ISLAND CITY DEVELOPMENT
AND SUBSIDIARIES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2021 AND 2020

HCVT
HOLTHOUSE | CARLIN | VAN TRIGT LLP

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
DECEMBER 31, 2021 AND 2020
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Island City Development:

Report on the Consolidated Financial Statements

Opinion

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, 2021 and 2020, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Island City Development as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Island City Development and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 Island City Development's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 generally accepted 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 the Company'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 financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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 audits, significant audits findings, and certain internal control-related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary 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 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.

Holthouse Carlin & Van Trigt LLP

Westlake Village, California
November 7, 2022

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

DECEMBER 31,	2021	2020
ASSETS		
Property, at cost		
Land improvements	$ 1,617,339	$ 1,617,339
Buildings and improvements	27,123,676	27,123,676
Furniture and equipment	512,067	512,067
Construction-in-progress	38,628,975	8,778,421
Total property	67,882,057	38,031,503
Less: accumulated depreciation	(2,916,631)	(2,044,442)
Net property	64,965,426	35,987,061
Cash and cash equivalents	4,814,976	1,839,520
Investments	14	1,141,144
Tenant accounts receivable	29,983	20,322
Other receivables	-	50,045
Restricted funds:		
Reserves	400,040	352,730
Tenant security deposits	46,274	45,774
Prepaid ground leases	16,111,114	16,319,493
Other prepaids	16,832	32,222
Deposits	370,244	527,814
Deferred costs - TCAC fees	96,070	77,116
Total assets	$ 86,850,973	$ 56,393,241
LIABILITIES AND NET ASSETS (DEFICIT)		
Notes payable, net	$ 69,108,105	$ 42,170,253
Accounts payable and accrued expenses	220,564	56,611
Accrued construction and development costs	4,373,485	1,518,236
Due to affiliate	197,000	-
Accrued development consulting fee to AHA	-	100,000
Accrued interest payable	1,996,938	1,278,154
Developer fee payable	480,577	306,900
Prepaid rents	20,804	15,627
Tenant security deposits	45,234	44,734
Total liabilities	76,442,707	45,490,515
Commitments and contingencies		
Net assets (deficit)		
Without donor restrictions		
Controlling interests	(4,247,112)	(4,127,246)
Noncontrolling interests	14,655,378	15,029,972
Total net assets (deficit)	10,408,266	10,902,726
Total liabilities and net assets (deficit)	$ 86,850,973	$ 56,393,241

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,	2021	2020
Revenue:		
Residential rent	$ 287,930	$ 295,076
Tenant subsidies	1,014,865	875,614
Grant and other revenue	13,456	17,650
Total revenue	1,316,251	1,188,340
Expenses:		
Program services-housing	2,130,910	2,027,955
Supporting services	247,758	212,989
Total expenses	2,378,668	2,240,944
Change in net assets	$ (1,062,417)	$ (1,052,604)

