ISLAND CITY DEVELOPMENT
AND SUBSIDIARIES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2020 AND 2019

HCVT
HOLTHOUSE | CARLIN | VAN TRIGT LLP

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
DECEMBER 31, 2020 AND 2019
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Island City Development:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Island City Development (a California nonprofit public benefit corporation) and its Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, changes in net assets (deficit), and cash flows, for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on Consolidated Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Island City Development and its Subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information in Schedules I and II is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities, 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 audits 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.

Holthouse Carlin & Van Trigt LLP

Westlake Village, California
October 27, 2021

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,		**2020**		**2019**
ASSETS				
Property, at cost				
Land improvements	$	2,342,066	$	2,170,596
Buildings and improvements		26,398,949		26,161,709
Furniture and equipment		512,067		512,067
Construction-in-progress		6,517,307		-
Total property		35,770,389		28,844,372
Less: accumulated depreciation		(2,044,442)		(1,020,974)
Net property		33,725,947		27,823,398
Cash and cash equivalents		1,839,520		1,571,493
Investments		1,141,144		-
Other receivables		70,367		99,819
Restricted funds:				
Reserves		352,730		326,006
Tenant security deposits		45,774		41,500
Prepaid ground leases		16,319,493		3,316,468
Preacquisition costs		2,261,114		2,178,339
Other prepaids		32,102		28,472
Deposits		527,814		221,184
Deferred costs - TCAC fees		77,236		83,157
Total assets	$	56,393,241	$	35,689,836
LIABILITIES AND NET ASSETS (DEFICIT)				
Notes payable, net	$	42,170,253	$	20,675,495
Accounts payable and accrued expenses		56,611		57,917
Accrued construction and development costs		1,518,236		-
Accrued development consulting fee to AHA		100,000		-
Accrued interest payable		1,278,154		858,796
Developer fee payable		306,900		167,500
Accrued Asset Management Fee payable		-		7,233
Prepaid rents		15,627		11,499
Tenant security deposits		44,734		41,500
Total liabilities		45,490,515		21,819,940
Commitments and contingencies				
Net assets (deficit)				
Without donor restrictions				
Controlling interests		(4,127,246)		(190,767)
Noncontrolling interests		15,029,972		14,060,663
Total net assets (deficit)		10,902,726		13,869,896
Total liabilities and net assets (deficit)	$	56,393,241	$	35,689,836

See notes to consolidated financial statements.

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31,	2020	2019
Revenue:		
Residential rent	$ 295,076	$ 224,748
Tenant subsidies	875,614	810,664
Grant and other revenue	17,650	271,553
Total revenue	1,188,340	1,306,965
Expenses:		
Program services-housing	2,027,955	2,148,073
Supporting services	212,989	225,806
Total expenses	2,240,944	2,373,879
Change in net assets	$ (1,052,604)	$ (1,066,914)

See notes to consolidated financial statements.

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services			Supporting Services		
	Island City Development	Housing (a)	Total	Island City Development	Housing (a)	Total
Administrative						
Manager's salaries	$ -	$ 52,619	$ 52,619	$ -	$ -	$ 52,619
Manager's unit	-	41,512	41,512	-	-	41,512
Office expense	-	107,214	107,214	6,302	-	113,516
Professional fees - accounting	-	-	-	22,850	52,360	75,210
Professional fees - legal	-	3,013	3,013	16,617	-	19,630
Property management fees	-	38,090	38,090	-	-	38,090
Total administrative expenses	-	242,448	242,448	45,769	52,360	340,577
Utilities						
Electricity	-	23,129	23,129	-	-	23,129
Water and sewer	-	19,669	19,669	-	-	19,669
Gas	-	429	429	-	-	429
Total utilities	-	43,227	43,227	-	-	43,227
Operating and maintenance						
Maintenance salaries	-	39,735	39,735	-	-	39,735
Repairs and maintenance	-	51,791	51,791	4,123	-	55,914
Trash removal	-	24,567	24,567	-	-	24,567
Total operating and maintenance	-	116,093	116,093	4,123	-	120,216
Taxes and insurance						
Payroll taxes	-	8,482	8,482	-	-	8,482
Property and liability insurance	-	29,365	29,365	-	-	29,365
Employee benefits	-	24,870	24,870	-	-	24,870
Property taxes		719	719	-	-	719
State taxes	-	1,801	1,801	127	-	1,928
Total taxes and insurance	-	65,237	65,237	127	-	65,364
Other expenses						
Depreciation	-	854,662	854,662	-	-	854,662
Amortization	-	5,981	5,981	-	-	5,981
Interest expense	-	654,507	654,507	-	-	654,507
Asset Management Fees	-	-	-	-	10,610	10,610
Development consulting	-	-	-	100,000	-	100,000
Ground lease	-	34,604	34,604	-	-	34,604
Miscellaneous financial expenses	-	6,196	6,196	-	-	6,196
Organization costs	-	5,000	5,000	-	-	5,000
Total other expenses	-	1,560,950	1,560,950	100,000	10,610	1,671,560
Total functional expenses	$ -	$ 2,027,955	$ 2,027,955	$ 150,019	$ 62,970	$ 2,240,944

(a) Sherman and Buena Vista, L.P., Everett and Eagle, L.P., and Constitution and Eagle, L.P.

