S.V.D.P. Management, Inc. and Consolidated Entities dba Father Joe's Villages

Consolidated Financial Statements and Supplementary Schedules
Years Ended December 31, 2023 and 2022

S.V.D.P. Management, Inc. and Consolidated Entities
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Independent Auditor's Report

Audit Committee
S.V.D.P. Management, Inc. and Consolidated Entities
dba Father Joe's Villages
San Diego, California

Opinion

We have audited the consolidated financial statements of S.V.D.P. Management, Inc. and Consolidated Entities dba Father Joe's Villages (S.V.D.P.), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of S.V.D.P. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 S.V.D.P. 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 S.V.D.P.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 S.V.D.P.'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 S.V.D.P.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, P.C.

September 27, 2024

Consolidated Financial Statements

S.V.D.P. Management, Inc. and Consolidated Entities
dba Father Joe's Villages

Consolidated Statements of Financial Position

December 31,		2023		2022
Assets				
Current Assets				
Cash and cash equivalents	$	**10,886,362**	$	19,387,080
Investments		**9,551,590**		8,659,011
Contributions receivable		**-**		2,398,843
Tenant and other receivables		**2,560,117**		1,732,477
Grant receivables		**-**		1,108,427
Due from related party		**4,865,893**		2,916,983
Notes receivable, current portion		**-**		3,461,000
Interest receivable, current portion		**-**		682,020
Inventory - automobiles		**13,840**		41,273
Prepaid expenses		**1,016,462**		634,354
Total Current Assets		**28,894,264**		41,021,468
Non-Current Assets				
Restricted cash		**9,304,492**		8,595,056
Notes receivable, net		**4,591,329**		4,665,181
Interest receivable, net		**11,018**		11,410
Deposits and other assets		**200,821**		294,669
Operating lease right-of-use assets		**2,900,144**		3,673,821
Property and equipment, net		**240,659,989**		246,408,974
Total Assets	$	**286,562,057**	$	304,670,579
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued liabilities	$	**3,347,407**	$	6,630,613
Accrued payroll related liabilities		**898,230**		811,395
Prepaid tenant rent		**186,896**		47,986
Operating lease liabilities, current portion		**699,252**		788,575
Accrued interest, current portion		**528,766**		447,885
Debt, current portion		**5,156,837**		29,870,361
Total Current Liabilities		**10,817,388**		38,596,815
Non-Current Liabilities				
Deferred developer fee payable		**1,545,754**		-
Operating lease liabilities, net of current portion		**2,200,892**		2,929,957
Accrued interest, net of current portion		**17,229,845**		14,863,371
Debt, net of current portion		**140,738,080**		125,257,251
Interest rate swap liability		**523,177**		562,437
Tenant security deposits		**866,982**		898,203
Refundable advances		**3,907,436**		5,329,416
Contingency reserve		**922,477**		835,215
Total Liabilities		**178,752,031**		189,272,665
Net Assets				
Without donor restrictions:				
Undesignated		**62,520,675**		65,476,904
Noncontrolling interests in real estate limited partnerships		**45,043,344**		48,675,003
With donor restrictions		**246,007**		1,246,007
Total Net Assets		**107,810,026**		115,397,914
Total Liabilities and Net Assets	$	**286,562,057**	$	304,670,579

See accompanying notes to consolidated financial statements.

S.V.D.P. Management, Inc. and Consolidated Entities
dba Father Joe's Villages

Consolidated Statement of Activities

Year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Rental income	$ 18,269,879	$ -	$ 18,269,879
Retail and automobile:			
Contributed nonfinancial assets	6,287,469	-	6,287,469
Sales	6,279,853	-	6,279,853
Cost of sales	(6,436,580)	-	(6,436,580)
Contract charges for services to related party	11,371,108	-	11,371,108
Grant income	1,333,284		1,333,284
Contributions	94,571		94,571
Interest income on notes receivable	397,659	-	397,659
Investment return, net	824,648	-	824,648
Gain on mark-to-market of interest rate swap	39,260	-	39,260
Miscellaneous income	1,089,600	-	1,089,600
Net assets released from donor restrictions	1,000,000	(1,000,000)	-
Total Support and Revenue	40,550,751	(1,000,000)	39,550,751
Expenses			
Program expenses	38,466,229	-	38,466,229
Management and general	8,749,365	-	8,749,365
Fundraising	5,288,844	-	5,288,844
Total Expenses	52,504,438	-	52,504,438
Change in Net Assets Before Loss on Reallocation of Capital Accounts	(11,953,687)	(1,000,000)	(12,953,687)
Loss on Reallocation of Capital Accounts	(352,912)	-	(352,912)
Change in Net Assets	$ (12,306,599)	$ (1,000,000)	$ (13,306,599)

See accompanying notes to consolidated financial statements.

S.V.D.P. Management, Inc. and Consolidated Entities
dba Father Joe's Villages

Consolidated Statement of Activities

Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Rental income	$ 14,664,768	$ -	$ 14,664,768
Retail and automobile:			
Contributed nonfinancial assets	6,230,989	-	6,230,989
Sales	6,216,968	-	6,216,968
Cost of sales	(6,362,986)	-	(6,362,986)
Contract charges for services to related party	11,342,868	-	11,342,868
Grant income	2,004,557	1,000,000	3,004,557
Contributions	347,991	-	347,991
Interest income on notes receivable	260,435	-	260,435
Investment return, net	(1,144,012)	-	(1,144,012)
Gain on mark-to-market of interest rate swap	714,977	-	714,977
Miscellaneous income	458,615	-	458,615
Net assets released from donor restrictions	420,713	(420,713)	-
Total Support and Revenue	35,155,883	579,287	35,735,170
Expenses			
Program expenses	35,411,289	-	35,411,289
Management and general	8,168,419	-	8,168,419
Fundraising	4,819,168	-	4,819,168
Total Expenses	48,398,876	-	48,398,876
Change in Net Assets Before Debt Forgiveness	(13,242,993)	579,287	(12,663,706)
Gain on Forgiveness of Debt	2,592,806	-	2,592,806
Change in Net Assets	$ (10,650,187)	$ 579,287	$ (10,070,900)

See accompanying notes to consolidated financial statements.

