ISLAND CITY DEVELOPMENT
AND SUBSIDIARIES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2022 AND 2021

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
DECEMBER 31, 2022 AND 2021
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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, 2022 and 2021, and the related consolidated statements of activities, functional expenses, change 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, 2022 and 2021, 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 Consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 Island City Development's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Island City Development'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 8, 2023

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

DECEMBER 31,	2022	2021
ASSETS		
Property, at cost		
Land improvements	$ 5,370,720	$ 1,617,339
Buildings and improvements	67,947,759	27,123,676
Furniture and equipment	2,632,875	512,067
Construction-in-progress	5,741,001	38,628,975
Total property	81,692,355	67,882,057
Less: accumulated depreciation	(4,692,548)	(2,916,631)
Net property	76,999,807	64,965,426
Cash and cash equivalents	4,057,436	4,814,976
Investments	14	14
Tenant accounts receivable, net	63,807	20,322
Other receivables	9,296	9,661
Right-of-use assets	15,845,181	-
Restricted funds:		
Reserves	629,509	400,040
Tenant security deposits	128,679	46,274
Prepaid ground leases	-	16,111,114
Other prepaids	1,892	16,832
Deposits	370,244	370,244
Deferred costs - TCAC fees	123,706	96,070
Total assets	$ 98,229,571	$ 86,850,973
LIABILITIES AND NET ASSETS (DEFICIT)		
Notes payable, net	$ 87,837,236	$ 69,108,105
Accounts payable and accrued expenses	214,351	220,564
Accrued construction and development costs	45,786	4,373,485
Due to affiliate	-	197,000
Accrued interest payable	2,331,950	1,996,938
Developer fees payable	337,500	480,577
Accrued Asset Management Fee payable	4,375	-
Prepaid rents	18,536	20,804
Tenant security deposits	128,104	45,234
Total liabilities	90,917,838	76,442,707
Commitments and contingencies		
Net assets (deficit)		
Without donor restrictions		
Controlling interests	(4,326,075)	(4,247,112)
Noncontrolling interests	11,637,808	14,655,378
Total net assets (deficit)	7,311,733	10,408,266
Total liabilities and net assets (deficit)	$ 98,229,571	$ 86,850,973

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,	2022	2021
Revenue:		
Residential rent	$ 768,298	$ 287,930
Tenant subsidies	1,215,633	1,014,865
Grant and other revenue	14,962	13,456
Total revenue	1,998,893	1,316,251
Expenses:		
Program services-housing	5,067,264	2,175,273
Supporting services	233,242	203,395
Total expenses	5,300,506	2,378,668
Change in net assets	$ (3,301,613)	$ (1,062,417)

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,			**2022**
	Program Services	**Supporting Services**	
	Permanent Housing Operations	**Management and General**	**Total**
Administrative			
Manager's salaries	$ 85,783	$ -	$ 85,783
Manager's unit	52,938	-	52,938
Office expense	188,543	-	188,543
Tenant services	65,359	-	65,359
Professional fees - accounting	31,071	27,018	58,089
Professional fees - legal	1,582	916	2,498
Property management fees	69,975	-	69,975
Bad debt expense	27,420	-	27,420
Total administrative expenses	522,671	27,934	550,605
Utilities			
Electricity	35,443	-	35,443
Water and sewer	85,172	-	85,172
Gas	6,492	-	6,492
Total utilities	127,107	-	127,107
Operating and maintenance			
Maintenance salaries	97,423	-	97,423
Repairs and maintenance	141,746	-	141,746
Trash removal	78,672	-	78,672
Total operating and maintenance	317,841	-	317,841
Taxes and insurance			
Payroll taxes	12,811	-	12,811
Property and liability insurance	87,328	-	87,328
Employee benefits	32,318	-	32,318
State taxes	17,980	226	18,206
Total taxes and insurance	150,437	226	150,663
Other expenses			
Depreciation	1,775,917	-	1,775,917
Amortization	8,854	-	8,854
Advertising and lease-up	146,571	-	146,571
Interest expense	1,863,590	5,060	1,868,650
Asset Management Fees	15,630	-	15,630
AHA consulting services	-	200,022	200,022
Ground lease	136,007	-	136,007
Miscellaneous financial expenses	2,639	-	2,639
Total other expenses	3,949,208	205,082	4,154,290
Total functional expenses	$ 5,067,264	$ 233,242	$ 5,300,506