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, 2021

	Program Services			Supporting Services		
	Island City Development	Housing	Total	Island City Development	Housing	Total
Administrative						
Manager's salaries	$ -	$ 48,693	$ 48,693	$ -	$ -	$ 48,693
Manager's unit	-	40,176	40,176	-	-	40,176
Office expense	-	105,543	105,543	58,051	-	163,594
Professional fees - accounting	-	-	-	32,878	33,436	66,314
Professional fees - legal	-	8,228	8,228	145	-	8,373
Property management fees	-	50,718	50,718	-	-	50,718
Bad debt expense	-	3,636	3,636	-	-	3,636
Total administrative expenses	-	256,994	256,994	91,074	33,436	381,504
Utilities						
Electricity	-	15,197	15,197	-	-	15,197
Water and sewer	-	22,720	22,720	-	-	22,720
Gas	-	500	500	-	-	500
Total utilities	-	38,417	38,417	-	-	38,417
Operating and maintenance						
Maintenance salaries	-	39,855	39,855	-	-	39,855
Repairs and maintenance	-	117,676	117,676	3,248	-	120,924
Trash removal	-	34,776	34,776	-	-	34,776
Total operating and maintenance	-	192,307	192,307	3,248	-	195,555
Taxes and insurance						
Payroll taxes	-	7,401	7,401	-	-	7,401
Property and liability insurance	-	43,165	43,165	-	-	43,165
Employee benefits	-	17,039	17,039	-	-	17,039
Property taxes	-	79	79	-	-	79
State taxes	-	7,122	7,122	359	-	7,481
Total taxes and insurance	-	74,806	74,806	359	-	75,165
Other expenses						
Depreciation	-	872,189	872,189	-	-	872,189
Amortization	-	5,462	5,462	-	-	5,462
Interest expense	-	653,524	653,524	8,714	-	662,238
Asset Management Fees	-	-	-	-	10,927	10,927
Development consulting	-	-	-	100,000	-	100,000
Ground lease	-	34,604	34,604	-	-	34,604
Miscellaneous financial expenses	-	2,607	2,607	-	-	2,607
Total other expenses	-	1,568,386	1,568,386	108,714	10,927	1,688,027
Total functional expenses	$ -	$ 2,130,910	$ 2,130,910	$ 203,395	$ 44,363	$ 2,378,668

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, 2020

	Program Services			Supporting Services		
	Island City Development	**Housing**	**Total**	**Island City Development**	**Housing**	**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

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, 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)
Change in net assets	(76,381)	(976,223)	(1,052,604)
Balance, December 31, 2020	(4,127,246)	15,029,972	10,902,726
Contributions	-	565,251	565,251
Refund of syndication costs	-	2,706	2,706
Change in net assets	(119,866)	(942,551)	(1,062,417)
Balance, December 31, 2021	$ (4,247,112)	$ 14,655,378	$ 10,408,266

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,	2021	2020
Cash flow from operating activities:		
Change in net assets	$ (1,062,417)	$ (1,052,604)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	872,189	854,662
Amortization of deferred costs	5,462	5,981
Amortization of debt issuance costs	12,802	44,547
Ground lease expense	34,545	34,604
Changes in operating assets and liabilities:		
Tenant accounts receivable	(9,661)	-
Deposits	-	56,697
Other prepaids	15,330	(3,690)
Accounts payable and accrued expenses	20,733	(1,306)
Accrued interest payable	338,700	331,239
Accrued Asset Management Fee payable	-	(7,233)
Prepaid rents	5,177	4,128
Tenant security deposits - liability	500	3,234
Net cash provided by operating activities	233,360	270,259
Cash flows from investing activities:		
Expenditures for property	(26,129,357)	(4,652,506)
Investments in CAMP Pool	-	(3,405,898)
Redemptions of investment in CAMP Pool	1,141,130	2,264,754
Net cash used in investing activities	(24,988,227)	(5,793,650)
Cash flows from financing activities:		
Proceeds from notes payable	27,060,425	7,623,335
Repayments on notes payable	(150,395)	(2,641,947)
Expenditures for debt issuance costs	(30,068)	(741,177)
Expenditures for deferred costs - TCAC fees	(24,356)	-
Advance from affiliate	197,000	-
TCAC performance deposit refund (payment)	157,570	(186,167)
Lender deposit	-	(277,160)
Lender refunds	-	100,000
Capital contributions	565,251	2,097,967
Refunds (expenditures) for syndication costs	2,706	(152,435)
Net cash provided by financing activities	27,778,133	5,822,416
Net change in cash, cash equivalents, and restricted cash	3,023,266	299,025
Cash, cash equivalents, and restricted cash, at beginning of year	2,238,024	1,938,999
Cash, cash equivalents, and restricted cash, at end of year	$ 5,261,290	$ 2,238,024

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,		2021		2020
Supplemental disclosure of cash activities:				
Cash paid for interest, net of capitalized interest	$	302,022	$	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	$	4,814,976	$	1,839,520
Reserves		400,040		352,730
Tenant security deposits		46,274		45,774
	$	5,261,290	$	2,238,024

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) and is exempt from income taxes 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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, the project was under development and was completed in September 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 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, 2021 and 2020, 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 of its wholly owned and controlled affiliates. 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, 2021 and 2020, there were no donor-imposed restrictions on net assets. Accordingly, the net assets of the Company without donor restrictions and changes therein are classified and reported as follows:

> ***Controlling interests*** 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.
>
> ***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 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 as 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 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 ($14 and $1,141,144 as of December 31, 2021 and 2020, 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 not active;
- 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, considering 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:

	2021	2020
CAMP Pool (Level 2)	$ 14	$ 1,141,144

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 years ended December 31, 2021 and 2020.

