assets:							
Cash	\$ -	\$ 2,068	\$ 197	\$ 149,583	\$ 83,348	\$ -	\$ 19,874,236
Cash held in trust by others	396,003	15,342	6,344	-	30,411	-	559,249
Receivables:							
Rent – net	-	2,079	-	-	1,512	-	16,151
Contributions	-	-	-	-	-	-	60,546
Related-party fees and other	-	-	-	-	-	(331,610)	108,006
Related-party advances	-	46,035	2,616	-	1,346,426	(3,362,736)	-
Prepaid expenses	5,094	1,911	6,121	1,789	15,640	-	116,410
Total current assets	401,097	67,435	15,278	151,372	1,477,337	(3,694,346)	20,734,598
Related-party fees and other – net of current portion	-	-	-	-	-	(31,110)	-
Restricted cash:							
Replacement reserves	601,533	24,670	60,142	-	1,175,180	-	2,696,926
Operating reserves	117,789	11,758	12,891	-	160,985	-	482,388
Other reserve	-	-	128,591	-	44,400	-	436,836
Tenant security deposits	-	4,045	100	10,856	29,272	-	67,388
Deposits	-	-	-	-	-	-	2,503
Note and interest receivable	-	-	-	-	-	-	301,333
Property and equipment – net	4,045,100	2,003,381	2,778,868	1,220,961	11,666,632	(181,286)	40,308,052
Total assets	\$ 5,165,519	\$ 2,111,289	\$ 2,995,870	\$ 1,383,189	\$ 14,553,806	\$ (3,906,742)	\$ 65,030,024
	LIABILITIES AND NET ASSETS (DEFICIT)						
Current liabilities:							
Accounts payable and accrued expenses	\$ -	\$ 1,344	\$ 12,177	\$ -	\$ 16,184	\$ (5,687)	\$ 259,500
Deferred revenue	18,563	1,643	-	1,192	19,531	-	51,055
Related-party fees payable	35,189	5,518	44,444	14,013	119,878	(338,033)	-
Related-party advances payable	11,418	-	-	111,662	1,384,639	(3,350,626)	-
Interest payable – current portion	10,327	10,808	3,371	5,778	5,820	-	85,425
Notes payable – current portion	57,507	9,429	16,870	7,021	50,257	-	373,758
Total current liabilities	133,004	28,742	76,862	139,666	1,596,309	(3,694,346)	769,738
Share of pass-through losses in excess of assets of LLCs	-	-	-	-	-	(1,451,205)	-
Related-party fees payable – net of current portion	-	-	9,000	-	12,110	(31,110)	-
Tenant security deposits	1,920	5,482	1,966	10,510	37,201	-	159,984
Interest payable – net of current portion	1,106,387	-	3,673	-	1,111	-	1,111,431
Notes payable – net of current portion	5,478,478	2,257,113	3,265,678	1,087,379	14,409,271	29,708	46,325,463
Total liabilities	6,719,789	2,291,337	3,357,179	1,237,555	16,056,002	(5,146,953)	48,366,616
Net assets (deficit):							
Without donor restrictions	(1,554,270)	(180,048)	(361,309)	145,634	(1,502,196)	1,240,211	16,663,408
Total net assets (deficit)	(1,554,270)	(180,048)	(361,309)	145,634	(1,502,196)	1,240,211	16,663,408
Total liabilities and net assets (deficit)	\$ 5,165,519	\$ 2,111,289	\$ 2,995,870	\$ 1,383,189	\$ 14,553,806	\$ (3,906,742)	\$ 65,030,024

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	2022								
	Core	1130 Filbert	1353 Folsom	151 Duboce	1684 Grove	285 Turk	23rd St.	53 Columbus	534 Natoma
	ASSETS								
Current assets:									
Cash	\$ 422,151	\$ 12,010	\$ 4,288	\$ 6,578	\$ 4,187	\$ 16,449	\$ 3,223	\$ -	\$ 6,794
Cash held in trust by others	-	12,915	6,742	9,075	9,267	20,603	-	405,451	23,678
Receivables:									
Rent – net	-	-	400	-	-	34,469	6,420	-	856
Contributions	187,280	-	-	-	-	-	-	-	-
Related-party fees and other	258,489	-	-	-	-	75,608	-	-	-
Related-party advances	1,025,857	-	9,104	2,185	-	-	-	-	-
Prepaid expenses	7,837	2,403	3,549	5,379	3,336	-	4,792	4,828	1,207
Total current assets	1,901,614	27,328	24,083	23,217	16,790	147,129	14,435	410,279	32,535
Restricted cash:									
Replacement reserves	-	-	141,705	80,711	17,477	-	195,878	567,459	24,658
Operating reserves	-	-	18,228	16,582	17,390	-	2,999	117,778	11,754
Other reserve	-	-	-	-	-	316,970	-	-	-
Tenant security deposits	-	-	-	6,115	-	-	6,345	-	4,250
Cash held for acquisition	-	-	-	-	-	-	-	-	-
Deposits	2,503	-	-	-	-	-	-	-	-
Escrow deposits	-	-	-	-	-	-	-	-	-
Property and equipment – net	-	2,472,532	1,326,800	1,290,383	1,695,638	9,289,223	2,397,765	4,256,017	2,086,081
Total assets	\$ 1,904,117	\$ 2,499,860	\$ 1,510,816	\$ 1,417,008	\$ 1,747,295	\$ 9,753,322	\$ 2,617,422	\$ 5,351,533	\$ 2,159,278
	LIABILITIES AND NET ASSETS (DEFICIT)								
Current liabilities:									
Accounts payable and accrued expenses	\$ 105,873	\$ 1,311	\$ 3,649	\$ 5,452	\$ 3,193	\$ 20,889	\$ 17,976	\$ -	\$ 1,685
Related-party fees payable	-	4,343	1,812	12,023	42,812	10,625	6,432	25,822	3,271
Related-party advances payable	-	43,306	-	-	2,194	943,790	32,330	11,388	6,578
Deferred revenue	-	3,075	13	8,340	-	4,521	2,019	18,199	2,418
Interest payable – current portion	2,220	14,285	6,536	2,363	4,118	41,634	5,866	12,267	1,830
Notes payable – current portion	20,000	-	11,499	7,845	12,575	113,847	26,934	53,742	9,024
Total current liabilities	128,093	66,320	23,509	36,023	64,892	1,135,306	91,557	121,418	24,806
Share of pass-through losses in excess of assets of LLCs	589,017	-	-	-	-	-	-	-	-
Tenant security deposits	-	8,944	2,564	2,533	4,919	48,686	6,058	-	7,390
Interest payable – net of current portion	-	-	-	-	-	-	-	1,048,971	-
Notes payable – net of current portion	-	2,569,433	1,738,197	1,529,052	1,792,586	9,013,510	2,657,349	5,535,985	2,260,295
Total liabilities	717,110	2,644,697	1,764,270	1,567,608	1,862,397	10,197,502	2,754,964	6,706,374	2,292,491
Net deficit:									
Without donor restrictions	1,187,007	(144,837)	(253,454)	(150,600)	(115,102)	(444,180)	(137,542)	(1,354,841)	(133,213)
Total net deficit	1,187,007	(144,837)	(253,454)	(150,600)	(115,102)	(444,180)	(137,542)	(1,354,841)	(133,213)
Total liabilities and net deficit	\$ 1,904,117	\$ 2,499,860	\$ 1,510,816	\$ 1,417,008	\$ 1,747,295	\$ 9,753,322	\$ 2,617,422	\$ 5,351,533	\$ 2,159,278