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	
	Permanent Housing Operations	Management and General	Total
Administrative			
Manager's salaries	$ 48,693	$ -	$ 48,693
Manager's unit	40,176	-	40,176
Office expense	105,543	58,051	163,594
Professional fees - accounting	33,436	32,878	66,314
Professional fees - legal	8,228	145	8,373
Property management fees	50,718	-	50,718
Bad debt expense	3,636	-	3,636
Total administrative expenses	290,430	91,074	381,504
Utilities			
Electricity	15,197	-	15,197
Water and sewer	22,720	-	22,720
Gas	500	-	500
Total utilities	38,417	-	38,417
Operating and maintenance			
Maintenance salaries	39,855	-	39,855
Repairs and maintenance	117,676	3,248	120,924
Trash removal	34,776	-	34,776
Total operating and maintenance	192,307	3,248	195,555
Taxes and insurance			
Payroll taxes	7,401	-	7,401
Property and liability insurance	43,165	-	43,165
Employee benefits	17,039	-	17,039
Property taxes	79	-	79
State taxes	7,122	359	7,481
Total taxes and insurance	74,806	359	75,165
Other expenses			
Depreciation	872,189	-	872,189
Amortization	5,462	-	5,462
Interest expense	653,524	8,714	662,238
Asset Management Fees	10,927	-	10,927
AHA consulting services	-	100,000	100,000
Ground lease	34,604	-	34,604
Miscellaneous financial expenses	2,607	-	2,607
Total other expenses	1,579,313	108,714	1,688,027
Total functional expenses	$ 2,175,273	$ 203,395	$ 2,378,668

See notes to consolidated financial statements.

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED STATEMENTS OF CHANGE IN NET ASSETS (DEFICIT)

	Controlling Interests	Noncontrolling Interests	Total
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
Contributions	-	205,080	205,080
Change in net assets	(78,963)	(3,222,650)	(3,301,613)
Balance, December 31, 2022	$ (4,326,075)	$ 11,637,808	$ 7,311,733

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,	**2022**	**2021**
Cash flow from operating activities:		
Change in net assets	$ (3,301,613)	$ (1,062,417)
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation	1,775,917	872,189
Amortization of deferred costs	8,854	5,462
Amortization of debt issuance costs	27,804	12,802
Amortization of right-of-use assets	265,933	34,545
Allowance for doubtful accounts	27,164	-
Changes in operating assets and liabilities:		
Tenant accounts receivable	(70,649)	(9,661)
Other prepaids	14,880	15,330
Accounts payable and accrued expenses	(6,213)	20,733
Accrued interest payable	142,684	338,700
Accrued Asset Management Fee payable	4,375	-
Prepaid rents	(2,268)	5,177
Tenant security deposits - liability	82,870	500
Net cash provided by (used in) operating activities	(1,030,262)	233,360
Cash flows from investing activities:		
Expenditures for property	(18,064,026)	(26,129,357)
Redemptions of investment in CAMP Pool	-	1,141,130
Net cash used in investing activities	(18,064,026)	(24,988,227)
Cash flows from financing activities:		
Proceeds from notes payable	20,315,795	27,060,425
Repayments on notes payable	(1,264,268)	(150,395)
Expenditures for debt issuance costs	(374,555)	(30,068)
Expenditures for deferred costs - TCAC fees	(36,430)	(24,356)
Advance from (repayment to) affiliate	(197,000)	197,000
TCAC performance deposit refund	-	157,570
Contributions	205,080	565,251
Refund for syndication costs	-	2,706
Net cash provided by financing activities	18,648,622	27,778,133
Net change in cash, cash equivalents, and restricted cash	(445,666)	3,023,266
Cash, cash equivalents, and restricted cash, at beginning of year	5,261,290	2,238,024
Cash, cash equivalents, and restricted cash, at end of year	$ 4,815,624	$ 5,261,290

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,		**2022**		**2021**
Supplemental disclosure of cash activities:				
Cash paid for interest, net of capitalized interest	$	1,698,162	$	302,022
Cash, cash equivalents, and restricted cash is as follows:				
Cash and cash equivalents	$	4,057,436	$	4,814,976
Reserves		629,509		400,040
Tenant security deposits		128,679		46,274
	$	4,815,624	$	5,261,290