S.V.D.P. Management, Inc. and Consolidated Entities
dba Father Joe's Villages

Consolidated Statement of Functional Expenses

Year ended December 31, 2023

	Program Expenses						
	Property Management and Affordable Housing	Retail Program	Turning the Key Initiative	Total Program Expenses	Management and General	Fundraising	Total Expenses
Salaries and employee related expenses	$ 2,155,916	$ 3,422,090	$ 273,051	$ 5,851,057	$ 4,363,603	$ 2,494,655	$ 12,709,315
Depreciation and amortization	8,071,558	25,376	560	8,097,494	150,590	-	8,248,084
Interest expense	7,164,273	-	-	7,164,273	166,429	-	7,330,702
Cost of retail and automobile sales	-	6,436,580	-	6,436,580	-	-	6,436,580
Contract services	2,698,710	382,841	844,755	3,926,306	1,065,597	193,119	5,185,022
Professional fees	1,364,510	123,152	88,901	1,576,563	1,505,983	372,006	3,454,552
Occupancy	2,511,078	293,339	289,795	3,094,212	76,998	43,995	3,215,205
Repairs and maintenance	1,982,985	193,269	139,681	2,315,935	33,469	24,301	2,373,705
Security services	2,028,868	114,965	2,862	2,146,695	(1,377)	3,260	2,148,578
Licenses and fees	549,972	6,186	142,182	698,340	579,282	33,873	1,311,495
Advertising	8,361	1,325	-	9,686	-	1,017,612	1,027,298
Bad debt	994,807	20	8,481	1,003,308	-	-	1,003,308
Rent	-	617,139	218,002	835,141	-	-	835,141
Management and investor service fees	635,533	-	-	635,533	-	-	635,533
Supplies	221,035	56,247	20,507	297,789	217,757	51,311	566,857
Insurance	172,484	89,050	21,724	283,258	234,106	48,066	565,430
Miscellaneous	176,313	6,720	1,302	184,335	147,993	82,272	414,600
Postage and printing	8,208	812	157	9,177	(7,113)	379,171	381,235
Vehicle	-	333,315	-	333,315	3,764	1,334	338,413
Special events	520	2,908	384	3,812	4,075	306,730	314,617
Estate expense	-	-	-	-	-	237,139	237,139
Donations and grants	-	-	-	-	208,209	-	208,209
Total Expenses	30,745,131	12,105,334	2,052,344	44,902,809	8,749,365	5,288,844	58,941,018
Less: cost of retail and automobile sales	-	6,436,580	-	6,436,580	-	-	6,436,580
Total Expenses Included in Expense Section on the Consolidated Statement of Activities	$ 30,745,131	$ 5,668,754	$ 2,052,344	$ 38,466,229	$ 8,749,365	$ 5,288,844	$ 52,504,438

See accompanying notes to consolidated financial statements.

S.V.D.P. Management, Inc. and Consolidated Entities
dba Father Joe's Villages

Consolidated Statement of Functional Expenses

Year ended December 31, 2022

	Program Expenses						
	Property Management and Affordable Housing	Retail Program	Turning the Key Initiative	Total Program Expenses	Management and General	Fundraising	Total Expenses
Salaries and employee related expenses	$ 1,923,785	$ 2,784,931	$ -	$ 4,708,716	$ 2,902,943	$ 2,312,443	$ 9,924,102
Depreciation and amortization	7,895,017	13,749	-	7,908,766	7,361	-	7,916,127
Interest expense	5,325,528	50,031	-	5,375,559	154,435	-	5,529,994
Cost of retail and automobile sales	-	6,231,090	-	6,231,090	-	131,896	6,362,986
Contract services	2,754,688	256,610	-	3,011,298	925,469	210,443	4,147,210
Professional fees	694,350	103,667	408,116	1,206,133	1,732,572	154,786	3,093,491
Occupancy	2,078,732	213,975	17,400	2,310,107	114,188	36,309	2,460,604
Repairs and maintenance	1,238,424	187,143	45,196	1,470,763	200,128	148,121	1,819,012
Security services	946,710	43,835	-	990,545	15,718	-	1,006,263
Licenses and fees	449,886	12,574	68,524	530,984	468,575	15,025	1,014,584
Advertising	2,832	2,738	2,000	7,570	-	900,391	907,961
Bad debt	372,310	130	-	372,440	33,329	-	405,769
Rent	-	608,150	220,432	828,582	(4,285)	-	824,297
Management and investor service fees	490,265	-	-	490,265	-	-	490,265
Supplies	188,338	94,740	5,199	288,277	218,407	49,367	556,051
Insurance	560,296	85,192	696	646,184	281,712	51,923	979,819
Miscellaneous	81,316	159	4,530	86,005	894,001	102,762	1,082,768
Postage and printing	10,033	10,410	377	20,820	12,652	387,216	420,688
Vehicle	7,618	323,724	-	331,342	949	1,820	334,111
Special events	5,790	1,821	67,021	74,632	2,056	448,562	525,250
Estate expense	-	-	-	-	-	-	-
Donations and grants	-	-	-	-	208,209	-	208,209
Consulting fees	-	-	4,752,301	4,752,301	-	-	4,752,301
Total Expenses	25,025,918	11,024,669	5,591,792	41,642,379	8,168,419	4,951,064	54,761,862
Less: cost of retail and automobile sales	-	6,231,090	-	6,231,090	-	131,896	6,362,986
Total Expenses Included in Expense Section on the Consolidated Statement of Activities	$ 25,025,918	$ 4,793,579	$ 5,591,792	$ 35,411,289	$ 8,168,419	$ 4,819,168	$ 48,398,876

See accompanying notes to consolidated financial statements.

S.V.D.P. Management, Inc. and Consolidated Entities
dba Father Joe's Villages

Consolidated Statements of Changes in Net Assets

	Without Donor Restrictions				
	Undesignated	Noncontrolling Interest	Total	With Donor Restrictions	Total
Net Assets, December 31, 2021	$ 66,369,200	$ 19,300,746	$ 85,669,946	$ 666,720	$ 86,336,666
Contributions from noncontrolling interest	-	39,132,148	39,132,148	-	39,132,148
Change in net assets	(892,296)	(9,757,891)	(10,650,187)	579,287	(10,070,900)
Net Assets, December 31, 2022	65,476,904	48,675,003	114,151,907	1,246,007	115,397,914
Contributions from noncontrolling interest	-	5,718,718	5,718,718	-	5,718,718
Distributions to noncontrolling interest	-	(352,919)	(352,919)	-	(352,919)
Reallocation of capital accounts	-	352,912	352,912	-	352,912
Change in net assets	(2,956,229)	(9,350,370)	(12,306,599)	(1,000,000)	(13,306,599)
Net Assets, December 31, 2023	$ 62,520,675	$ 45,043,344	$ 107,564,019	$ 246,007	$ 107,810,026

See accompanying notes to consolidated financial statements.