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	2022							
	70 Belcher	966 Oak St.	2840 Folsom	308 Turk	4042 Fulton	568-570 Natoma	Eliminations	Total
ASSETS								
Current assets:								
Cash	\$ 2,765	\$ 7,462	\$ 35,408	\$ -	\$ 8,905	\$ 594	\$ -	\$ 530,814
Cash held in trust by others	-	-	-	40,500	-	1,023	-	529,254
Receivables:								
Rent – net	249	328	9,458	5,404	1,595	657	-	59,836
Contributions	-	-	-	-	-	-	-	187,280
Related-party fees and other	-	-	-	-	-	-	(253,043)	81,054
Related-party advances	1,111	24,501	-	2,889	-	-	(1,065,647)	-
Prepaid expenses	3,515	2,304	7,291	3,248	2,157	2,802	-	54,648
Total current assets	7,640	34,595	52,157	52,041	12,657	5,076	(1,318,690)	1,442,886
Restricted cash:								
Replacement reserves	62,025	157,890	28,505	160,906	151,740	5,272	-	1,594,226
Operating reserves	11,138	8,379	20,108	80,565	22,875	7,379	-	335,175
Other reserve	214,915	-	-	-	-	-	-	531,885
Tenant security deposits	-	8,041	8,802	20,993	-	-	-	54,546
Cash held for acquisition	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	2,503
Escrow deposits	-	-	-	-	-	-	-	-
Property and equipment – net	2,757,438	1,119,965	3,624,926	3,775,458	2,483,703	1,913,279	(368,219)	40,120,989
Total assets	\$ 3,053,156	\$ 1,328,870	\$ 3,734,498	\$ 4,089,963	\$ 2,670,975	\$ 1,931,006	\$ (1,686,909)	\$ 44,082,210
LIABILITIES AND NET ASSETS (DEFICIT)								
Current liabilities:								
Accounts payable and accrued expenses	\$ 4,799	\$ -	\$ -	\$ 420	\$ 3,932	\$ 3,121	\$ (2,104)	\$ 170,196
Related-party fees payable	49,007	5,615	25,735	62,011	4,581	5,956	(260,045)	-
Related-party advances payable	-	-	9,382	-	3,498	4,077	(1,056,543)	-
Deferred revenue	2,318	20	13,701	719	-	808	-	56,151
Interest payable – current portion	6,037	2,950	22,694	8,788	4,800	877	-	137,265
Notes payable – current portion	14,456	13,243	1,382,142	37,728	14,388	6,925	-	1,724,348
Total current liabilities	76,617	21,828	1,453,654	109,666	31,199	21,764	(1,318,692)	2,087,960
Share of pass-through losses in excess of assets of LLCs	-	-	-	-	-	-	(589,017)	-
Tenant security deposits	1,966	7,022	8,766	22,914	3,420	3,931	-	129,113
Interest payable – net of current portion	-	3,165	-	158,682	37,262	-	-	1,248,080
Notes payable – net of current portion	3,275,443	1,110,879	2,495,579	4,387,467	2,925,612	2,027,895	-	43,319,282
Total liabilities	3,354,026	1,142,894	3,957,999	4,678,729	2,997,493	2,053,590	(1,907,709)	46,784,435
Net deficit:								
Without donor restrictions	(300,870)	185,976	(223,501)	(588,766)	(326,518)	(122,584)	220,800	(2,702,225)
Total net deficit	(300,870)	185,976	(223,501)	(588,766)	(326,518)	(122,584)	220,800	(2,702,225)
Total liabilities and net deficit	\$ 3,053,156	\$ 1,328,870	\$ 3,734,498	\$ 4,089,963	\$ 2,670,975	\$ 1,931,006	\$ (1,686,909)	\$ 44,082,210

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	2023						
	Core	1130 Filbert	1353 Folsom	151 Duboce	1684 Grove	285 Turk	2976 23rd
Support and revenue:							
Rental income	\$ -	\$ 115,200	\$ 80,727	\$ 68,298	\$ 92,859	\$ 707,967	\$ 97,591
Individual and corporations	20,626,265	-	-	-	-	-	-
Government awards	236,654	-	-	-	-	95,169	-
In-kind contributions	10,234	-	-	-	-	-	831
Membership dues	2,366	-	-	-	-	-	-
Development income	170,568	-	-	-	-	-	-
Interest	324,824	-	2,014	48	109	7,206	1,854
Unrealized gain/(loss) from investment	-	-	-	-	-	-	-
Loss from investment in LLCs	(862,188)	-	-	-	-	-	-
Other income	261,273	32,683	2,400	3,018	636	134,815	-
Net assets released from restrictions	-	-	-	-	-	-	-
Total support and revenue	20,769,996	147,883	85,141	71,364	93,604	945,157	100,276
Expenses:							
Program services	862,477	311,983	106,296	99,638	85,677	1,124,828	170,085
Supporting services:							
Management and general	463,315	1,157	868	1,157	868	11,569	4,050
Fundraising	36,365	-	-	-	-	-	-
Total expenses	1,362,157	313,140	107,164	100,795	86,545	1,136,397	174,135
Change in net assets	19,407,839	(165,257)	(22,023)	(29,431)	7,059	(191,240)	(73,859)
Net assets (deficit), beginning of year	(979,167)	(144,837)	-	-	-	(444,180)	-
Net assets (deficit) transferred	2,166,174	-	(253,454)	(150,600)	(115,102)	-	(137,542)
Distributions	1,361	-	-	-	(355)	-	-
Net assets (deficit), end of year	\$ 20,596,207	\$ (310,094)	\$ (275,477)	\$ (180,031)	\$ (108,398)	\$ (635,420)	\$ (211,401)