Tenant Accounts Receivable 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.

Debt Issuance Costs Debt issuance costs of $953,641 and $949,718 net of accumulated amortization as of December 31, 2021 and 2020, 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.

Reclassifications Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the current year consolidated 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, 2021 and 2020, prepaid ground lease balances were $16,111,114 and $16,319,493, 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 2021 and 2020 are as follows:

	2021	2020
Reserves	$ 400,040	$ 352,730

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 costs are reclassified to construction in progress to be reimbursed by a newly formed conolidated entity using third party loans and capital contributions.

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, 2021 and 2020, unamortized TCAC costs were $96,070 and $77,236, respectively.

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, 2021 and 2020, deposits were $370,244 and $527,814, respectively.

7. NOTES PAYABLE

	2021	2020
A summary of ICD's financing arrangements as of December 31, 2021 and 2020 is as follows:		
AHA North Housing loan Various unsecured promissory notes payable to AHA for the purpose of funding development efforts of a project known as North Housing with maximum borrowings in the amount of $6,108,000, with simple interest accruing at a rate of 3.00% commencing January 1, 2024. All unpaid principal and interest are due December 31, 2074.	$ 6,108,000	$ 3,700,000

	2021	2020
AHA North Housing – additional loan Note payable to AHA in the amount of $130,000. Note shall bear simple interest at the rate of 3.00% annually. Interest payments will begin on January 1, 2024. All unpaid principal and interest are due on December 31, 2074.	130,000	130,000
AHA Rosefield loan Unsecured promissory note payable to AHA for the purpose of funding development efforts of Rosefield Village in the amount of $1,026,000. The loan accrues interest at the rate of 2.00% and all unpaid principal and interest are due July 29, 2051.	1,026,000	-
Total ICD notes payable	7,264,000	3,830,000

A summary of the Littlejohn Commons financing arrangements as of December 31, 2021 and 2020 is as follows:

	2021	2020
Note payable to California Community Reinvestment Corporation (CCRC) secured by a leasehold deed of trust with absolute assignment of leases and rents, security agreement and fixture filing. The CCRC note accrues and interest rate of 5.39% and requires monthly payments of principal and interest of $19,709. All unpaid principal and interest are due March 1, 2034.	2,117,247	2,236,132
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 and all unpaid principal and interest are 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; and all unpaid principal and interest are due December 31, 2073.	3,410,000	3,410,000
Total Littlejohn Commons notes payable	9,322,987	9,441,872

	2021	**2020**
A summary of the Rosefield Village financing arrangements as of December 31, 2021 and 2020 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 from Residual Receipts, all unpaid principal and interest are due December 31, 2077.	16,576,088	16,576,088
Note payable in the amount of $515,683 dated March 24, 2021 and payable to the City of Alameda (HOME Fund) and secured by a subordinate deed of trust. The loan bears simple interest at a rate of 3.00% per annum. Principal and interest payments are made on May 1 from Residual Receipts and all unpaid principal and interest are due August 5, 2075.	515,683	-
Note payable to California Municipal Finance Authority in the maximum amount up to $40,322,758, (the Construction Loan), secured by a leasehold construction deed of trust and guarantees from ICD and AHA, with interest accruing at the LIBOR rate plus 2.20% with an interest rate floor of 3.20% (3.20% as of December 31, 2021 and 2020). The Construction Loan is anticipated to convert on April 10, 2023 and all principal and interest are due September 1, 2040.	17,609,356	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 County A1 Loan accrues simple interest at 3.00%. Principal and interest payments are made on May 1 from Residual Receipts and all unpaid principal and interest are due on August 1, 2075.	7,993,414	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) and secured by a deed of trust. The AHA Funds Loan does not bear interest, principal payments are made on May 1 from Residual Receipts and the principal is due December 31, 2077.	1,483,052	1,483,052
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 City CDBG Loan bears simple interest at a rate of 2.33%, principal and interest payments are made on May 1 from Residual Receipts and all unpaid principal and interest are due April 1, 2074	633,912	633,912
Total Rosefield Village notes payable	44,811,505	21,153,335