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, 2022 and 2021, 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, 2022, 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, L.P.	Rosefield Village	Alameda, California	92

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	ICD Mosley LLC
2437 Eagle Avenue LLC	ICD Mabuhay LLC
Rosefield LLC	Lakehurst and Mosley LP
ICD Webster, LLC	Mosley and Mabuhay LP
ICD Lakehurst LLC	Mabuhay and Lakehurst LP

Principles of Consolidation and Accounting for Investments in a Limited Partnership Accounting principles generally accepted in the United States of America (U.S. GAAP) 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 participation rights. If the presumption of control cannot be overcome, then the general partner is required to consolidate the limited partnership. For the years ended December 31, 2022 and 2021, ICD or its wholly owned Subsidiaries, as the 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 as of December 31, 2022 and 2021.

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 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, 2022 and 2021, 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 as costs are 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. ICD's major program service is operation of permanent affordable housing.
>
> ***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. 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.

New Accounting Standards In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840*, Leases*. The most significant change in the new leasing guidance is the requirement for lessees to recognize the right-to-use (ROU) assets and lease liabilities for operating leases on the balance sheet. The lessor accounting is not fundamentally changed.

The Company adopted Topic 842, using the modified retrospective approach, with January 1, 2022 as the date of initial adoption. The Company also adopted the package of practical expedients and transition provisions available for expired or existing contracts. The impact of adopting ASC 842 on the accompanying consolidated statements of financial position as of January 1, 2022, was the recognition of ROU assets of $15,879,785 and the derecognition of remaining prepaid rent of approximately $16,111,114 at the date of adoption. There was no impact on the opening consolidated net assets.

Effective January 1, 2022, the Company adopted ASU 2021-10, *Disclosures by Business Entities about Government Assistance* (ASU 2021-10) that requires the Company to disclose the nature of the transactions with a government entity (as defined in ASU 2021-10) and the resultant accounting policies, as well as significant terms and conditions. Also, ASU 2021-10 requires the disclosure identify the line items and amounts in the consolidated financial statements affected by the transactions. The adoption of ASU 2021-10 did not have a material impact on the consolidated financial statements.

Effective January 1, 2022, the Company adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which requires the Organization to present contributed nonfinancial assets as a separate line item in the statement of activities, along with expanded disclosure requirements. The adoption of ASU 2020-07 did not have a material impact on the consolidated financial statements.

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 project 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 $14 as of December 31, 2022 and 2021, respectively). The CAMP Pool invests in asset-backed 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 consolidated 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.

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
Buildings and improvements	40 years
Land improvements	Shorter of estimated useful life or life of lease
Furniture and equipment	5 - 7 years

ICD capitalizes development costs, including interest ($499,242 and $540,309 during 2022 and 2021, respectively) 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, 2022 and 2021.

Tenant Accounts Receivable The Company reviews tenant accounts receivable for collectability, and if it is determined that collection is not probable, an allowance for doubtful accounts is provided. As of December 31, 2022 and 2021, the Projects' allowance for doubtful accounts was $31,056 and $3,636, respectively.

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 $1,276,037 and $953,641, net of accumulated amortization as of December 31, 2022 and 2021, 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.

2. RIGHT-OF-USE ASSETS

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 originally recorded as a prepaid ground lease which is evidenced by a note secured by a leasehold deed of trust, see Note 7. The prepaid ground lease is reflected as an ROU asset and will be amortized over the remaining lease term of the agreement. During the term of the ground lease, the Subsidiary will annually amortize prepaid ground lease of $34,444. As of December 31, 2022, the unamortized ROU asset was $3,203,335.

Everett Commons entered into a ground lease agreement with AHA commencing June 2017 for a period of 99 years ending June 1, 2116. The prepaid ground lease is reflected as an ROU asset and will be amortized over the remaining lease term of the agreement. Beginning January 1, 2022, in accordance with ASC 842 (Note 1), the prepaid ground lease and related deferred costs – ground lease are reflected as a ROU asset in the accompanying consolidated statements of financial position and will be amortized over the remaining lease term of the Agreement. Everett Commons incurred ground lease expense of $160 for the year ended December 31, 2022. As of December 31, 2022, the unamortized ROU asset was $15,193.

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. The prepaid ground lease is reflected as an ROU asset and will be amortized over the remaining lease term of the agreement. During the term of the lease, the Rosefield Village will annually amortize the ROU asset by $173,834. As of December 31, 2022, the unamortized ROU asset was $12,626,653.