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULES OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023						
	53 Columbus	534 Natoma	70 Belcher	966 Oak St.	TNFF	Eliminations	Total
Support and revenue:							
Rental income	\$ 425,228	\$ 95,777	\$ 90,972	\$ 87,359	\$ 510,490	\$ -	\$ 2,372,468
Individual and corporations	-	-	-	-	-	-	20,626,265
Government awards	-	-	-	-	-	-	331,823
In-kind contributions	-	-	-	-	-	-	11,065
Membership dues	-	-	-	-	-	-	2,366
Development income	-	-	-	-	-	(170,568)	-
Interest	112	17	1,504	597	1,953	-	340,238
Unrealized gain/(loss) from investment	-	-	-	-	-	-	-
Loss from investment in LLCs	-	-	-	-	-	862,188	-
Other income	25,177	2,364	-	720	5,195	(248,014)	220,267
Net assets released from restrictions	-	-	-	-	-	-	-
Total support and revenue	450,517	98,158	92,476	88,676	517,638	443,606	23,904,492
Expenses:							
Program services	643,872	143,547	151,469	125,120	743,013	(431,857)	4,136,148
Supporting services:							
Management and general	6,074	1,446	1,446	2,892	15,452	(143,948)	366,346
Fundraising	-	-	-	-	-	-	36,365
Total expenses	649,946	144,993	152,915	128,012	758,465	(575,805)	4,538,859
Change in net assets	(199,429)	(46,835)	(60,439)	(39,336)	(240,827)	1,019,411	19,365,633
Net assets (deficit), beginning of year	(1,354,841)	-	-	-	-	220,800	(2,702,225)
Net assets (deficit) transferred	-	(133,213)	(300,870)	185,976	(1,261,369)	-	-
Distributions	-	-	-	(1,006)	-	-	-
Net assets (deficit), end of year	\$ (1,554,270)	\$ (180,048)	\$ (361,309)	\$ 145,634	\$ (1,502,196)	\$ 1,240,211	\$ 16,663,408

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULES OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2022								
	Core	1130 Filbert	1353 Folsom	151 Duboce	1684 Grove	285 Turk	2976 23rd	53 Columbus	534 Natoma
Support and revenue:									
Rental income	\$ -	\$ 80,496	\$ 81,693	\$ 59,246	\$ 72,150	\$ 530,187	\$ 95,051	\$ 404,020	\$ 80,702
Individual and corporations	837,894	-	-	-	-	-	-	-	-
Government awards	387,978	-	-	-	-	-	-	-	-
In-kind contributions	24,164	-	-	-	-	-	-	-	-
Membership dues	1,678	-	-	-	-	-	-	-	-
Development income	284,345	-	-	-	-	-	-	-	-
Interest	16	33	867	66	237	2,217	1,261	181	14
Loss from investment in LLCs	(589,017)	-	-	-	-	-	-	-	-
Other income	88,700	439	2,400	-	-	1,445	-	19,266	174
Net assets released from restrictions	-	-	-	-	-	-	-	-	-
Total support and revenue	1,035,758	80,968	84,960	59,312	72,387	533,849	96,312	423,467	80,890
Expenses:									
Program services	335,703	225,182	108,335	78,686	77,692	970,644	159,510	602,486	131,864
Supporting services:									
Management and general	357,043	623	887	1,182	887	7,385	4,137	11,661	1,477
Fundraising	10,559	-	-	-	-	-	-	-	-
Total expenses	703,305	225,805	109,222	79,868	78,579	978,029	163,647	614,147	133,341
Change in net assets	332,453	(144,837)	(24,262)	(20,556)	(6,192)	(444,180)	(67,335)	(190,680)	(52,451)
Net assets (deficit), beginning of year	843,439	-	(229,192)	(130,044)	(108,910)	-	(70,207)	(1,164,161)	(80,762)
Distributions	11,115	-	-	-	-	-	-	-	-
Net assets (deficit), end of year	\$ 1,187,007	\$ (144,837)	\$ (253,454)	\$ (150,600)	\$ (115,102)	\$ (444,180)	\$ (137,542)	\$ (1,354,841)	\$ (133,213)

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATING SCHEDULES OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2022								
	70 Belcher	966 Oak St.	2840 Folsom	308 Turk	4042 Fulton	568-570 Natoma	Marty's Place	Eliminations	Total
Support and revenue:									
Rental income	\$ 94,583	\$ 56,898	\$ 162,224	\$ 245,574	\$ 77,277	\$ 43,228	\$ -	\$ -	\$ 2,083,329
Individual and corporations	-	-	-	-	-	-	-	-	837,894
Government awards	-	-	-	-	-	-	-	-	387,978
In-kind contributions	-	-	-	-	-	-	-	-	24,164
Membership dues	-	-	-	-	-	-	-	-	1,678
Development income	-	-	-	-	-	-	-	(284,345)	-
Interest	859	349	251	24	1,089	61	-	-	7,525
Loss from investment in LLCs	-	-	-	-	-	-	-	589,017	-
Other income	-	722	-	276	4,500	25	-	(84,835)	33,112
Net assets released from restrictions	-	-	-	-	-	-	-	-	-
Total support and revenue	95,442	57,969	162,475	245,874	82,866	43,314	-	219,837	3,375,680
Expenses:									
Program services	141,907	72,192	179,150	323,518	150,150	78,749	8,831	(84,837)	3,559,762
Supporting services:									
Management and general	1,477	2,936	1,773	11,370	1,477	1,477	-	-	405,792
Fundraising	-	-	-	-	-	-	-	-	10,559
Total expenses	143,384	75,128	180,923	334,888	151,627	80,226	8,831	(84,837)	3,976,113
Change in net assets	(47,942)	(17,159)	(18,448)	(89,014)	(68,761)	(36,912)	(8,831)	304,674	(600,433)
Net assets (deficit), beginning of year	(252,928)	203,135	(193,938)	(499,752)	(257,757)	(85,672)	8,831	(83,874)	(2,101,792)
Distributions	-	-	(11,115)	-	-	-	-	-	-
Net assets (deficit), end of year	\$ (300,870)	\$ 185,976	\$ (223,501)	\$ (588,766)	\$ (326,518)	\$ (122,584)	\$ -	\$ 220,800	\$ (2,702,225)