S.V.D.P. Management, Inc. and Consolidated Entities
dba Father Joe's Villages

Consolidated Statements of Cash Flows

Year ended December 31,	**2023**	2022
Cash Flows from Operating Activities		
Change in net assets	$ **(13,306,599)**	$ (10,070,900)
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	**8,248,084**	7,916,127
Amortization of debt issuance costs	**38,523**	108,301
Realized and unrealized loss (gain) on investments	**(637,647)**	1,336,525
Gain on mark-to-market of interest rate swap	**(39,260)**	(714,977)
Bad debt expense	**1,003,308**	405,769
Loss (gain) on disposal of fixed assets	**(304)**	2,156,639
Noncash operating lease expense	**773,677**	794,461
Loan principal and interest forgiveness	**-**	(2,592,806)
Changes in operating assets and liabilities:		
Contributions receivable	**2,398,843**	1,477,230
Tenant and other receivables	**(1,830,948)**	(1,641,700)
Grant receivables	**1,108,427**	(1,108,427)
Inventory - automobiles	**27,433**	14,021
Prepaid expenses	**(382,108)**	(91,829)
Interest receivable	**682,412**	(103,871)
Due from related party	**(1,948,910)**	933,593
Deposits and other assets	**73,350**	416,886
Accounts payable and accrued liabilities	**(3,352,619)**	3,403,329
Accrued payroll related liabilities	**86,835**	(7,416)
Deferred developer fee payable	**1,545,754**	-
Prepaid tenant rent	**138,910**	(62,440)
Operating lease liabilities	**(818,388)**	(749,750)
Tenant security deposits	**(31,221)**	427,781
Accrued interest	**3,182,457**	4,881,209
Refundable advances	**(1,421,980)**	(1,314,362)
Contingency reserve	**87,262**	835,215
Net Cash Provided by (Used in) Operating Activities	**(4,374,709)**	6,648,608
Cash Flows from Investing Activities		
Collection of notes receivable	**3,534,852**	71,784
Proceeds from sale of property and equipment	**14,270**	-
Purchases of property and equipment	**(2,387,976)**	(11,097,292)
Purchases of investments	**(254,932)**	(2,203,385)
Net Cash Provided by (Used in) Investing Activities	**906,214**	(13,228,893)
Cash Flows from Financing Activities		
Payments on long-term debt	**(8,322,780)**	(164,698)
Limited partner capital contributions to limited partnerships	**-**	535,947
Distribution of partners' capital	**(7)**	-
Proceeds from debt	**4,000,000**	11,969,425
Net Cash Provided by (Used in) Financing Activities	**(4,322,787)**	12,340,674
Net Change in Cash and Restricted Cash	**(7,791,282)**	5,760,389
Cash and Restricted Cash, beginning of year	**27,982,136**	22,221,747
Cash and Restricted Cash, end of year	$ **20,190,854**	$ 27,982,136

S.V.D.P. Management, Inc. and Consolidated Entities
dba Father Joe's Villages

Consolidated Statements of Cash Flows

Year ended December 31,		**2023**		2022
Cash and Restricted Cash				
Cash and cash equivalents	**$**	**10,886,362**	$	19,387,080
Restricted cash		**9,304,492**		8,595,056
Total Cash and Restricted Cash	**$**	**20,190,854**	$	27,982,136
Supplemental Cash Flow Information				
Interest paid	**$**	**4,077,889**	$	648,785
Income taxes (refunded) paid		**(1,600)**		13,721
Noncash Investing and Financing Activities				
Payments of notes payable through acquisition of notes payable on conversion to permanent financing	**$**	**47,689,000**	$	-
Payments of notes payable through a capital contribution from noncontrolling interests		**5,718,718**		38,596,201
Interest paid through acquisition of notes payable		**770,280**		3,152,706
Purchases of property and equipment through accounts payable		**290,883**		312,158
Capitalized interest included in accrued interest		**35,178**		256,752
Operating right-of-use assets in exchange for lease obligations		**-**		4,468,282

See accompanying notes to consolidated financial statements.

1. Description of Organizations

S.V.D.P. Management, Inc. and Consolidated Entities dba Father Joe's Villages (S.V.D.P.), develops, maintains, and leases property for affordable housing in San Diego, California; receives and sells donated goods and automobiles; and provides contract services for St. Vincent de Paul Village, Inc. (the Village), a related party.

S.V.D.P, or its majority-owned subsidiaries, are the general partner, limited partner, or managing general partner of various limited partnerships, all created to develop and operate affordable housing.

The limited partnerships will continue to operate until such date as determined by the limited partnership agreements or until terminated in accordance with the provisions of the applicable partnership agreements.

A summary of the limited partnerships are as follows:

Village Place Apartments, L.P.

Formed in 1997, Village Place Apartments, L.P. (Village Place), a California limited partnership, was formed for the purpose of developing, managing, and operating a 50-unit multi-family apartment complex that qualified for Low-Income Housing Tax Credits (LIHTCs) under Section 42 of the Internal Revenue Code. The property was placed in service in February 1997, and received a tax credit allocation on June 1, 1997.

S.V.D.P. is both the general partner with a 0.01% ownership and a limited partner with a 99.98% ownership. The Village is a limited partner with a 0.01% ownership. Profits and losses are allocated based on ownership percentages.

Various agreements dictate maximum income levels of tenants (earning at or below 50% and 60% Area Median Income (AMI)) and maximum rents for 30 years after project completion.

Villa Harvey Mandel, L.P.

Formed in 2001, Villa Harvey Mandel, L.P. (Villa Harvey Mandel), a California limited partnership, was formed for the purpose of developing, managing, and operating a 90-unit multi-family apartment complex that qualified for LIHTCs. The property was placed in service in June 2003 and received a tax credit allocation on June 24, 2003.

Prior to the partnership exits described below, S.V.D.P. was the general partner with a 0.01% interest, U.S.A. Institutional Tax Credit Fund XXXVIII, L.P. was a limited partner with a 99.98% interest, and the Richman Group Capital Corporation was a special limited partner with a 0.01% interest.

On September 30, 2022, S.V.D.P. purchased the ownership interest of both U.S.A. Institutional Tax Credit Fund XXXVIII, L.P. and the Richman Group Capital Corporation for $1 and subsequently held a 100% ownership interest in Villa Harvey Mandel. On November 1, 2022, the Village was admitted as a limited partner with a $1 capital contribution for a 0.01% interest with S.V.D.P. as the general partner with a 99.99% interest.

Profit and losses are allocated based on ownership percentages. Various agreements dictate maximum income levels of tenants (earning at or below 40%, 45%, and 50% AMI) and maximum rents for 55 years after project completion.

16th and Market, L.P.

Formed in 2007, 16th and Market, L.P. (16th and Market), a California limited partnership, was formed for the purpose of developing, managing, and operating a 136-unit multi-family apartment complex that qualified for LIHTCs. The property was placed in service on September 4, 2010, and received a tax credit allocation on January 2, 2009.