See notes to financial statements.

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services			Supporting Services		
	Island City Development	Housing (a)	Total	Island City Development	Housing (a)	Total
Administrative						
Manager's salaries	$ -	$ 53,012	$ 53,012	$ -	$ -	$ 53,012
Office expense	-	78,796	78,796	11,105	-	89,901
Professional fees - accounting	-	-	-	41,759	58,547	100,306
Professional fees - legal	-	8,051	8,051	800	-	8,851
Property management fees	-	33,660	33,660	-	-	33,660
Total administrative expenses	-	173,519	173,519	53,664	58,547	285,730
Utilities						
Electricity	-	16,159	16,159	-	-	16,159
Water and sewer	-	15,196	15,196	-	-	15,196
Gas	-	102	102	-	-	102
Total utilities	-	31,457	31,457	-	-	31,457
Operating and maintenance						
Maintenance salaries	-	42,830	42,830	-	-	42,830
Repairs and maintenance	-	35,064	35,064	-	-	35,064
Trash removal	-	15,183	15,183	-	-	15,183
Total operating and maintenance	-	93,077	- 93,077	-	-	93,077
Taxes and insurance						
Payroll taxes	-	8,368	8,368	-	-	8,368
Property and liability insurance	-	28,467	28,467	-	-	28,467
Employee benefits	-	21,495	21,495	-	-	21,495
Property Taxes		359	359	-	-	359
State taxes	-	3,200	3,200	148	-	3,348
Total taxes and insurance	-	61,889	61,889	148	-	62,037
Other expenses						
Depreciation	-	837,028	837,028	-	-	837,028
Amortization	-	6,500	6,500	-	-	6,500
Advertising and lease-up	-	33,169	33,169	-	-	33,169
Interest expense	-	822,918	822,918	2,730	-	825,648
Asset Management Fees	-	-	-	-	10,717	10,717
Development consulting	-	-	-	100,000	-	100,000
Ground lease	-	34,604	34,604	-	-	34,604
Miscellaneous financial expenses		44,606	44,606			44,606
Organization costs	-	9,306	9,306	-	-	9,306
Total other expenses	-	1,788,131	1,788,131	102,730	10,717	1,901,578
Total functional expenses	$ -	$ 2,148,073	$ 2,148,073	$ 156,542	$ 69,264	$ 2,373,879

(a) Sherman and Buena Vista LP and Everett and Eagle L.P.

See notes to financial statements.

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (DEFICIT)

	Controlling Interests	Noncontrolling Interests	Total
Balance, December 31, 2018	$ (370,473)	$ 669,386	$ 298,913
Contributions	-	14,637,897	14,637,897
Net loss	179,706	(1,246,620)	(1,066,914)
Balance, December 31, 2019	(190,767)	14,060,663	13,869,896
Contributions	-	2,097,967	2,097,967
Transfer of owners' deficit	(3,860,098)	-	(3,860,098)
Syndication costs	-	(152,435)	(152,435)
Net income (loss)	(76,381)	(976,223)	(1,052,604)
Balance, December 31, 2020	$ (4,127,246)	$ 15,029,972	$ 10,902,726

See notes to consolidated financial statements.

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECMEBER 31,	2020	2019
Cash flow from operating activities:		
Change in net assets from operations	$ (1,052,604)	$ (1,066,914)
Adjustments to reconcile change in net assets from operations to net cash provided by (used in) operating activities:		
Depreciation	854,662	837,028
Amortization of deferred costs	5,981	6,500
Amortization of debt issuance costs	44,547	62,392
Ground lease expense	34,604	34,604
Changes in operating assets and liabilities:		
Deposits	56,697	(56,697)
Other prepaids	(3,690)	(9,977)
Accounts payable and accrued expenses	(1,306)	36,418
Accrued interest payable	331,239	265,827
Accrued Asset Management Fee payable	(7,233)	5,150
Prepaid rents	4,128	10,502
Tenant security deposits - liability	3,234	18,576
Net cash provided by operating activities	270,259	143,409
Cash flows from investing activities:		
Expenditures for property	(1,934,469)	(2,152,985)
Expenditures for preacquisition costs	(2,718,037)	(1,412,956)
Investments in CAMP Pool	(3,405,898)	-
Redemptions of investment in CAMP Pool	2,264,754	-
Net cash used in investing activities	(5,793,650)	(3,565,941)
Cash flows from financing activities:		
Proceeds from notes payable	7,623,335	6,996,073
Repayments on notes payable	(2,641,947)	(16,865,224)
Expenditures for debt issuance costs	(741,177)	(55,187)
TCAC performance deposit	(186,167)	-
Lender deposit	(277,160)	(100,000)
Lender refunds	100,000	-
Capital contributions	2,097,967	14,637,897
Expenditures for syndication costs	(152,435)	-
Net cash provided by financing activities	5,822,416	4,613,559
Net change in cash, cash equivalents, and restricted cash	299,025	1,191,027
Cash, cash equivalents, and restricted cash, at beginning of year	1,938,999	747,972
Cash, cash equivalents, and restricted cash, at end of year	$ 2,238,024	$ 1,938,999

See notes to consolidated financial statements.