**SUPPLEMENTARY INFORMATION REQUIRED BY THE CITY AND
COUNTY OF SAN FRANCISCO
MAYOR'S OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT**

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

COMBINING SCHEDULE OF OPERATING REVENUES

YEAR ENDED DECEMBER 31, 2023

	<i>1130 Filbert</i>	<i>1353 Folsom</i>	<i>151 Duboce</i>	<i>1684 Grove</i>	<i>2976 23rd St.</i>	<i>53 Columbus</i>	<i>534 Natoma</i>	<i>70 Belcher</i>
Rental income:								
5120	\$ 115,200	\$ 53,165	\$ 71,210	\$ 92,859	\$ 155,288	\$ 210,585	\$ 58,596	\$ 97,893
5121	-	27,562	-	-	-	-	37,214	-
5140	-	-	-	-	-	218,387	-	-
	<u>115,200</u>	<u>80,727</u>	<u>71,210</u>	<u>92,859</u>	<u>155,288</u>	<u>428,972</u>	<u>95,810</u>	<u>97,893</u>
Vacancies								
5220	-	-	(1,568)	-	(52,217)	(3,744)	-	-
5240	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>(1,568)</u>	<u>-</u>	<u>(52,217)</u>	<u>(3,744)</u>	<u>-</u>	<u>-</u>
	<u>115,200</u>	<u>80,727</u>	<u>69,642</u>	<u>92,859</u>	<u>103,071</u>	<u>425,228</u>	<u>95,810</u>	<u>97,893</u>
Net rental revenue: (rent revenue less vacancies)								
	<u>115,200</u>	<u>80,727</u>	<u>69,642</u>	<u>92,859</u>	<u>103,071</u>	<u>425,228</u>	<u>95,810</u>	<u>97,893</u>
Other revenue:								
5170	-	-	-	-	-	-	-	-
5190	-	-	(1,344)	-	(5,480)	-	(33)	(6,921)
5300	-	-	-	-	-	-	-	-
5400	-	-	2	21	88	43	1	-
5400	-	2,014	46	88	1,766	69	16	1,504
5910	755	-	-	-	-	5	-	-
5920	-	-	-	636	-	-	-	-
5990	31,928	2,400	3,018	-	831	25,172	2,364	-
	<u>32,683</u>	<u>4,414</u>	<u>1,722</u>	<u>745</u>	<u>(2,795)</u>	<u>25,289</u>	<u>2,348</u>	<u>(5,417)</u>
	<u>\$ 147,883</u>	<u>\$ 85,141</u>	<u>\$ 71,364</u>	<u>\$ 93,604</u>	<u>\$ 100,276</u>	<u>\$ 450,517</u>	<u>\$ 98,158</u>	<u>\$ 92,476</u>

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

COMBINING SCHEDULE OF OPERATING REVENUES

YEAR ENDED DECEMBER 31, 2023

	1130 Filbert	1353 Folsom	151 Duboce	1684 Grove	2976 23rd St.	53 Columbus	534 Natoma	70 Belcher	
Management fees:									
6320	Management fee	\$ 3,726	\$ 2,593	\$ 3,548	\$ 2,593	\$ -	\$ 14,457	\$ 4,533	\$ 4,324
	“Above the line” asset management fee	4,720	2,961	5,288	2,961	9,834	18,630	5,913	4,936
	Total management expenses	8,446	5,554	8,836	5,554	9,834	33,087	10,446	9,260
Salaries and benefits:									
6310	Office salaries	-	-	-	-	-	-	-	-
6330	Manager salaries	-	-	-	-	-	33,071	-	-
6723	Employee benefits: health insurance and disability insurance	-	-	-	-	-	11,050	-	-
	Employee benefits: retirement and other salary/benefit expenses	-	-	-	-	-	-	-	-
6331	Administrative rent free unit	-	-	-	-	-	-	-	-
	Total salaries/benefit expenses	-	-	-	-	-	44,121	-	-
Administration:									
6210	Advertising and marketing	-	-	-	-	4,700	-	-	-
6311	Office expense	2,036	187	199	189	771	3,669	209	208
6312	Office rent	-	-	-	-	-	-	-	-
6340	Legal expense – property	-	-	518	-	4,838	-	-	-
6350	Audit expense	284	213	284	213	995	1,492	355	355
6351	Bookkeeping/accounting services	873	655	873	655	3,055	4,582	1,091	1,091
6370	Bad debts	-	-	-	-	-	-	-	-
6390	Miscellaneous administration expenses	457	2,886	1,474	2,777	3,786	720	3,024	2,508
	Total administration expenses	3,650	3,941	3,348	3,834	18,145	10,463	4,679	4,162
Utilities:									
6450	Electricity	2,533	-	372	824	8,275	24,629	3,087	-
6451	Water	7,369	11,093	2,936	5,615	5,208	44,117	9,027	4,726
6452	Gas	-	-	-	-	-	-	-	-
6453	Sewer	-	-	-	-	-	-	-	-
	Total utilities expenses	9,902	11,093	3,308	6,439	13,483	68,746	12,114	4,726
Taxes and licenses:									
6710	Real estate taxes	696	7,010	10,302	989	281	6,607	1,800	6,943
6711	Payroll taxes	-	-	-	-	-	-	-	-
6790	Miscellaneous taxes, licenses, and permits	380	90	112	90	4,887	277	112	90
	Total taxes and licenses expenses	1,076	7,100	10,414	1,079	5,168	6,884	1,912	7,033
Insurance:									
6720	Property and liability insurance	12,769	-	1,005	2,541	10,067	18,661	1,958	-
6721	Fidelity bond insurance	-	-	-	-	-	-	-	-
6722	Workers’ compensation	-	-	-	-	-	-	-	-
6724	Director and officers liabilities insurance	-	-	-	-	-	1,448	-	-
	Total insurance expenses	12,769	-	1,005	2,541	10,067	20,109	1,958	-