S.V.D.P. is the general partner of 16th and Market with a 0.005% ownership, U.S.A. Institutional Tax Credit Fund LX, L.P. is the investment partner with a 99.99% ownership, and CIC 16th and Market LLC is the administrative general partner with 0.005% ownership.

The Richman Group Capital Corporation is a special limited partner with no ownership interest. Profit and losses are allocated based on ownership percentages.

Various agreements dictate maximum income levels of tenants (earning at or below 30% to 60% AMI) and maximum rents for 55 years after project completion.

3137 El Cajon Boulevard, L.P.

Formed in 2007, 3137 El Cajon Boulevard, L.P. (Boulevard Apartments), a California limited partnership, was formed for the purpose of developing, managing, operating, and financing a 24-unit multi-family apartment complex that qualified for LIHTCs. Five of the 24 units are designated for U.S. Department of Housing and Urban Development (HUD) eligible tenants. The property was placed in service May 1, 2009, and received a tax credit allocation on April 20, 2009.

S.V.D.P. is the general partner of Boulevard Apartments with 0.01%, the investment partner is U.S.A. Institutional Tax Credit Fund LXVII, L.P. with 99.99%, and the special limited partner is the Richman Group Capital Corporation with no ownership interest. Profit and losses are allocated based on ownership percentages.

Various agreements dictate maximum income levels of tenants (earning at or below 30% to 40% AMI) and maximum rents for 55 years after project completion.

15th & Commercial, L.P.

Formed in 2009, 15th & Commercial, L.P. (15th & Commercial), a California limited partnership, was formed for the purpose of developing, managing, and operating a 12-story building that includes a child development center, 150 beds of transitional housing, and 64 units of permanent supportive housing that qualified for LIHTCs. The property was placed in service in December 2011, and received a tax credit allocation on May 12, 2010.

S.V.D.P. is the general partner through its majority owned subsidiary, Bishop Maher Center, LLC, with a 0.01% ownership, 15th Investment CIC, LLC is the limited partner with a 49.90% ownership, MCAP San Diego, LLC is a Class B limited partner with a 50.08% ownership, and the special limited partner is MCAP IV Special Partner, LLC with a 0.01% ownership. Profit and losses are allocated based on ownership percentages.

Various agreements dictate maximum income levels of tenants (earning at or below 30%, 35%, and 40% of AMI) and maximum rents for 57 years after project completion.

Benson Place, L.P.

Formed in May 2019, Benson Place, L.P. (Benson Place), a California limited partnership, was formed for the purpose of developing, managing, and operating an 83-unit multi-family apartment complex that qualified for LIHTCs. The property was placed in service on August 1, 2020, and received a tax credit allocation on June 12, 2019.

S.V.D.P is the general partner through its wholly owned subsidiary, Benson Place, LLC, with a 0.01% ownership, USA Institutional Hollister LLC is the limited partner with a 99.99% ownership, and the Richman Group Capital Corporation is the special limited partner with no ownership. Profit and losses are allocated based on ownership percentages.

Various agreements dictate maximum income levels of tenants (earning at or below 30% AMI) and maximum rents for 55 years after project completion.

St. Teresa of Calcutta Village

14th & Commercial CIC, L.P. (Tower) was formed in July 2017 as a California limited partnership for the purpose of development, construction, and operation of a 326-unit multi-family residential project that qualified for LIHTCs.

S.V.D.P. is the general partner through its majority owned subsidiary, C14 Tower, LLC, with a 0.01% ownership, RJ HOF 61-14th and Commercial CIC LLC is the limited partner with a 98.99% ownership, and CIC 14th & Commercial, LLC is the administrative general partner with a 1.00% ownership. Profit and losses are allocated based on ownership percentages.

Various agreements dictate maximum income levels of tenants (earning at or below 35% and 50% AMI) and maximum rents for 55 years after project completion.

14th & Commercial CIC-VHHP, L.P. (VHHP) was formed in April 2019 as a California limited partnership for the purpose of development, construction, and operation of an 81-unit multi-family residential project that qualified for LIHTCs.

S.V.D.P. is the managing general partner through its majority owned subsidiary, C14 VHHP, LLC, with a 0.01% ownership, RJ HOF 62-14th & Commercial CIC-VHHP LLC is the limited partner with a 98.99% ownership, and CIC-VHHP 14th & Commercial, LLC is the administrative general partner with a 1.00% ownership. Profit and losses are allocated based on ownership percentages.

Various agreements dictate maximum income levels of tenants (earning at or below 30% and 60% AMI) and maximum rents for 55 years after project completion.

Collectively, Tower and VHHP are known as St. Teresa of Calcutta Village (STOCV). STOCV was placed in service February 1, 2022, and received tax credit allocations on July 17, 2019, for both projects.

17th & Commercial, L.P.

Formed in 2022, 17th & Commercial, LP (17th & Commercial), a California limited partnership, was formed for the purpose of acquiring, developing, managing, and financing a low-income rental housing project and associated service facilities.

S.V.D.P. is the general partner through its majority owned subsidiary, 17th & Commercial, LLC, with a 99% ownership, and initial limited partner with a 1% ownership. Profit and losses are allocated based on ownership percentages.

16th & Island, L.P.

Formed in 2022, 16th & Island, LP (16th & Island), a California limited partnership, was formed for the purpose of acquiring, developing, managing, and financing a low-income rental housing project and associated service facilities.

S.V.D.P. is the general partner through its majority owned subsidiary, 16th & Island, LLC, with a 99% ownership, and initial limited partner with a 1% ownership. Profit and losses are allocated based on ownership percentages.

There was limited activity in 16th & Island during each of the years ended December 31, 2023 and 2022.

901 Pier View, L.P.

Formed in 2024, 901 Pier View, L.P. (Pier View), a California limited partnership, was formed for the purpose of acquiring, developing, managing, and financing a low-income rental housing project and associated service facilities.

S.V.D.P. is the general partner with a 99% ownership and initial limited partner with a 1% ownership. Profit and losses are allocated based on ownership percentages.

On July 25, 2024, Pier View exercised its option to purchase property from a private owner for $5,000,000. The transaction included cash, and a $4,250,000 loan financed with the Local Initiatives Support Corporation (LISC) bearing interest at 7.85% per annum maturing on the earlier of close of construction financing or July 25, 2027, with options to extend the term to July 25, 2028. Monthly payments are interest only and all outstanding principal and interest will be due at maturity. The loan is secured by a deed of trust encumbering the property.