	2021	2020
A summary of the Everett Commons financing arrangements as of December 31, 2021 and 2020 is as follows:		
Note payable to JPMorgan Chase Bank, N.A. (the Chase Loan), in the maximum amount of $3,330,168, secured by a deed of trust, assignment of rents, security agreement and fixture filing, accrues interest at 5.55% and monthly payments of principal and interest of $17,993. All unpaid principal and interest are due September 21, 2039.	3,259,972	3,291,482
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, accrues simple interest at 3.00%, payable from residual receipts and all 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, accrues interest at 2.68%, principal and interest payable annually from residual receipts; and all 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	1,000,000
Total Everett Commons notes payable	8,663,254	8,694,764
Total notes payable	70,061,746	43,119,971
Less: unamortized debt issuance costs	(953,641)	(949,718)
Total notes payable, net	$ 69,108,105	$ 42,170,253

Principal payments on notes payable are required as follows:

Year Ending December 31,	Amount
2022	$ 158,784
2023	4,317,140
2024	790,184
2025	820,910
2026	852,379
Thereafter	63,122,349
	$ 70,061,746

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 2021 and 2020, ICD was charged $100,000 for consulting services. As of December 31, 2021 and 2020, $0 and $100,000, respectively, 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, 2021 and 2020, the Developers have entered into developer fee agreements in the amounts of $7,290,000. ICD's portion (90.00%) has been eliminated from presentation due to consolidation, net of costs incurred to provide development services, ($173,677 and $139,400 in 2021 and 2020, respectively). As of December 31, 2021 and 2020, developer fees owed to AHA of $480,577 and $306,900, respectively, remain unpaid.

Due to Affiliate During 2021, AHA advanced $197,000 to ICD. This advance is unsecured, does not bear interest, and is payable as cash flow permits.

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. 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.

10. 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,	**2021**	**2020**
Cash and cash equivalents	$ 4,814,976	$ 1,839,520
Investments - CAMP Pool	14	1,141,144
Restricted funds	446,314	398,504
Less: Subsidiaries operating cash due to partnership and lender restrictions	(2,170,348)	(1,594,270)
Estimated financial assets available to meet general expenditures within one year	$ 3,090,956	$ 1,784,898

In addition to the financial assets available in the above table, for the year ended December 31, 2021 and 2020, AHA has committed an additional $2,408,000 and $0, 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 together as Guarantor have provided limited guarantees to fund operating deficits. As of December 31, 2021, ICD's management believes they have sufficient liquidity availability to meets it obligations for the coming year.

11. 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.

In 2022, ICD created the following legal entities for planned future affordable housing acquisition and low-income housing tax credit development:

Lakehurst and Mosely LP	ICD Lakehurst LLC
Mosely and Mabuhay LP	ICD Mosely LLC
Mabuhay and Lakehurst LP	ICD Mabuhay LLC
ICD Webster LLC	