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

COMBINING SCHEDULE OF OPERATING EXPENSES

YEAR ENDED DECEMBER 31, 2023

	1130 Filbert	1353 Folsom	151 Duboce	1684 Grove	2976 23rd St.	53 Columbus	534 Natoma	70 Belcher
Maintenance and repairs:								
6510 Payroll	-	-	-	-	-	-	-	-
6515 Supplies	39	49	-	91	61	-	1,492	28
6520 Contracts	15,861	13,022	23,546	12,792	1,681	41,520	5,878	12,011
6525 Garbage and trash removal	4,821	1,477	3,279	1,335	1,973	10,868	2,130	2,008
6530 Security payroll/contract	-	-	-	-	-	-	560	-
6546 HVAC repairs and maintenance	-	-	-	-	-	-	-	-
6570 Vehicle and maintenance equipment operation and repairs	-	-	-	-	-	-	-	-
6590 Miscellaneous operating and maintenance expenses	-	-	-	-	-	-	-	-
Total maintenance and repairs expenses	20,721	14,548	26,825	14,218	3,715	52,388	10,060	14,047
6900 Supportive services	-	-	-	-	831	-	-	-
Capital and non-capital expenditures to be reimbursed from replacement reserve	-	-	-	-	-	-	-	-
Total operating expenses	56,564	42,236	53,736	33,665	61,243	235,798	41,169	39,228
Financial expenses:								
6820 Interest on first mortgage (or bonds) payable	50,931	30,493	19,731	25,913	54,287	123,420	34,619	47,685
6825 Interest on other mortgages	135,533	-	-	-	-	-	-	-
6830 Interest on notes payable (long term)	160	-	-	-	100	79,811	1,970	1,016
6840 Interest on notes payable (short term)	-	-	-	-	-	-	-	-
6850 Mortgage insurance premium/service charge	-	-	-	-	-	-	-	-
6890 Miscellaneous financial expenses	7,061	-	3,000	-	4,968	-	-	-
Total financial expenses	193,685	30,493	22,731	25,913	59,355	203,231	36,589	48,701
6000 Total cost of operations before depreciation and amortization	250,249	72,729	76,467	59,578	120,598	439,029	77,758	87,929
5060 Operating profit (loss)	(102,366)	12,412	(5,103)	34,026	(20,322)	11,488	20,400	4,547
Depreciation and amortization expense:								
6600 Depreciation expense	62,891	34,435	24,328	26,967	53,537	210,917	67,235	64,986
6610 Amortization expense	-	-	-	-	-	-	-	-
Operating profit (loss) after depreciation and amortization	(165,257)	(22,023)	(29,431)	7,059	(73,859)	(199,429)	(46,835)	(60,439)
Net entity expenses:								
7190 Developer fees	-	-	-	-	-	-	-	-
Total net entity expenses	-	-	-	-	-	-	-	-
3250 Total change in net assets	\$ (165,257)	\$ (22,023)	\$ (29,431)	\$ 7,059	\$ (73,859)	\$ (199,429)	\$ (46,835)	\$ (60,439)

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES
(A California Nonprofit Public Benefit Corporation)
COMBINING SCHEDULE OF OPERATING REVENUE FOR TNFF PROPERTIES

		2023	For the Period From January 1, 2023 Through June 26, 2023				From June 27, 2023 through December 31, 2023
		4-in-1 Total	2840 Folsom	308 Turk	4042 Fulton	568-570 Natoma	TNFF LLC
Rental income:							
5120	Gross potential tenant rents	\$ 514,343	\$ 76,514	\$ 103,823	\$ 47,766	\$ 28,833	\$ 257,407
5121	Rental assistance payments (incl. LOSP)	87,362	-	35,310	-	11,916	40,136
5140	Commercial unit rents	-	-	-	-	-	-
	Total rent revenue	<u>601,705</u>	<u>76,514</u>	<u>139,133</u>	<u>47,766</u>	<u>40,749</u>	<u>297,543</u>
Vacancies							
5220	Apartments	(37,851)	(2,921)	(2,012)	-	(12,509)	(20,409)
5240	Stores and commercial	-	-	-	-	-	-
	Total vacancies	<u>(37,851)</u>	<u>(2,921)</u>	<u>(2,012)</u>	<u>-</u>	<u>(12,509)</u>	<u>(20,409)</u>
	Net rental revenue: (rent revenue less vacancies)	<u>563,854</u>	<u>73,593</u>	<u>137,121</u>	<u>47,766</u>	<u>28,240</u>	<u>277,134</u>
Other revenue:							
5170	Rent revenue – garage and parking	-	-	-	-	-	-
5190	Miscellaneous rent revenue (collection loss)	(53,364)	(4,040)	(13,347)	(3,023)	(5,285)	(27,669)
5300	Supportive services income	-	-	-	-	-	-
5400	Financial revenue – project operations (from operating account only)	39	36	1	-	-	2
5400	Financial revenue – project operations (from all other accounts)	1,914	426	12	1,439	26	11
5910	Laundry and vending revenue	-	-	-	-	-	-
5920	Tenant charges	-	-	-	-	-	-
5990	Miscellaneous revenue	5,195	-	121	2,250	902	1,922
	Total other revenue	<u>(46,216)</u>	<u>(3,578)</u>	<u>(13,213)</u>	<u>666</u>	<u>(4,357)</u>	<u>(25,734)</u>
	Total revenue	<u>\$ 517,638</u>	<u>\$ 70,015</u>	<u>\$ 123,908</u>	<u>\$ 48,432</u>	<u>\$ 23,883</u>	<u>\$ 251,400</u>

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES
(A California Nonprofit Public Benefit Corporation)
COMBINING SCHEDULE OF OPERATING EXPENSES FOR TNFF PROPERTIES