Principles of Consolidation

S.V.D.P., Village Place, Villa Harvey Mandel, 16th and Market, Boulevard Apartments, 15th & Commercial, Bishop Maher Center, LLC, Benson Place, Benson Place, LLC, Tower, C14 Tower, LLC, VHHP, C14 VHHP, LLC, 17th & Commercial, 17th & Commercial, LLC, 16th & Island, and 16th & Island, LLC have been consolidated, and all material partner agency transactions and accounts have been eliminated in the accompanying consolidated financial statements.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, S.V.D.P. is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Contributions are received and recorded in one of these two categories depending on the existence and/or nature of any donor restrictions.

Net Assets Without Donor Restrictions - Some net assets with donor restrictions are temporary in nature and consist of unexpected contributions restricted for particular programs or time periods. Other net assets have perpetual donor restrictions, where the principal of the contributions are restricted in perpetuity and the income from which is utilized for the purposes specified by the donors. Net assets with donor restrictions that are temporary in nature are transferred to net assets without donor restrictions as expenditures are incurred for the restricted programs or as time or other restrictions are met. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Net Assets with Donor Restrictions - Net assets with donor restrictions are limited as to use by donor-imposed restrictions that may expire with the passage of time or that may be satisfied by action of S.V.D.P. Net assets with donor restrictions are designated by donors for specific purposes. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Reclassifications

Certain items from the prior year consolidated financial statements have been reclassified to conform to the current year presentation. These reclassifications had no impact on net assets or changes to net assets previously reported.

Cash and Cash Equivalents

S.V.D.P.'s cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term investment objectives. S.V.D.P. held balances in excess of federally insured limits as of December 31, 2023 and 2022.

Restricted Cash

As part of certain programs, S.V.D.P. is required to build up reserves for future operating deficits, repairs, and replacements. S.V.D.P. also holds security deposits for residential tenants. As such, S.V.D.P. has classified these as non-current assets on the consolidated statements of financial position. These deposits are held in separate accounts from S.V.D.P.'s operating cash.

Investments

Investments are reported at fair value. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities. Gains and losses on sales of investments are determined using the specific identification method. Investments at December 31, 2023 and 2022 included $1,737,978 and $1,162,526 in cash equivalents and $7,813,612 and $7,496,485 in mutual funds, respectively.

Donated investments are initially recorded at fair value on the date of gift. It is S.V.D.P.'s policy to sell donated investments as soon as it is practical.

Contributions Receivable

S.V.D.P. records contributions, pledges, and bequests consisting of cash and other assets by donors at fair value in the period in which the commitment is made. Pledges are recognized when an unconditional promise to give is made. All contributions are considered unrestricted unless specifically restricted by the donor. Contributions are recorded depending on the existence and/or nature of any donor restrictions. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions. As of December 31, 2023 and 2022, there were no long-term pledges outstanding. Conditional promises to give are recognized when the conditions are substantially met. One donor accounted for 83% of contributions receivable at December 31, 2022.

S.V.D.P. provides for losses on contributions, pledges, and bequests receivable using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of the donors to meet their obligations. Receivables are written-off when deemed uncollectible. At December 31, 2023 and 2022, management determined no allowance was considered necessary.

Inventory

Inventory consists primarily of donated automobiles. Donated automobiles are stated at estimated fair value at the time of donation.

Property and Equipment

Property and equipment is stated at cost. Depreciation and amortization are provided for using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years. Leasehold improvements are amortized over the shorter of the life of the asset or the lease term. S.V.D.P. capitalizes all costs for fixed assets in excess of $5,000. Expenditures for repairs and maintenance that do not improve or extend the life of the asset are expensed as incurred. Depreciation and amortization expense related to property and equipment was $8,219,791 and $7,885,738 for the years ended December 31, 2023 and 2022, respectively.

S.V.D.P. capitalizes interest cost related to the development and construction of property and equipment. The capitalized interest is recorded as part of the asset it relates to and will be amortized over the asset's useful life once the asset is ready for its intended use. For the years ended December 31, 2023 and 2022, total interest capitalized was $35,178 and $256,752, respectively.

S.V.D.P. records impairment losses on property and equipment used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. At December 31, 2023 and 2022, S.V.D.P. has not identified any indicators or recorded any impairment of property and equipment.

Due from Related Party

Amounts reported as due from related party, included in the accompanying consolidated statements of financial position, arise typically from the collaborative activities between the Village and S.V.D.P., as documented in Note 15, to further the mission of the organization.

Allocation of Partnership Income/Loss and Tax Credits

The partnerships expect to generate low-income housing credits, which will be allocated in the same manner as the income or loss of the partnership. Because certain partner's losses are limited to their investment, these partners' equity will not be reduced below $0 unless future capital contributions will be made in an amount sufficient to absorb the losses. Losses in excess of partnership interests are allocated to the managing general partner, if the partnership agreement does not call for additional contributions. Any subsequent income allocable to the partner is allocated to the managing general partner first until the managing general partner's share of that income offsets the losses not previously recognized by the partner.

Contract Charges for Services

Contract charges for services are recognized as the services are provided. Services provided relate to administrative, development, and grant services. Performance obligations are satisfied as services are rendered which is over time. There are no contract assets or liabilities. See Note 15 for additional details regarding the contract charges.

Contributed Nonfinancial Assets

Contributed property and equipment are recorded at fair value at the date of donation. Clothing, furniture, automobiles, and other goods that are contributed for resale or distribution through S.V.D.P.'s programs, are recognized at fair value when an unconditional commitment is received from the donor. Clothing, furniture, and other goods are generally received from the general public and are sold in S.V.D.P.'s thrift stores or auctions. These items are valued based on the subsequent selling price. Donated automobiles are valued at the estimated fair value on the date of the vehicle is received using 10% of CARFAX Inc.'s estimated values for similar ages and models. As all contributed nonfinancial assets are monetized, they are excluded from expenses on the consolidated statements of activities and treated as cost of sales.

Grant Receivable and Revenue

S.V.D.P. is awarded grants from federal, state, county, and city agencies. Grants are typically awarded for a multi-year period, with the amount awarded negotiated in advance. Grant revenue is most appropriately classified as conditional contributions, and therefore, revenue is recognized as conditions are met, which is typically as allowable costs are incurred. No allowance was considered necessary on grants receivable at December 31, 2023 and 2022. Grant receivables from one grantor accounted for 90% of grant receivables at December 31, 2022.

In February 2010, 15th & Commercial received a conditional grant of $19,999,000 from the California Tax Credit Committee. The grant is subject to certain requirements over a 15-year compliance period and is subject to recapture. The grant is recorded when earned on a pro-rata basis over the 15-year compliance period. During each of the years ended December 31, 2023 and 2022, $1,333,284 of the grant was recognized. At December 31, 2023 and 2022, $3,888,686 and $5,221,970 of the conditional grant remained outstanding, respectively, and is reported as part of refundable advances on the consolidated statements of financial position.