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECMEBER 31,	2020	2019
Supplemental disclosure of cash activities:		
Cash paid for interest, net of capitalized interest	$ 484,929	$ 484,929
Supplemental disclosure of non-cash activities:		
Acquired real estate - net book value	$ 239,902	$ -
Prepaid ground lease	13,110,000	-
Assumption of debt	(17,210,000)	-
Transfer of owners' deficit	3,860,098	-
	$ -	$ -
Cash, cash equivalents, and restricted cash is as follows:		
Cash and cash equivalents	$ 1,839,520	$ 1,571,493
Reserves	352,730	326,006
Tenant security deposits	45,774	41,500
	$ 2,238,024	$ 1,938,999

See notes to consolidated financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Island City Development is a California nonprofit public benefit corporation (the Company or ICD) exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Company was formed in 2014 primarily to engage in acquiring, developing, rehabilitating, owning, and managing affordable housing (the Project(s)) for low and moderate-income individuals and families in the City of Alameda, California. In connection with the development of the Projects, the Company, or its affiliates, intend to enter into regulatory agreements with the California Tax Credit Allocation Committee (TCAC), which govern the ownership, occupancy, management, maintenance and operations of the Project.

The Company is a discrete component unit of the City of Alameda Housing Authority (AHA) and its Board of Directors is made up of three directors appointed by the AHA Executive Director. In addition, the Company is dependent on AHA's financial and personnel assistance.

As of December 31, 2020 and 2019, the Company's consolidated financial statements include California limited partnerships and single member California limited liability companies (LLC), (the Partnership(s) or the Subsidiary(ies)) organized primarily to acquire, develop/rehabilitate, and manage multi-family affordable housing projects. As of December 31, 2020, the Company, through its Subsidiaries, owns the following Projects:

Partnership Name	Project Name	City, State	Units
Sherman and Buena Vista LP	Littlejohn Commons	Alameda, California	31
Everett and Eagle L.P.	Everett Commons	Alameda, California	20
Constitution and Eagle LP (a)	Rosefield Village	Alameda, California	92

(a) As of December 31, 2020, the project was under development and is expected to be complete in June 2022.

Allocation of profit and losses of the Partnerships that own the above projects are allocated as follows:

Company	0.01%
Limited Partner (non-controlling)	99.99%

In addition, the Company has established the following wholly owned Subsidiaries:

Del Monte Senior LLC
2437 Eagle Avenue LLC
Rosefield LLC

Principles of Consolidation and Accounting for Investments in a Limited Partnership Accounting standards generally accepted in the United States of America establishes the presumption that the general partner(s) in a limited partnership controls that limited partnership (or similar entity) regardless of ownership percentage. The presumption of control by the general partner is overcome when the limited partners have either: (a) the substantive ability to dissolve, or liquidate the limited partnership, or otherwise remove the general partner without cause, or (b) substantive participating rights. If the presumption of control cannot be overcome, then the general partner is required to consolidate the limited partnership. As of and for the years ended December 31, 2020 and 2019, ICD or its wholly owned Subsidiaries, as a controlling general partner, conformed their accounting to this presumption and determined the presumption of control for the limited partnerships had not been overcome.

Due to shared control with other entities, ICD records its investments in limited partnerships for which ICD serves as limited partner under the equity method of accounting. Under the equity method of accounting, ICD records its acquisition of the initial investment at cost and thereafter, records its portion of the entity's income or loss on an annual basis. In the event its investment goes negative, based on management's assessments, the recording of further loss may be suspended until profitability returns.

ICD serves as a limited partner in the following limited partnership and records its investment under the equity method of accounting:

Project Name	City, State	Acquisition Date	Units
Stargell Commons	Alameda, California	2015	32*

*The project was placed in service in June 2017 and ICD's investment is $0.

Basis of Accounting The consolidated financial statements have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and include the accounts of ICD and all its wholly owned and controlled affiliates. These entities are included in the consolidation in accordance with U.S. GAAP, which require that the partnership or company accounts be consolidated for all entities controlled by ICD. All significant intercompany balances and transactions have been eliminated in consolidation.

Revenues, expenses, gains, losses and net assets are classified in the consolidated financial statements based on the existence or absence of donor-imposed restrictions. As of December 31, 2020 and 2019, there were no donor-imposed restrictions on net assets. Accordingly, the net assets of the Company and changes therein are classified and reported as follows:

> ***Controlling interests*** is the net assets not restricted by donor-imposed stipulations. The only limits on net assets are broad limits resulting from the nature of the Company and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements. Net assets without donor restriction - controlling interest, consist of undesignated and board designated net assets.
>
> ***Non-controlling interests*** is the net assets that represent the limited partners' equity interest in the Projects, generally up to 99.99%, that are included in the consolidated financial statements.