		2023	For the Period From January 1, 2023 Through June 26, 2023				From June 27, 2023 through December 31, 2023
		4-in-1 Total	2840 Folsom	308 Turk	4042 Fulton	568-570 Natoma	TNFF LLC
Management fees:							
6320	Management fee	\$ 25,376	\$ -	\$ 8,352	\$ 2,174	\$ 2,162	12,688
	“Above the line” asset management fee	43,048	3,066	10,271	2,849	2,849	24,013
	Total management expenses	68,424	3,066	18,623	5,023	5,011	36,701
Salaries and benefits:							
6310	Office salaries	-	-	-	-	-	-
6330	Manager salaries	12,000	-	6,000	-	-	6,000
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	12,000	-	6,000	-	-	6,000
Administration:							
6210	Advertising and marketing	-	-	-	-	-	-
6311	Office expense	4,687	-	2,011	121	123	2,432
6312	Office rent	-	-	-	-	-	-
6340	Legal expense – property	6,201	-	-	-	920	5,281
6350	Audit expense	2,557	298	993	248	248	770
6351	Bookkeeping/accounting services	12,895	572	4,426	477	477	6,943
6370	Bad debts	-	-	-	-	-	-
6390	Miscellaneous administration expenses	23,428	46	7	1,104	10,764	11,507
	Total administration expenses	49,768	916	7,437	1,950	12,532	26,933
Utilities:							
6450	Electricity	8,522	34	2,646	1,035	40	4,767
6451	Water	40,675	2,812	12,438	3,639	1,364	20,422
6452	Gas	-	-	-	-	-	-
6453	Sewer	-	-	-	-	-	-
	Total utilities expenses	49,197	2,846	15,084	4,674	1,404	25,189
Taxes and licenses:							
6710	Real estate taxes	21,099	4,437	1,809	474	2,690	11,689
6711	Payroll taxes	1,454	-	867	-	-	587
6790	Miscellaneous taxes, licenses, and permits	981	112	589	112	168	-
	Total taxes and licenses expenses	23,534	4,549	3,265	586	2,858	12,276
Insurance:							
6720	Property and liability insurance	31,369	3,250	5,127	4,890	598	17,504
6721	Fidelity bond insurance	-	-	-	-	-	-
6722	Workers’ compensation	443	-	210	-	-	233
6724	Director and officers liabilities insurance	-	-	-	-	-	-
	Total insurance expenses	31,812	3,250	5,337	4,890	598	17,737

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

COMBINING SCHEDULE OF OPERATING EXPENSES FOR TNFF PROPERTIES

	2023	For the Period From January 1, 2023 Through June 26, 2023				From June 27, 2023 through December 31, 2023
	4-in-1 Total	2840 Folsom	308 Turk	4042 Fulton	568-570 Natoma	TNFF LLC
Maintenance and repairs:						
6510 Payroll	-	-	-	-	-	-
6515 Supplies	3,508	376	128	130	138	2,736
6520 Contracts	61,081	3,429	14,795	7,479	13,367	22,011
6525 Garbage and trash removal	22,616	1,737	6,921	1,274	1,588	11,096
6530 Security payroll/contract	-	-	-	-	-	-
6546 HVAC repairs and maintenance	-	-	-	-	-	-
6570 Vehicle and maintenance equipment operation and repairs	-	-	-	-	-	-
6590 Miscellaneous operating and maintenance expenses	-	-	-	-	-	-
Total maintenance and repairs expenses	87,205	5,542	21,844	8,883	15,093	35,843
6900 Supportive services	-	-	-	-	-	-
Capital and non-capital expenditures to be reimbursed from replacement reserve	-	-	-	-	-	-
Total operating expenses	321,940	20,169	77,590	26,006	37,496	160,679
Financial expenses:						
6820 Interest on first mortgage (or bonds) payable	181,654	27,458	48,781	43,043	6,522	55,850
6825 Interest on other mortgages	-	-	-	-	-	-
6830 Interest on notes payable (long term)	(5,731)	(6,842)	-	-	-	1,111
6840 Interest on notes payable (short term)	-	-	-	-	-	-
6850 Mortgage insurance premium/service charge	-	-	-	-	-	-
6890 Miscellaneous financial expenses	15,733	-	-	-	-	15,733
Total financial expenses	191,656	20,616	48,781	43,043	6,522	72,694
6000 Total cost of operations before depreciation and amortization	513,596	40,785	126,371	69,049	44,018	233,373
5060 Operating profit (loss)	4,042	29,230	(2,463)	(20,617)	(20,135)	18,027
Depreciation and amortization expense:						
6600 Depreciation expense	244,869	35,656	38,236	26,002	21,406	123,569
6610 Amortization expense	-	-	-	-	-	-
Operating profit (loss) after depreciation and amortization	(240,827)	(6,426)	(40,699)	(46,619)	(41,541)	(105,542)
Net entity expenses:						
7190 Other expenses	-	-	-	-	-	-
Total net entity expenses	-	-	-	-	-	-
3250 Total change in net assets	\$ (240,827)	\$ (6,426)	\$ (40,699)	\$ (46,619)	\$ (41,541)	\$ (105,542)