Sales of Donated Goods

Sales revenue is recognized when control of the goods has transferred to customers. For the majority of merchandise sales, control transfers to customers at a point in time when the goods have been purchased in person or picked up, as that is generally when legal title, physical possession, and the risk and rewards of the goods transfer to the customer. There are no contract assets or liabilities resulting from merchandise sales at December 31, 2023 or 2022.

Leases

S.V.D.P. determines if an arrangement is a lease at inception and then assesses for classification as either an operating or finance lease. Assets and obligations related to operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in the consolidated statements of financial position.

ROU assets represent S.V.D.P.'s right to use an underlying asset for the lease term, and lease liabilities represent S.V.D.P.s obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. For S.V.D.P.'s leases that do not contain an implicit rate, S.V.D.P. utilizes a risk-free rate to determine the present value of lease payments based on information available at commencement of the lease, based on current United States (U.S.) Treasury rates. Certain lease terms may include options to extend or terminate the lease, and these are included in the determination of the operating lease ROU asset and lease liability when it is reasonably certain that S.V.D.P. will exercise those options. Lease expense for operating leases is recognized in an amount equal to the lease payments over the lease term.

S.V.D.P.'s agreements with lease and non-lease components are all accounted for as a single lease component. For leases with an initial term of 12 months or less, S.V.D.P. elected the exemption from recording ROU assets and lease liabilities for all leases that qualify, and records rent expense on a straight-line basis over the lease term.

For leases that include variable payments, which may vary based upon changes in facts or circumstances after the start of the lease, S.V.D.P. has made an accounting policy election to exclude variable payments from lease ROU assets and lease liabilities to the extent not considered fixed, and instead expenses as incurred. There were no variable lease costs during the years ended December 31, 2023 and 2022.

Rental Income

S.V.D.P. receives regular monthly income from residential and commercial tenants under operating leases. Revenue is recognized in accordance with the lease agreement rather than on the straight-line method over the lease term, as management believes the difference would not be material. Residential and commercial leases are stated at the fixed monthly rate. Generally, residential lease contracts are for a one-year term and are always cancelable with a 30-day notice by either party. Commercial lease contracts generally have terms up to ten years and are noncancelable (see Note 12).

Tenant and Other Receivables

Tenant and other receivables are amounts due from tenants for rent and other reimbursements. S.V.D.P. uses the allowance method for recognizing bad debts. When an account is deemed uncollectible, it is generally written-off against the allowance. These receivables are generally unsecured and do not bear interest. At December 31, 2023 and 2022, allowance for credit losses amounted to $1,144,394 and $408,343, respectively.

Advertising

S.V.D.P. expenses advertising costs as incurred. Advertising costs for the years ended December 31, 2023 and 2022 were $1,027,298 and $907,961, respectively.

Functional Expenses

The consolidated financial statements report certain categories of expenses that are attributed to program, supporting, and fundraising functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Direct costs that relate to a specific reporting unit are allocated to that reporting unit if it can be reasonably identified. Direct costs that relate to all operating and administrative units are allocated directly to those units on a pro-rata basis, either by time and activity sheets, allocated square footage, or another reasonable basis that is appropriate for the individual expense.

The expenses that are allocated include the following:

Expense	Method of Allocation
Rent	Square footage
Occupancy	Square footage
Insurance	Time and activity/property and vehicle usage
Salaries and employee related expenses	Time and activity

Interest Rate Swap

S.V.D.P. makes limited use of derivative instruments for the purpose of managing interest rate risks. Interest rate swap agreements are used to convert S.V.D.P.'s floating rate long-term debt to a fixed interest rate. S.V.D.P. recognizes all derivatives as either assets or liabilities in the consolidated statements of financial position and measures those instruments at fair value. Changes in fair value of those instruments are reported in the consolidated statements of activities.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

S.V.D.P. is exempt from income taxes on the basis that it qualifies under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

The partnerships and LLCs are pass-through entities whose taxable income or loss passes through to, and is reportable by, each partner or member individually.

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

Level 1 - This level consists of observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – This level consists of observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly.

Level 3 – This level consists of unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

Recent Accounting Pronouncements Adopted

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, *Measurement of Credit Losses on Financial Instruments,* which changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying Accounting Standards Codification 606, *Revenue from Contracts with Customers*, loans, and certain other instruments, entities will be required to use a new forward-looking "expected loss" model that generally will result in earlier recognition of credit losses than under today's incurred loss model. The revised effective date is for annual periods beginning after December 15, 2022, and should be adopted using a modified retrospective approach, which applies a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective. Early adoption is permitted. S.V.D.P. adopted the new standard using the modified retrospective approach on January 1, 2023. The adoption of this update did not materially impact S.V.D.P.'s consolidated financial statements and primarily resulted in new/enhanced disclosures only.

Subsequent Events

S.V.D.P. has evaluated subsequent events through the date these consolidated financial statements were available to be issued, which was September 27, 2024. See Note 1 for transactions related to Pier View, Note 9 for repayment and conversion to permanent financing of debt, Note 9 for modification to a daily simple Secured Overnight Financing Rate (SOFR) as an interest rate benchmark, Note 13 for lease option extension, and Note 16 for new stop-loss medical insurance.

3. Net Assets with Donor Restrictions

S.V.D.P.'s net assets with donor restrictions are comprised of the following:

December 31,		**2023**		2022
Net Assets with Purpose or Time Restrictions				
St. Vincent de Paul Village, Inc.	**$**	**146,007**	$	146,007
Capital projects		**100,000**		100,000
Sustainable transportation infrastructure grant		**-**		1,000,000
	$	**246,007**	$	1,246,007

4. Availability and Liquidity

S.V.D.P. is primarily supported through rental income, sales of donated goods and automobiles, and contract charges. These sources of revenue are not subject to donor restrictions and are available to support the general needs of the organization.

As of December 31, 2023 and 2022, S.V.D.P. has $62,520,675 and $65,476,904, respectively, of net assets that are not subject to donor-imposed restrictions or board designations and has approximately five months of expenses in working capital. As part of S.V.D.P.'s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, S.V.D.P. sets aside cash in excess of daily requirements in its reserve and investment accounts.