Revenues Revenues include tenant rents from operating leases (generally one year), recognized as revenue, including tenant subsidies, when they become due. Revenues also include income from grants, developer fees, to the extent it is a reimbursement of development costs, laundry, interest, and miscellaneous income. These revenues are recognized as earned and/or costs incurred.

Functional Allocation of Expenses The costs of providing ICD's programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of functional expenses. The functional classifications are defined as follows:

> ***Program services*** are expenses that consist of costs incurred in connection with providing housing services.
>
> ***Supporting services*** are expenses that consist of costs incurred in connection with the overall activities of ICD, which are not allocable to another functional expense category.

Income Taxes The Company has received a determination letter from the Internal Revenue Service stating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for federal income taxes is recorded in the accompanying consolidated financial statements. In addition, the Company does not have any income, which it believes would subject it to unrelated business income taxes. Accordingly, there is no provision for income taxes in the accompanying consolidated financial statements.

Income taxes on limited partnership and LLC income are included in the tax returns of the partners or members. The federal tax status as a pass-through entity is based on the entity's legal status as a partnership or LLC and is required to file tax returns with the IRS and other taxing authorities.

Accordingly, these consolidated financial statements do not reflect a provision for income taxes. However, the limited partnerships and the LLCs are required to pay an $800 fee to the California Franchise Tax Board. The Company determined there are no tax positions, which must be considered for disclosure. There are no current tax examinations pending.

Estimates The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the financial reporting period. Management believes actual results will not differ significantly from those estimates.

Cash, Cash Equivalents, and Restricted Cash For purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash and highly liquid unrestricted investments with an original maturity of three months or less when purchased. Restricted cash consists of tenant security deposits, replacement and operating reserves held at the partnership level.

Investment in Investment Pool The Company maintains a portion of its cash in the California Asset Management Program (the CAMP Pool) as part of the common investment pool ($1,141,144 and $0 as of December 31, 2020 and 2019, respectively). The CAMP Pool invests in asset-back commercial paper, certificates of deposits, commercial paper, corporate notes, government agency and instrumentality obligations and repurchase agreements. The fair value of CAMP Pool is reported in the accompanying financial statements at amounts based upon the Company's pro-rata share of the fair value provided by the CAMP Pool (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the CAMP Pool, which are recorded on an amortized cost basis. Cash may be added or withdrawn from the investment pool without limitation.

Fair Value Measurements and Disclosures The CAMP Pool reports certain assets and liabilities at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined using models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Unobservable inputs for the asset or liability. In these situations, the Company develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Company's assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of the Company's CAMP Pool investment assets are classified within Level 2.

The following table presents the assets measured at fair value on a recurring basis at December 31:

	2020	**2019**
CAMP Pool (Level 2)	$ 1,141,144	$ 0

Property Property is stated at cost. Upon completion, depreciation expense will be provided primarily using the straight-line method over the following estimated useful lives:

Description	**Life**
Leasehold land improvements	75-99 years
Buildings and improvements	40 years
Land improvements	20 years
Furniture and equipment	5 - 7 years

ICD capitalizes development costs, including interest and insurance until the project is placed in service. Thereafter, ICD capitalizes expenditures or betterments that materially increase asset lives, charging to depreciation expense the estimated net book value of the improvement cost being replaced, and charges ordinary repairs and maintenance to operations as incurred. When assets are sold or otherwise disposed of, the costs and related reserves are removed from the accounts, and any resulting gain or loss is included in operations.

The Company reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. When evaluating recoverability, management considers future undiscounted cash flows estimated to be generated by the property including the low-income housing tax credits and any estimated proceeds from the eventual disposition. In the event these accumulated cash flows are less than the carrying amount of the property, the Company recognizes an impairment loss equal to the excess of the carrying amount over the estimated fair value of the property. No impairment losses were recognized during the year ended December 31, 2020 and 2019.

Other Receivables The Company evaluates collectability on a case-by-case basis and provides a reserve when collection is doubtful.

Concentration of Credit and Business Risk The Company's cash and cash equivalents are maintained in various banks. The Company has exposure to credit risk to the extent that its cash and cash equivalents exceed amounts covered by federal deposit insurance. The Company believes that its credit risk is not significant.

ICD, either as a direct owner, advisor or general partner, has an economic interest in the Projects that are subject to business risks associated with the economy and level of unemployment in California, which affects occupancy as well as the tenants' ability to make rental payments. In addition, these Projects operate in a heavily regulated environment and the operations of these Projects will be subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, the U.S. Department of Housing and Urban Development (HUD). Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD and may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Adoption of Recent Accounting Pronouncement During 2020, the Organization adopted Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) – This ASU clarifies the principles for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. For the specified contracts for which the Organization is the service provider, there was not a significant impact on the consolidated financial statements.

Reclassifications Certain amounts in the prior year financial statements have been reclassified to conform to the current year financial statement presentation.