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

COMBINING SCHEDULE OF EXCESS/DISTRIBUTABLE CASH

YEAR ENDED DECEMBER 31, 2023

	<i>1130 Filbert</i>	<i>1353 Folsom</i>	<i>151 Duboce</i>	<i>1684 Grove</i>	<i>2976 23rd St.</i>	<i>53 Columbus</i>	<i>534 Natoma</i>	<i>70 Belcher</i>
Operating income:								
Total income	\$ 147,883	\$ 85,141	\$ 71,364	\$ 93,604	\$ 100,276	\$ 450,517	\$ 98,158	\$ 92,476
Interest earned on reserves net of bank fees	-	(2,014)	(46)	(88)	(1,736)	(69)	(16)	(1,455)
Adjusted operating income	147,883	83,127	71,318	93,516	98,540	450,448	98,142	91,021
Operating expenses	(56,564)	(42,236)	(53,736)	(33,665)	(61,243)	(235,798)	(41,169)	(39,228)
Adjusted net income	91,319	40,891	17,582	59,851	37,297	214,650	56,973	51,793
Other activity:								
Mandatory debt service	(86,411)	(38,436)	(27,558)	(38,436)	(66,692)	(177,504)	(30,384)	(55,044)
Required deposits to replacement reserve	(400)	(1,200)	(1,600)	(1,200)	(4,900)	(34,016)	(2,000)	(1,600)
Deposits to operating reserve	-	-	-	(100)	(905)	-	-	(100)
Withdrawals from replacement reserve	9,747	7,270	2,300	2,520	-	-	-	2,375
Withdrawals from operating reserve	900	-	-	-	211	-	-	-
Excess/distributable cash (deficit)	\$ 15,155	\$ 8,525	\$ (9,276)	\$ 22,635	\$ (34,989)	\$ 3,130	\$ 24,589	\$ (2,576)
Uses of excess/ distributable cash:								
Developer fee	\$ -	\$ -	\$ -	\$ 4,500	\$ -	\$ -	\$ -	\$ -
Operating reserve replenishment	-	3,142	-	-	-	-	11,068	-
Owner distribution	5,052	1,794	-	6,045	-	-	4,507	-
Replacement reserve (if bal is less than 1.5 x initial amount)	10,103	-	-	12,090	-	3,130	-	-
MOHCD residual receipt due for loan repayment	-	3,589	-	-	-	-	9,014	-
Total uses	\$ 15,155	\$ 8,525	\$ -	\$ 22,635	\$ -	\$ 3,130	\$ 24,589	\$ -

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES
(A California Nonprofit Public Benefit Corporation)
COMBINING SCHEDULE OF EXCESS/DISTRIBUTABLE CASH FOR TNFF PROPERTIES

	2023	For the Period From January 1, 2023 Through June 26, 2023				From June 27, 2023 through December 31, 2023
	4-in-1 Total	2840 Folsom	308 Turk	4042 Fulton	568-570 Natoma	TNFF LLC
Operating income:						
Total income	\$ 517,638	\$ 70,015	\$ 123,908	\$ 48,432	\$ 23,883	\$ 251,400
Interest earned on reserves net of bank fees	(1,678)	(406)	(12)	(1,363)	114	(11)
Adjusted operating income	515,960	69,609	123,896	47,069	23,997	251,389
Operating expenses	(321,940)	(20,169)	(77,590)	(26,006)	(37,496)	(160,679)
Adjusted net income	194,020	49,440	46,306	21,063	(13,499)	90,710
Other activity:						
Mandatory debt service	(246,258)	(39,852)	(70,128)	(28,800)	(8,616)	(98,862)
Required deposits to replacement reserve	(12,100)	(1,200)	(3,500)	(1,000)	(1,000)	(5,400)
Deposits to operating reserve	(100)	-	-	-	-	(100)
Withdrawals from replacement reserve	29,019	4,000	-	3,800	10,424	10,795
Withdrawals from operating reserve	-	-	-	-	-	-
Excess/distributable cash (deficit)	\$ (35,419)	\$ 12,388	\$ (27,322)	\$ (4,937)	\$ (12,691)	\$ (2,857)
Uses of excess/ distributable cash :						
Developer fee	\$ 3,000	\$ 3,000	\$ -	\$ -	\$ -	\$ -
Operating reserve replenishment	-	-	-	-	-	-
Owner distribution	3,129	3,129	-	-	-	-
Replacement reserve (if bal is less than 1.5 x initial amount)	6,259	6,259	-	-	-	-
MOHCD residual receipt due for loan repayment	-	-	-	-	-	-
Total uses	\$ 12,388	\$ 12,388	\$ -	\$ -	\$ -	\$ -

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES
(A California Nonprofit Public Benefit Corporation)
COMBINING SCHEDULE OF REPLACEMENT, OPERATING, AND OTHER RESERVES ACTIVITY
YEAR ENDED DECEMBER 31, 2023

	<i>1130 Fillbert</i>	<i>1353 Folsom</i>	<i>151 Duboce</i>	<i>1684 Grove</i>	<i>2976 23rd St.</i>	<i>53 Columbus</i>	<i>534 Natoma</i>	<i>70 Belcher</i>
Replacement Reserve								
Balance, beginning of year	\$ -	\$ 141,705	\$ 80,711	\$ 17,477	\$ 195,878	\$ 567,459	\$ 24,658	\$ 62,025
Initial deposits	157,417	-	-	-	220,731	-	-	-
Annual deposits ⁽²⁾	-	-	-	-	-	34,016	-	100
Deposit from surplus cash	-	-	-	-	-	-	-	-
Other deposits	-	-	-	720	48,946 ⁽¹⁾	-	-	-
Withdrawals	(9,747)	(7,270)	(2,300)	(2,520)	(9,964)	-	-	(2,375)
Bank charges	-	-	-	-	-	-	-	(41)
Interest earned	-	1,778	41	44	1,754	58	12	433
Balance, end of year	\$ 147,670	\$ 136,213	\$ 78,452	\$ 15,721	\$ 457,345	\$ 601,533	\$ 24,670	\$ 60,142
Operating Reserve								
Balance, beginning of year	\$ -	\$ 18,228	\$ 16,582	\$ 17,390	\$ 2,999	\$ 117,778	\$ 11,754	\$ 11,138
Initial deposit	57,163	-	-	-	66,441	-	-	-
Annual deposits	-	-	-	-	905	-	-	100
Deposit from surplus cash	-	-	-	-	-	-	-	-
Other deposits	-	-	-	100	-	-	-	1,582
Withdrawal	(900)	-	-	-	(211)	-	-	-
Bank charges	-	-	-	-	(30)	-	-	(8)
Interest earned	-	236	5	44	12	11	4	79
Balance, end of year	\$ 56,263	\$ 18,464	\$ 16,587	\$ 17,534	\$ 70,116	\$ 117,789	\$ 11,758	\$ 12,891
⁽¹⁾ Management deposited the initial funding into the replacement reserve account and is in the process of transferring the balance to the vacancy reserve account in .								
⁽²⁾ Underfunding for 2023:								
	\$ 400	\$ 1,200	\$ 1,600	\$ 1,200	\$ 4,900	\$ -	\$ 2,000	\$ 1,600

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VON HUSEN
& JOYCE llp

Certified Public Accountants

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 consolidated financial statements of San Francisco Community Land Trust and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2023, 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 1, 2024.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiency in internal control, described in the accompanying schedule of findings and recommendations as Finding No. 2023-001 that we consider to be a significant deficiency.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendation as Finding No. 2023-001.