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, 2022 and 2021 are as follows:

	2022	2021
Reserves	$ 629,509	$ 400,040

4. PREACQUISITION COSTS

ICD capitalizes preaquisition costs until management determines the proposed development is not feasable, which is included in construction-in-progress in the accompanying consolidated financial statements. 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

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, 2022 and 2021, unamortized TCAC costs were $123,706 and $96,070, 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, 2022 and 2021, deposits were $370,244 and $370,244, respectively.

7. NOTES PAYABLE

	2022	2021
A summary of ICD's financing arrangements as of December 31, 2022 and 2021 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. During 2022, the note was voided, and the unpaid balance was transferred to the $7,500,000 AHA North Housing loan.	$ -	$ 6,108,000
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. During 2022, the note was voided, and the unpaid balance was transferred to the $7,500,000 AHA North Housing loan.	-	130,000
AHA North Housing loan Note payable to AHA for the purpose of funding development efforts of a project known as North Housing with maximum borrowings in the amount of $7,500,000, with simple interest accruing at a rate of 3.00% commencing January 1, 2025. All unpaid principal and interest are due January 1, 2080.	7,500,000	-
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. The loan was repaid during 2022.	-	1,026,000
Total ICD notes payable	7,500,000	7,264,000

	2022	2021
A summary of the Littlejohn Commons financing arrangements as of December 31, 2022 and 2021 is as follows:		
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.	1,991,793	2,117,247
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.	3,520,516	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	9,118,049	9,322,987
A summary of the Rosefield Village financing arrangements as of December 31, 2022 and 2021 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	515,683

	2022	2021
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 converted August 31, 2023, and all principal and interest are due September 1, 2040.	36,663,151	17,609,356
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	7,993,414
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	63,865,300	44,811,505

A summary of the Everett Commons financing arrangements as of December 31, 2022 and 2021 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.	3,226,642	3,259,972
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

	2022	2021
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	8,629,924	8,663,254
Total notes payable	89,113,273	70,061,746
Less: unamortized debt issuance costs	(1,276,037)	(953,641)
Total notes payable, net	$ 87,837,236	$ 69,108,105

Principal payments on notes payable are required as follows:

Year Ending December 31,	Amount
2023	$ 23,370,936
2024	790,184
2025	820,910
2026	852,379
2027	885,129
Thereafter	62,393,735
	$ 89,113,273

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. In May 2022, the agreement was amended to extend through December 31, 2024, and during 2022 and 2021, ICD was charged and paid $200,000 for consulting services.

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, 2022 and 2021, the Developers have entered into developer fee agreements in the amounts of $7,290,000. ICD’s portion (90.00%) has been eliminated during consolidation. As of December 31, 2022 and 2021, developer fees owed to AHA of $337,500 and $480,577, 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. During 2022, the advance was repaid in full.

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 Projects, 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 Projects, ensuring tax credit delivery, maintaining the Projects' 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,	2022	2021
Cash and cash equivalents	$ 4,057,436	$ 4,814,976
Investments - CAMP Pool	14	14
Restricted funds	758,188	446,314
Less: Subsidiaries operating cash due to partnership and lender restrictions	(2,017,442)	(2,170,348)
Estimated financial assets available to meet general expenditures within one year	$ 2,798,196	$ 3,090,956

In addition to the financial assets available in the above table, for the year ended December 31, 2022 and 2021, AHA has committed an additional $0 and $2,408,000, 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, together as Guarantor, have provided limited guarantees to fund operating deficits (Note 9). As of December 31, 2022, 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 consolidated financial statements, except as discussed in Note 7.