2. PREPAID GROUND LEASES

Littlejohn Commons entered into a ground lease agreement with AHA commencing December 2016 for a period of 99 years ending December 31, 2115. In accordance with the ground lease agreement, $3,410,000 was recorded as a prepaid ground lease with a corresponding ground lease payable, see Note 7. During the term of the lease, the Subsidiary will annually amortize prepaid ground lease of $34,444.

Everett Commons entered into a ground lease agreement with AHA commencing June 2017 for a period of 99 years ending June 1, 2116. In accordance with the ground lease agreement, $9,900 was recorded as a prepaid ground lease, and amortization of the ground lease is $100 per annum.

Rosefield Village entered into a ground lease agreement with AHA commencing August 2020 for a period of 75 years ending December 31, 2095. In accordance with the ground lease agreement, $13,110,000 was recorded as a prepaid ground lease financed by a seller takeback loan, see Note 7. During the term of the lease, the Subsidiary will annually amortize prepaid ground lease of $173,834.

As of December 31, 2020 and 2019, prepaid ground lease balances were $16,319,493 and $3,316,468, respectively.

3. RESERVES

Restricted cash accounts (Reserves) are restricted for use by various agreements including partnership, loan, and regulatory agreements. The Reserves as of December 31 2020 and 2019 are as follows:

	2020	2019
Reserves	$ 352,730	$ 326,006

4. PREACQUISITION COSTS

ICD capitalizes preaquisition costs until management determines the proposed development is not feasable. ICD's preacquisition costs do not include AHA's incremental indirect project costs clearly associated with the acquisition, development and construction of the proposed Project. In general, once a project is approved, the preacquisition are reimbursed by a newly formed conolidated entity using third party loans and capital contributions. As of December 31, 2020 and 2019, ICD's preacquisition costs for future Projects of $2,261,114 and $2,190,665, respectively, has been incurred and recorded in the accompanying consolidated statements of financial position.

5. DEFERRED COSTS – TCAC FEES AND DEBT ISSUANCE COSTS

Deferred TCAC Costs Deferred TCAC costs consist of fees paid to TCAC that will be amortized over a 15-year period, beginning in the year the applicable Project is placed in service. As of December 31, 2020 and 2019, unamortized TCAC costs were $77,236 and $83,217, respectively.

Debt Issuance Costs Debt issuance costs of $949,718 and $253,088 net of accumulated amortization as of December 31, 2020 and 2019, respectively, are reported as a direct reduction of the obligation to which such costs relate. While the projects are under development, the amortization of debt issuance costs are capitalized. Thereafter, the amortization is reported as a component of interest expense using a method that approximates the effective interest method.

6. DEPOSITS

Deposits consist of funds that ICD sent to various regulatory agencies on behalf of real estate projects under development. These funds are anticipated to be refunded as the projects under development achieve certain milestones. As of December 31, 2020 and 2019, deposits were $527,814 and $221,184, respectively.

7. NOTES PAYABLE

	2020	2019
A summary of ICD's financing arrangements as of December 31, 2020 and 2019 is as follows:		
AHA North Housing loan Unsecured promissory note payable to AHA for the purpose of funding preacquisition efforts of a project known as North Housing in the original loan amount of $300,000, with interest accruing at a rate of 3.00% commencing January 1, 2024. During 2018, the loan agreement was amended to a maximum amount of $3,700,000. All unpaid principal and interest are due December 31, 2074.	$ 3,700,000	$ 700,000
AHA North Housing – additional loan Island City Development promises to pay a principal balance of $130,000. Note shall bear simple interest at the rate of 3% annually. Interest payments will begin on January 1, 2024. The note will mature on December 31, 2074.	130,000	-
AHA Rosefield loan Unsecured promissory note payable to AHA for the purpose of funding preacquisition efforts of Rosefield Village in the original loan amount of $1,000,000, with interest accruing at a rate of 3.00% commencing January 1, 2018. During 2019, the loan agreement was amended, increasing the maximum loan to $2,000,000 with interest accruing at 3.00%, retroactively commencing January 1, 2021. The loan was repaid during 2020.	-	2,000,000
Total ICD notes payable	3,830,000	2,700,000
A summary of the Littlejohn Commons financing arrangements as of December 31, 2020 and 2019 is as follows:		
Note payable to Compass Bank, an Alabama banking corporation, provides construction financing in the maximum amount of $10,322,328. The note is secured by a construction and permanent leasehold deed of trust with absolute assignment of leases and rents, security agreement and fixture filing. The note provides for interest only payments based on one-month LIBOR plus 1.80% per annum through the conversion date. In February 2019, the construction loan was partially paid off with the Limited Partner's capital contributions, with the remaining balance converted into a permanent loan of $2,429,400 with California Community Reinvestment Corporation (CCRC). The Partnership entered into a promissory note agreement with CCRC for the permanent loan, with an interest rate of 5.39%, which requires monthly payments of principal and interest, and matures on March 1, 2034.	2,236,132	2,348,793