San Francisco Community Land Trust and Subsidiaries' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on San Francisco Community Land Trust's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. ABC Organization's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 1, 2024

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2023

Finding No. 2023-001 – Annual Reserve Deposits

Criteria:

Under MOHCD loan agreements, each property may be required to make two (2) types of reserve deposits to the operating and replacement reserves: one is calculated at the end of the calendar year, also known as the residual receipt reserve deposits, and the other is a fixed amount stipulated in each loan agreement, also known as the annual required reserve deposits. SFCLT and Subsidiaries are required to make annual reserve deposits during the year in accordance with the lenders' loan agreements.

Additional policies and procedures for financial reporting need to be adopted to ensure the compliance of such requirements.

Condition:

During the audit, we noted that the required annual reserve deposits were not properly funded. The replacement reserve was underfunded by approximately \$25,000 for the 2023 required annual deposits. The accumulated underfunding was approximately \$47,000 as of December 31, 2023.

Cause:

Management was mindful of the lenders' compliance requirements relating to maintaining various reserves. To improve the consistency of compliance of such requirements amongst all of the properties owned by SFCLT and Subsidiaries, management adopted a new policy during 2023 to make one annual contribution to the various reserve accounts across the entire portfolio at the same time.

Unfortunately, due to the turnover of the Finance Director and adopting the policy shortly before his departure, there was a lapse in communication between the former Finance Director and the present asset management department. The former Finance Director created a policy to ensure that properties that produced a surplus would make an annual contribution in July of each year to avoid the underfunding of reserves. This policy, however, was not instituted as he communicated to other asset management staff, and the asset manager who took over his position was under the impression that the contributions had been made.

Management also strongly believes that the ambiguity in MOHCD's policy around whether annual required reserve is to be funded subject to the availability of annual surplus cash is another contributing factor.

Effect and Potential Effect:

SFCLT and Subsidiaries are not in compliance with the lender's loan agreements. The operating cash balances would be overstated, and restricted cash balances would be less than anticipated.

Recommendation:

We understand that management has adopted additional policies and procedures to monitor and verify that annual reserve deposits are properly funded. Management can consider setting up automatic annual deposits in the respective financial institution to ensure that the annual reserve deposits are made in a timely manner. In addition, management can evaluate the needs to adopt a system to track any catch-up deposits and reserve deposits from prior years' surplus cash distributions to ensure that the deposits are made shortly after being identified and approved by the lenders.

SAN FRANCISCO COMMUNITY LAND TRUST AND SUBSIDIARIES

(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2023

Views of Responsible Officials:

Management would like to highlight in detail for external purposes the complexity of the noncompliance issue at hand.

It is noted that SFCLT is not in compliance with its lender loan agreement and that the operating cash balances would be overstated and that restricted cash balance would be less than anticipated. The auditor identifies an underfunding of our replacement reserve accounts by \$25,000 in 2023 and an accumulated underfunding of \$47,000.

While management does recognize that there was a lapse in communication between previous asset management staff and the current staff as the auditor noted, management believes this lapse was not the only reason that explains the underfunding of reserves identified by the auditor.

The guidance that management received from MOHCD, the lender, as to “annual required reserve deposits” was ambiguous at best. It seemed, contrary to its name, that we were not required to make the “annual required reserve deposits” to fund property reserves with funds from SFCLT Core accounts when the cash flow of those properties was insufficient to fund the reserves through their own revenue. This was a practice in place for many years which led SFCLT current staff to believe that only those properties which had a surplus mandated the “annual required reserve deposits.”

In the past, when the auditor made note of underfunded reserves, management took this to mean only applying to those properties where there was a surplus. Underfunding of reserves dependent on a surplus can often occur due to the complexity of the calculations and the lag time from when the calculations are made and when MOHCD approves the surplus distribution. Often there is a lag of six (6) months or more, at which point the surplus calculated in the previous year, may have been used for other purposes. In that time, the property’s cashflow may have changed and there may no longer be a surplus at that property. Therefore, even with the best protocols and procedures in place, there is risk of underfunding reserves dependent on a surplus.

It has now been clarified by MOHCD and the auditor that the annual contribution is not in fact dependent on a surplus.

Management takes responsibility for the lack of clarity on this point until this year, and they have taken measures to correct the past underfunding, as well as, procedures for ensuring that the “annual required reserve deposits,” are made to ALL MOHCD partner properties regardless of whether or not they have a surplus.

Management would however like to make the observation that it is not standard practice to require the funding of property reserves from operating funds of SFCLT. This would put many non-profit affordable housing providers at risk for an unsustainable depletion of their core organization funds for critical activities in maintaining core operations particularly in years where the cash flow of many properties was seriously affected (i.e. during the pandemic). It is well accepted that property operations should stay and remain independent from core activities and that “property operations should pay for themselves.” This is one of the reasons why separate property LLCs are created, as well as, segregated accounts maintained for operating and reserve activities.

It is fortunate that SFCLT was able to receive a \$20 million generous donation by Mackenzie Scott in 2023 and was put in an investment account to cover these insufficiencies in property reserve funds; however, management would like to note that for many non-profit organizations, a similar requirement to pay such property reserve insufficiencies from their core funds could present an existential threat, as well as, discouraging small non-profit from joining as qualified nonprofit developers of the Small Sites fund.

Management would also like to note for external purposes that an accumulated underfunding of \$47,000 of the replacement reserves represents on average less than \$3,916 for each property, which is no more than \$1,958 per year over a period of two years.

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YEAR ENDED DECEMBER 31, 2023

SFCLT has also taken measures to correct this underfunding so there will be no accumulated balances going into the future, and to also ensure no lapses in communication between asset management staff will occur regardless of turnover in staff.

Again, however, management would like to highlight that the main reason for the underfunding of \$47,000 was the result of previous ambiguity around the nature of an “annual reserve contributions” from the lender, and whether or not they ought to be made regardless of whether or not there is a surplus at the property. This point has now been clarified, and management do not expect lapses on this point of compliance going forward.