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The following table shows the total financial assets held by S.V.D.P. and the amounts of those financial assets that could readily be made available within one year of the consolidated statements of financial position:

December 31,	2023	2022
Financial Assets, year end		
Cash and cash equivalents	$ **10,886,362**	$ 19,387,080
Investments	**9,551,590**	8,659,011
Contributions receivable	**-**	2,398,843
Tenant and other receivables	**2,560,117**	1,732,477
Grant receivables	**-**	1,108,427
Restricted cash	**9,304,492**	8,595,056
Notes receivable	**4,591,329**	8,126,181
Interest receivable	**11,018**	693,430
Due from related party	**4,865,893**	2,916,983
Total Financial Assets	**41,770,801**	53,617,488
Less amounts not available for use within one year:		
Net assets with donor restrictions	**246,007**	1,246,007
Notes receivable, non-current portion	**4,591,329**	4,665,181
Interest receivable, non-current portion	**11,018**	11,410
Restricted cash	**9,304,492**	8,595,056
	14,152,846	14,517,654
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	$ **27,617,955**	$ 39,099,834

5. Property and Equipment

S.V.D.P.'s property and equipment consist of the following:

December 31,	2023	2022
Land	$ **17,572,215**	$ 17,572,215
Land improvements	**1,851,106**	1,851,106
Buildings and improvements	**292,999,000**	292,139,471
Leasehold improvements	**2,265,467**	2,124,990
Furniture and equipment	**7,585,061**	7,406,677
	322,272,849	321,094,459
Less: accumulated depreciation and amortization	**(83,211,714)**	(74,990,971)
	239,061,135	246,103,488
Construction in progress	**1,598,854**	305,486
Net Property and Equipment	$ **240,659,989**	$ 246,408,974

As of December 31, 2023 and 2022, construction in progress relates to the construction of 17th & Commercial and 16th & Island.

6. Restricted Cash

S.V.D.P.'s restricted cash balances consist of the following:

December 31,		**2023**		2022
Reserve funds - 15th & Commercial	$	**2,193,163**	$	2,091,180
Reserve funds - Tower		**2,173,082**		1,486,048
Reserve funds - Benson Place		**1,838,274**		1,761,865
Reserve funds - 16th and Market		**1,172,410**		1,313,437
Reserves under CalHFA loan - Village Place		**390,828**		481,644
Reserve funds - Villa Harvey Mandel		**240,195**		257,893
Reserve funds - Boulevard Apartments		**229,871**		233,872
Reserve funds - VHHP		**80,304**		38,500
Tenants' security deposits		**986,365**		930,617
	$	**9,304,492**	$	8,595,056

Reserve funds consist of operating, replacement, transition, and service reserves, which are held and maintained in accordance with partnership agreements, debt agreements, and regulatory agreements. Tenant security deposits are maintained in accordance with relevant laws and regulations. As of December 31, 2022, reserves of $2,076,503 as required by regulatory agreements for Tower were not timely funded in accordance with the provisions of the agreement, however, deposits were made to appropriately fund the reserves during the year ended December 31, 2023.

7. Notes Receivable and Interest Receivable

Note and Interest Receivable Due from Unrelated Entity

In September 2019, S.V.D.P. sold property in Indio, California to an unrelated nonprofit organization in exchange for a note receivable in the amount of $4,840,569 with interest at the rate of 2.88% per annum for 39 years. Commencing on December 1, 2020, and due on the same date for 39 years thereafter, the borrower will make annual payments of principal and interest in the amount of $208,209 (the Annual Payment). Within five business days of the receipt of each Annual Payment, S.V.D.P. may make a donation to the borrower in immediately available funds in the exact amount of such Annual Payment received by S.V.D.P.

The above annual donation from S.V.D.P. to the borrower is contingent upon a) the borrower making timely Annual Payments, b) the borrower operating the property in compliance with regulatory requirements, and c) the borrower maintaining the property in effective operating condition. Should any such contingency not be met, no donation would occur for that year. At December 31, 2023 and 2022, the balance of the note was $4,591,329 and $4,665,181, respectively, and the balance of interest receivable was $11,018 and $11,410, respectively. Interest income was $133,966 and $136,466 for the years ended December 31, 2023 and 2022, respectively.

Note and Interest Receivable Due from St. Vincent De Paul Village, Inc.

A note receivable from the Village was established in 2018 with a principal amount of $2,030,000. This note represented a reclassification of cash advances for the period of 2014 through 2017 funding any operating losses of the Medical Clinic, a Federally Qualified Health Clinic (FQHC). The receivable amount would increase year-over-year based upon the Uniform Data Systems (UDS) Reporting, which is a standardized reporting system that provides consistent information about health centers. The principal of the note would be adjusted no less often than annually based on the total costs of operations as defined by the UDS, Table 8A. The note bore simple interest at the rate of 3% per annum. The term was five years with auto-renewal for consecutive periods of two years unless terminated by either party. The principal of $3,461,000 and accrued interest of $682,000 was paid off in January 2023. Interest income was $0 and $103,830 for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2022, the principal amount due was $3,461,000 and interest receivable was $682,000.

8. Noncontrolling Limited Partners' Interests in Real Estate Limited Partnerships

	Village Place	16th and Market	Benson Place	Tower	VHHP	Villa Harvey Mandel	Total Limited Partners Interest in Partnerships
Balance, December 31, 2021	$ 111	$ 440,212	$ 10,293,305	$ 6,775,818	$ 1,791,300	$ -	$ 19,300,746
Contributions (distributions)	(24)	-	535,970	30,545,304	8,050,897	1	39,132,148
Noncontrolling interest in net income (losses) of real estate limited partnerships	8	(440,212)	(773,679)	(6,947,067)	(1,596,942)	1	(9,757,891)
Balance, December 31, 2022	95	-	10,055,596	30,374,055	8,245,255	2	48,675,003
Contributions (distributions)	(7)	-	-	5,365,806	-	-	5,365,799
Reallocation of capital account	-	-	-	352,912	-	-	352,912
Noncontrolling interest in net income (losses) of real estate limited partnerships	5	-	(1,011,279)	(6,166,099)	(2,172,995)	(2)	(9,350,370)
Balance, December 31, 2023	$ 93	$ -	$ 9,044,317	$ 29,926,674	$ 6,072,260	$ -	$ 45,043,344

Capital accounts that have no activity during the years ended December 31, 2023 and 2022 have been excluded from the schedule above.

During the year ended December 31, 2023, Tower's investment partner contributed $5,718,718 as part of the conversion to permanent financing described in Note 9 in accordance with the partnership agreement. During the year ended December 31, 2022, Tower's investment partner contributed $30,545,304 in accordance with the partnership agreement upon project completion.

During the year ended December 31, 2023, in accordance with the limited partnership agreement, Tower's administrative general partner and managing general partner were entitled to an equally split special distribution of operating income through conversion. The special distribution was calculated as $352,912 each. Tower's administrative general partner was paid their special distribution as of year-end.

Partnership capital balances were reallocated to Tower's managing general partner for activity in excess of partnership interests, as described in Note 2.

During the year ended December 31, 2022, VHHP's investment partner contributed $8,050,987 to pay down debt in accordance with the partnership agreement upon project completion.