	2020	2019
Note payable to the City of Alameda, secured by a subordinate deed of trust, borrowings up to $195,740, simple interest at 3.00% per annum, payable from Residual Receipts and unpaid principal and interest are due on April 1, 2073.	195,740	195,740
Note payable to AHA, in the original amount of $3,600,000, secured by a leasehold deed of trust, assignment of rents, and security agreement, interest at 2.26%, compounded annually; principal and interest payable annually from Residual Receipts; as defined, unpaid principal and interest is due December 31, 2073.	3,600,000	3,600,000
Note payable to AHA, in the original amount of $3,410,000, secured by a leasehold deed of trust, assignment of rents, and security agreement, interest at 2.26%, compounded annually; principal and interest payable annually from Residual Receipts; unpaid principal and interest is due December 31, 2073.	3,410,000	3,410,000
Total Littlejohn Commons notes payable	9,441,872	9,554,533

A summary of the Rosefield Village financing arrangements as of December 31, 2020 and 2019 is as follows:

Note payable in the amount of $16,576,088 dated August 1, 2020 and payable to (the Seller Loan, aka AHA Takeback Loan), and secured by a deed of trust. The loan bears interest at a rate of 1.12% compounded annually. Principal and interest payments are made on May 1 of each calendar as Residual Receipts permits. Maturity date is December 31, 2077.	16,576,088	-
Note payable in the amount of $40,322,758, (the Construction Loan) and payable to California Municipal Finance Authority (as Lender), secured by a Leasehold Construction Deed of Trust. Interest accrues at the LIBOR rate plus 2.20% and is payable to the Lender on a monthly basis. Loan is anticipated to convert April 10, 2023 and will mature September 1, 2040.	1,306,748	-
Note payable in the amount of $8,093,414 dated August 1, 2020 and payable to the County of Alameda (County A1 Loan) and secured by a deed of trust. The loan bears simple interest at a rate of 3.00%. Principal and interest payments are made on May 1 of each calendar as Residual Receipts permits. Maturity date is August 1, 2075.	1,153,535	-
Note payable in the amount of $8,143,052 dated August 1, 2020 and payable to the County of Alameda (AHA Funds Loan, aka AHA Cash Funds), and secured by a deed of trust. The loan does not bear interest. Principal and interest payments are made on May 1 of each calendar as Residual Receipts permits. Maturity date is December 31, 2077.	1,483,052	-

	2020	2019
Note payable in the amount of $633,912 dated August 1, 2020 and payable to the City of Alameda (City CDBG Loan) and secured by a subordinate deed of trust. The loan bears simple interest at a rate of 2.33% per annum. Principal and interest payments are made on May 1 of each calendar as Residual Receipts permits. Maturity date is April 1, 2074	633,912	-
Total Rosefield Village notes payable	21,153,335	-
A summary of the Everett Commons financing arrangements as of December 31, 2020 and 2019 is as follows:		
Note payable to JPMorgan Chase Bank, N.A., a national banking association, provides construction financing in the maximum amount of $9,859,528. The note is secured by a construction and deed of trust, assignment of rents, security agreement and fixture filing. The note provides for interest only payments based on adjusted one-month LIBOR plus 1.85% per annum through the conversion date. In July 2019, the construction loan was partially repaid and concurrently converted to a $3,330,168 permanent loan that bears interest at 5.55% that requires monthly payments of principal and interest of $17,993. The note matures on September 21, 2039.	3,291,482	3,320,768
Note payable to the City of Alameda, secured by a subordinated leasehold deed of trust, assignment of rents, security agreement and fixture filing, borrowings up to $153,282, simple interest at 3.00%, payable from residual receipts; unpaid principal and interest are due on December 31, 2074.	153,282	153,282
Note payable to AHA, in the original amount of $4,250,000, secured by a leasehold deed of trust, assignment of rents, and security agreement and fixture filing, interest at 2.68%, compounded annually; principal and interest payable annually from residual receipts; unpaid principal and interest are due December 31, 2074.	4,250,000	4,250,000
Note payable to County of Alameda, in the maximum amount of $1,000,000, secured by a subordinated leasehold deed of trust, assignment of rents, security agreement and fixture filing, simple interest at 3.00%, payable from Residual Receipts and unpaid principal and interest are due on December 31, 2074.	1,000,000	950,000
Total Everett Commons notes payable	8,694,764	8,674,050
Total notes payable	43,119,971	20,928,583
Less: unamortized debt issuance costs	(949,718)	(253,088)
Total notes payable, net	$ 42,170,253	$ 20,675,495

Principal payments on notes payable are required as follows:

Year Ending December 31,		Amount
2021	$	150,396
2022		158,784
2023		1,474,388
2024		176,478
2025		186,833
Thereafter		40,973,092
	$	43,119,971

8. RELATED PARTY TRANSACTIONS

Consulting Services ICD entered into an agreement with AHA, commencing on April 15, 2015, in which AHA shall provide professional project management services for a term of three years. For these services, ICD will annually compensate AHA $100,000, not to exceed $300,000 in total. In December 2020, the agreement was amended to extend through December 31, 2021, and during 2020 and 2019, ICD was charged $100,000 for consulting services. As of December 31, 2020 and 2019, $100,000 and $0, remains payable.