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES

SCHEDULE I

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

AS OF DECEMBER 31, 2021

ASSETS

	Island City Development	Housing (a)	Eliminating Entries	Consolidated
Property, at cost:				
Land improvements	$ -	$ 1,617,339	$ -	$ 1,617,339
Buildings and improvements	-	28,551,176	(1,427,500)	27,123,676
Furniture and equipment	-	512,067	-	512,067
Construction-in-progress	4,572,248	36,874,420	(2,817,693)	38,628,975
Total property	4,572,248	67,555,002	(4,245,193)	67,882,057
Less accumulated depreciation	-	(3,029,695)	113,064	(2,916,631)
Net property	4,572,248	64,525,307	(4,132,129)	64,965,426
Cash and cash equivalents	3,090,942	1,724,034	-	4,814,976
Investments	14	-	-	14
Tenant accounts receivable	-	29,983	-	29,983
Note receivable	1,223,000		(1,223,000)	-
Due from affiliates	(1,832)	53,937	(52,105)	-
Restricted funds:				
Reserves	-	400,040	-	400,040
Tenant security deposits	-	46,274	-	46,274
Developer fee receivable	1,603,738	-	(1,603,738)	-
Prepaid ground leases	-	16,111,114	-	16,111,114
Investment (deficit) in affiliates	(2,442,491)	-	2,442,491	-
Other prepaids	-	16,832	-	16,832
Deposits	-	370,244	-	370,244
Deferred costs, net	-	96,070	-	96,070
Total assets	$ 8,045,619	$ 83,373,835	$ (4,568,481)	$ 86,850,973

(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, 2021

LIABILITIES AND NET ASSETS (DEFICIT)

	Island City Development	Housing (a)	Eliminating Entries	Consolidated
Notes payable, net	$ 7,264,000	$ 63,067,105	$ (1,223,000)	$ 69,108,105
Accounts payable and accrued expenses	203,703	76,335	(59,474)	220,564
Accrued construction and development costs	-	4,373,485	-	4,373,485
Due to affiliates	197,000	-	-	197,000
Accrued Partnership Management Fee payable	-	52,764	(52,764)	-
Accrued interest payable	22,694	1,974,244	-	1,996,938
Developer fee payable	480,577	1,603,739	(1,603,739)	480,577
Prepaid rents	-	20,804	-	20,804
Tenant security deposits	-	45,234	-	45,234
Total liabilities	8,167,974	71,213,710	(2,938,977)	76,442,707
Net assets (deficit)				
Net assets without donor restrictions				
Controlling interests	(122,355)	(2,495,253)	(1,629,504)	(4,247,112)
Noncontrolling interests	-	14,655,378	-	14,655,378
Total net assets (deficit)	(122,355)	12,160,125	(1,629,504)	10,408,266
Total liabilities and net assets (deficit)	$ 8,045,619	$ 83,373,835	$ (4,568,481)	$ 86,850,973

(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, 2021

	Island City Development	Housing (a)	Pre-Consolidation	Eliminating Entries	Consolidated
Revenue:					
Residential rent	$ -	$ 287,930	$ 287,930	$ -	$ 287,930
Tenant subsidies	-	1,014,865	1,014,865	-	1,014,865
Total rental revenue	-	1,302,795	1,302,795	-	1,302,795
Equity in earnings (loss) of investments	(95)	-	(95)	95	-
Development fee revenue	1,563,093	-	1,563,093	(1,563,093)	-
Grant and other revenue	41,341	4,579	45,920	(32,464)	13,456
Total other revenue	1,604,339	4,579	1,608,918	(1,595,462)	13,456
Total revenue	1,604,339	1,307,374	2,911,713	(1,595,462)	1,316,251
Expenses:					
Program services	-	2,173,191	2,173,191	(42,281)	2,130,910
Supporting services	203,395	76,827	280,222	(32,464)	247,758
Total operating expenses	203,395	2,250,018	2,453,413	(74,745)	2,378,668
Change in net assets	1,400,944	(942,644)	458,300	(1,520,717)	(1,062,417)
Contributions - noncontrolling interests	-	565,251	565,251	-	565,251
Syndication costs - noncontrolling interests	-	2,706	2,706	-	2,706
Total changes in net assets	1,400,944	(374,687)	1,026,257	(1,520,717)	(494,460)
Net assets (deficits), beginning of the year	(1,523,299)	12,534,812	11,011,513	(108,787)	10,902,726
Net assets (deficits), end of the year	$ (122,355)	$ 12,160,125	$ 12,037,770	$ (1,629,504)	$ 10,408,266

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

See independent auditor's report.