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES

SCHEDULE I

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

AS OF DECEMBER 31, 2022

ASSETS

	Island City Development	Housing (a)	Pre-Consolidation	Eliminating Entries	Consolidated
Property, at cost:					
Land improvements	$ -	$ 5,370,720	$ 5,370,720	$ -	$ 5,370,720
Buildings and improvements	-	74,117,889	74,117,889	(6,170,130)	67,947,759
Furniture and equipment	-	2,632,875	2,632,875	-	2,632,875
Construction-in-progress	5,741,001	-	5,741,001	-	5,741,001
Total property	5,741,001	82,121,484	87,862,485	(6,170,130)	81,692,355
Less accumulated depreciation	-	(4,912,571)	(4,912,571)	220,023	(4,692,548)
Net property	5,741,001	77,208,913	82,949,914	(5,950,107)	76,999,807
Cash and cash equivalents	2,798,182	1,259,254	4,057,436	-	4,057,436
Investments	14	-	14	-	14
Tenant accounts receivable	-	63,807	63,807	-	63,807
Other receivables	9,296	-	9,296	-	9,296
Right-of-use assets	-	15,845,181	15,845,181	-	15,845,181
Restricted funds:					
Reserves	-	629,509	629,509	-	629,509
Tenant security deposits	-	128,679	128,679	-	128,679
Developer fee receivable	3,448,563	-	3,448,563	(3,448,563)	-
Investment (deficit) in affiliates	(2,427,148)	-	(2,427,148)	2,427,148	-
Other prepaids	-	1,892	1,892	-	1,892
Deposits	-	370,244	370,244	-	370,244
Deferred costs, net	-	123,706	123,706	-	123,706
Total assets	$ 9,569,908	$ 95,631,185	$ 105,201,093	$ (6,971,522)	$ 98,229,571

(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, 2022

LIABILITIES AND NET ASSETS (DEFICIT)

	Island City Development	Housing (a)	Pre-Consolidation	Eliminating Entries	Consolidated
Notes payable, net	$ 7,500,000	$ 80,337,236	$ 87,837,236	$ -	$ 87,837,236
Accounts payable and accrued expenses	99,460	119,952	219,412	(5,061)	214,351
Accrued construction and development costs	-	45,786	45,786	-	45,786
Accrued Partnership Management Fee payable	-	68,430	68,430	(68,430)	-
Accrued interest payable	13,980	2,317,970	2,331,950	-	2,331,950
Developer fee payable	337,500	3,448,564	3,786,064	(3,448,564)	337,500
Accrued Asset Management Fee payable	-	4,375	4,375	-	4,375
Prepaid rents	-	18,536	18,536	-	18,536
Tenant security deposits	-	128,104	128,104	-	128,104
Total liabilities	7,950,940	86,488,953	94,439,893	(3,522,055)	90,917,838
Net assets (deficit)					
Net assets without donor restrictions					
Controlling interests	1,618,968	(2,495,576)	(876,608)	(3,449,467)	(4,326,075)
Noncontrolling interests	-	11,637,808	11,637,808	-	11,637,808
Total net assets (deficit)	1,618,968	9,142,232	10,761,200	(3,449,467)	7,311,733
Total liabilities and net assets (deficit)	$ 9,569,908	$ 95,631,185	$ 105,201,093	$ (6,971,522)	$ 98,229,571

(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,					**2022**
	Island City Development	**Housing (a)**	**Pre-Consolidation**	**Eliminating Entries**	**Consolidated**
Revenue:					
Residential rent	$ -	$ 768,298	$ 768,298	$ -	$ 768,298
Tenant subsidies	-	1,215,633	1,215,633	-	1,215,633
Total rental revenue	-	1,983,931	1,983,931	-	1,983,931
Equity in earnings (loss) of investments	(323)	-	(323)	323	-
Development fee revenue	1,932,307	-	1,932,307	(1,932,307)	-
Other revenue	42,581	9,902	52,483	(37,521)	14,962
Total other revenue	1,974,565	9,902	1,984,467	(1,969,505)	14,962
Total revenue	1,974,565	1,993,833	3,968,398	(1,969,505)	1,998,893
Expenses:					
Program services	-	5,179,285	5,179,285	(112,021)	5,067,264
Supporting services	233,242	37,521	270,763	(37,521)	233,242
Total operating expenses	233,242	5,216,806	5,450,048	(149,542)	5,300,506
Change in net assets	1,741,323	(3,222,973)	(1,481,650)	(1,819,963)	(3,301,613)
Contributions - noncontrolling interests	-	205,080	205,080	-	205,080
Total changes in net assets	1,741,323	(3,017,893)	(1,276,570)	(1,819,963)	(3,096,533)
Net assets (deficits), beginning of the year	(122,355)	12,160,125	12,037,770	(1,629,504)	10,408,266
Net assets (deficits), end of the year	$ 1,618,968	$ 9,142,232	$ 10,761,200	$ (3,449,467)	$ 7,311,733

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

See independent auditor's report.