Developer Fee Payable The Subsidiaries have entered into joint developer fee agreements with ICD and AHA (together referred to as the Developers in the amounts of 90.00% and 10.00%, respectively, or such amount agreed to by the Developers). As of December 31, 2020 and 2019, the Developers have entered into developer fee agreements in the amounts of $7,290,000 and $1,675,000, respectively. ICD's portion (90.00%) has been eliminated from presentation due to consolidation, net of costs incurred to provide development services, ($139,400 and $0 in 2020 and 2019, respectively). As of December 31, 2020 and 2019, developer fees owed to AHA of $306,900 and $167,500, respectively, remain unpaid.

Due from Affiliates Due from Affiliates are net amounts advanced by ICD to AHA. These advances are unsecured, due on demand and do not accrue interest. As of December 31, 2020 and 2019, $0 and $29,437, respectively, is due from AHA.

Limited Partner Fees In connection with the limited partnerships, the limited partners (non-controlling entities) charge Asset Management Fees for miscellaneous services rendered to the Partnerships.

9. GRANT REVENUE

In accordance with a May 23, 2018 memorandum of understanding (the MOU) between AHA and the Alameda Unified School District (AUSD), AHA is to receive funds from AUSD to support four affordable housing projects, from time to time. In connection with this MOU, during 2019, $250,000 was granted by AHA to ICD. As a result, ICD, made a $250,000 capital contribution to Sherman Buena Vista LP, aka Littlejohn Commons. The AHA grant was included in other revenue in the accompanying consolidated statements of activities and change in net assets.

10. COMMITMENTS

In connection with the development and operations of the Subsidiaries, AHA and the Company, together as Guarantor, made certain guaranties regarding the duties and performance obligations of the Subsidiaries' general partners. These duties include, but are not limited to, ensuring complete development of the Subsidiaries, ensuring tax credit delivery, maintaining the Subsidiaries' compliance with various regulatory agencies, and providing operating deficit guarantees of $314,000 to Everett Commons, $245,668 to Little John Commons, and $792,000 to Rosefield Village.

11. LIQUIDITY AND AVAILABILITY

The Company's financial assets available to meet cash needs for general expenditures within one year of the date of the statement of financial position include:

As of December 31,	2020	2019
Cash and cash equivalents	$ 1,839,520	$ 1,571,493
Investments - CAMP Pool	1,141,144	-
Other receivables	70,367	99,819
Restricted funds	398,504	367,506
Less: Subsidiaries operating cash due to partnership and lender restrictions	(1,594,270)	(1,118,681)
Estimated financial assets available to meet general expenditures within one year	$ 1,855,265	$ 920,137

In addition to the financial assets available in the above table, for the year ended December 31, 2020 and 2019, AHA has committed an additional $0 and $3,000,000, respectively, of development proceeds to ICD (Note 7).

Regarding the Subsidiaries' liquidity needs, each subsidiary has been established to develop and operate affordable housing. As a result, the Subsidiaries have been structured in such a way to be self-sufficient regarding their liquidity needs. In the event, the subsidiaries have unplanned liquidity needs over and above that which is provided by its operations, they have access to cash reserves, reported as restricted funds, subject to lender and limited partner withdrawal approval, upon conversion to permanent financing. In addition, in the normal course of business, the Subsidiaries under development rely on receiving funds from, non-recourse permanent loan commitments and limited partner capital contributions. In the event, the Subsidiaries are unable to meet their liquidity needs, AHA and the Company as together as Guarantor have provided limited guarantees to fund operating deficits. As of December 31, 2020, ICD's management believes they have sufficient liquidity availability to meets it obligations for the coming year.

12. CONTINGENCY

COVID-19 Pandemic As a result of the outbreak of the novel coronavirus (COVID-19), the economic environment in which the Company operates was, and continues to be disrupted, including restrictions passed by the state legislature regarding tenant rent collections and evictions. Its duration, severity and the potential impact on the general population, the Projects tenants, the onsite personnel, and the potential changes in tenant preferences for living arrangements, are among the many unknowns and could materially impact the future results of operations, financial condition, liquidity, and overall performance of the Company.

13. SUBSEQUENT EVENTS

The Company has evaluated subsequent events that have occurred through the independent auditor's report date, which is the date that the consolidated financial statements were available to be issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the financial statements, except as discussed below.

On January 15, 2021, the Organization entered into an unsecured loan agreement with AHA in the amount of $2,408,000. Interest on the loan accrues at 3.00%, and all principal and interest is due December 31, 2074.

On August 1, 2021, the Organization entered into an unsecured loan agreement with AHA in the amount of $1,223,000. The loan does no accrue interest, and all principal is due December 31, 2036.

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES

SCHEDULE I

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2020

ASSETS

	Island City Development	Housing (a)	Eliminating Entries	Consolidated
Property, at cost:				
Land improvements	$ -	$ 2,342,066	$ -	$ 2,342,066
Buildings and improvements	-	27,826,449	(1,427,500)	26,398,949
Furniture and equipment	-	512,067	-	512,067
Construction-in-progress	-	7,771,907	(1,254,600)	6,517,307
Total property	-	38,452,489	(2,682,100)	35,770,389
Less accumulated depreciation	-	(2,119,818)	75,376	(2,044,442)
Net property	-	36,332,671	(2,606,724)	33,725,947
Cash and cash equivalents	643,754	1,195,766	-	1,839,520
Investments	1,141,144	-		1,141,144
Other receivables	352,253	30,194	(312,080)	70,367
Due from affiliates	-	1,370	(1,370)	-
Restricted funds:				
Reserves	-	352,730	-	352,730
Tenant security deposits	-	45,774	-	45,774
Developer fee receivable	1,726,677	-	(1,726,677)	-
Prepaid ground leases	-	16,319,493	-	16,319,493
Investment (deficit) in affiliates	(2,453,642)	-	2,453,642	-
Preacquisition costs	2,261,114	-	-	2,261,114
Other prepaids	-	32,102	-	32,102
Deposits	-	527,814	-	527,814
Deferred costs - TCAC fees, net amortization	-	77,236	-	77,236
Total assets	$ 3,671,300	$ 54,915,150	$ (2,193,209)	$ 56,393,241

(a) Sherman and Buena Vista, L.P., Everett and Eagle, L.P., and Constitution and Eagle, L.P.

See independent auditor's report.

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES

SCHEDULE I

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2020

LIABILITIES AND NET ASSETS (DEFICIT)

	Island City Development	Housing (a)	Eliminating Entries	Consolidated
Notes payable, net	$ 3,830,000	$ 38,340,253	$ -	$ 42,170,253
Accounts payable and accrued expenses	133	76,796	(20,318)	56,611
Accrued construction and development costs	943,587	870,557	(295,908)	1,518,236
Accrued development consulting fee to AHA	100,000	-	-	100,000
Accrued Partnership Management Fee payable	-	41,518	(41,518)	-
Accrued interest payable	13,980	1,264,174	-	1,278,154
Developer fee payable	306,900	1,726,678	(1,726,678)	306,900
Prepaid rents	-	15,627	-	15,627
Tenant security deposits	-	44,734	-	44,734
Total liabilities	5,194,600	42,380,337	(2,084,422)	45,490,515
Net assets (deficit)				
Net assets without donor restrictions				
Controlling interests	(1,523,300)	(2,495,159)	(108,787)	(4,127,246)
Noncontrolling interests	-	15,029,972	-	15,029,972
Total net assets (deficit)	(1,523,300)	12,534,813	(108,787)	10,902,726
Total liabilities and net assets (deficit)	$ 3,671,300	$ 54,915,150	$ (2,193,209)	$ 56,393,241

(a) Sherman and Buena Vista, L.P., Everett and Eagle, L.P., and Constitution and Eagle, L.P.

See independent auditor's report.

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES

SCHEDULE II

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICITS)

FOR THE YEAR ENDED DECEMBER 31, 2020

	Island City Development	Housing (a)	Pre-Consolidation	Eliminating Entries	Consolidated
Revenue:					
Residential rent	$ -	$ 295,076	$ 295,076	$ -	$ 295,076
Tenant subsidies	-	875,614	875,614	-	875,614
Total rental revenue	-	1,170,690	1,170,690	-	1,170,690
Equity in earnings (loss) of investments	(62)	-	(62)	62	-
Development fee revenue	1,254,600	-	1,254,600	(1,254,600)	-
Grant and other revenue	37,416	11,752	49,168	(31,518)	17,650
Total other revenue	1,291,954	11,752	1,303,706	(1,286,056)	17,650
Total revenue	1,291,954	1,182,442	2,474,396	(1,286,056)	1,188,340
Expenses:					
Program services	-	2,064,274	2,064,274	(36,319)	2,027,955
Supporting services	150,019	94,488	244,507	(31,518)	212,989
Total operating expenses	150,019	2,158,762	2,308,781	(67,837)	2,240,944
Change in net assets	1,141,935	(976,320)	165,615	(1,218,219)	(1,052,604)
Contributions - controlling interests		1,211,606	1,211,606	(1,211,606)	-
Contributions - noncontrolling interests	-	2,097,967	2,097,967	-	2,097,967
Transfer of owners' deficit	(3,860,098)	(3,956,704)	(7,816,802)	3,956,704	(3,860,098)
Syndication costs - noncontrolling interests	-	(152,435)	(152,435)	-	(152,435)
Total changes in net assets	(2,718,163)	(1,775,886)	(4,494,049)	1,526,879	(2,967,170)
Net assets (deficits), beginning of the year	1,194,863	14,310,699	15,505,562	(1,635,666)	13,869,896
Net assets (deficits), end of the year	$ (1,523,300)	$ 12,534,813	$ 11,011,513	$ (108,787)	$ 10,902,726

(a) Sherman and Buena Vista, L.P., Everett and Eagle, L.P., and Constitution and Eagle, L.P.

See independent auditor's report.