9. Debt

Debt payable in cash consisted of the following:

December 31,	**2023**	2022
S.V.D.P.		
In May 2007, S.V.D.P. entered into a loan with a bank. The loan bears interest at 3%. The unsecured loan requires interest only payments quarterly, which are deferred if cash is not available at the date due. The loan is to provide working capital for services to clients or predevelopment cost of new facilities. The loan was due in May 2022, however, was paid-in-full subsequent to year end in January 2023. Interest expense was $0 and $15,000 for the years ended December 31, 2023 and 2022.	$ **-**	$ 500,000
In October 2019, S.V.D.P. entered into a loan with a bank. The loan is payable in monthly installments of principal and interest of $12,075 through 2029 with a balloon payment of $1,506,845 due September 25, 2029. The note bears interest at 5.25% and is secured by deed of trust with a carrying value of $748,644 and assignment of rents. Interest expense was $97,839 and $100,176 for the years ended December 31, 2023 and 2022, respectively.	**1,809,735**	1,856,941
Village Place		
In September 1997, Village Place entered into a note payable to the California Housing Finance Agency. The note bears simple interest at a rate of 6% per annum and has a maturity date of October 1, 2027. Payments are $7,195 per month and all unpaid principal and interest is due at maturity. The loan is collateralized by a deed of trust on the property with a carrying value of $798,294, assignment of rents, security agreement, and a fixture filing. Interest expense was $19,550 and $23,430 for the years ended December 31, 2023 and 2022, respectively.	**295,048**	361,501
Villa Harvey Mandel		
In February 2002, Villa Harvey Mandel entered into a loan with the San Diego Housing Commission (SDHC). The loan accrues compounding interest at 5.6% annually and matures on February 15, 2057. Payments are calculated at the greater of 50% of the Project's residual cash receipts as defined in the loan agreement or $27,034, applied first to unpaid interest and then to principal. All unpaid principal and interest is due on maturity. The loan is secured by a deed of trust on the property with a carrying value of $7,191,285 and assignment of rents. Interest expense was $252,518 for each of the years ended December 31, 2023 and 2022.	**2,000,000**	2,000,000
In September 2002, Villa Harvey Mandel entered into a loan with the Redevelopment Agency of the City of San Diego (RDA). The note bears simple interest at the rate of 5% per annum and matures on September 30, 2057. Payments are calculated as 40% of residual cash receipts. The note is secured by a security agreement, a deed of trust on the property with a carrying value of $7,191,285, an assignment of rent and leases, and an assignment of agreements. All unpaid principal and interest is due at maturity. Interest expense was $46,000 for each of the years ended December 31, 2023 and 2022.	**920,000**	920,000

December 31,		**2023**		2022
16th and Market				
In May 2010, 16th and Market entered into an agreement with the Department of Housing and Community Development in the form of a Multifamily Housing Program (MHP) loan. The term of the loan is 55 years. Interest on the unpaid principal balance shall accrue at the simple interest rate of 3% per annum. Payments in the amount of 0.42% per annum on the unpaid principal balance of the loan shall commence on the last day of the initial operating year and continue up to and including the 29th year of the loan. In the 30th year of the loan, and continuing annually thereafter, payments will be the lesser of the full amount of interest accruing on the unpaid principal or an amount determined that is necessary to cover the costs of continued monitoring for compliance. All unpaid principal and interest is due at maturity. The loan is collateralized by a deed of trust on the property with a carrying value of $36,361,656 and assignment of rents. Interest expense was $300,000 for each of the years ended December 31, 2023 and 2022.	**$**	**10,000,000**	$	10,000,000
In June 2007, 16th and Market entered into a loan with a bank for $3,010,000. A deed of trust was recorded on the property with a carrying value of $36,361,656. The maturity date of the loan is December 1, 2044. The interest rate is a floating rate per annum equal to 84.64% of London Inter-Bank Offered Rate (LIBOR), plus 1.2%, but is fixed by an interest rate swap agreement as discussed in Note 10. The agreement was amended effective July 1, 2023, to replace the LIBOR rate to SOFR. Interest and principal are due monthly with principal payments ranging from $4,245 to $5,584. Interest expense was $131,791 and $59,290 for the years ended December 31, 2023 and 2022, respectively.		**2,475,480**		2,531,026
Boulevard Apartments				
In May 2008, Boulevard Apartments entered into a residual cash receipts loan agreement with the RDA. The note bears simple interest at the rate of 3% per annum. The term is 55 years with 24% of residual cash receipts paid to the agency. The note is secured by a deed of trust on the property with a carrying value of $7,311,346 and assignment of rents. All unpaid principal and interest is due at maturity on May 8, 2063. Interest expense was $73,000 for each of the years ended December 31, 2023 and 2022.		**2,400,000**		2,400,000
In February 2009, Boulevard Apartments entered into a residual cash receipts loan agreement with SDHC. The note bears simple interest of 3% per annum. The term is 55 years with a required payment of 6% of net cash flows per year. The note is secured by a deed of trust on the property with a carrying value of $7,311,346 and assignment of rents. All principal and accrued interest is due December 31, 2063. Interest expense was $18,250 for each of the years ended December 31, 2023 and 2022.		**600,000**		600,000

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December 31,		**2023**		2022
In December 2010, Boulevard Apartments entered into a loan agreement with the California Department of Housing and Community Development (HCD) for the Multi Housing-Supportive Housing Program. The term of the loan is 55 years and bears interest on the unpaid principal balance at a simple interest rate of 3% per annum. Payments of 0.42% per annum on the unpaid principal balance of the loan commencing on the last day of the initial operating year and continuing up to and including the 29th anniversary of the interest payment date. Commencing on the 30th anniversary of the interest payment date and continuing annually thereafter, loan payments are due in an amount equal to the lesser of the full amount of interest accruing on the unpaid principal for the immediately preceding 12-month period, or an amount determined necessary to cover the costs of continued monitoring for compliance. Additional payments are required from net cash flow towards repayment of the loan. The loan is collateralized by a deed of trust on the property with a carrying value of $7,548,314 and assignment of rents. All unpaid principal and interest is due at maturity on December 10, 2065. Interest expense was $62,446 for each of the years ended December 31, 2023 and 2022.	$	**2,081,535**	$	2,081,535
15th & Commercial				
In May 2010, 15th & Commercial entered into a loan agreement with the RDA. The loan bears simple interest at the rate of 3% per annum and matures in April 2065. Payments are calculated at 25% of residual cash receipts of the previous calendar year paid to the RDA in years one through 30 and 40% in years 31 through 55, applied first to unpaid interest and then to principal. All unpaid principal and interest is due on maturity. The loan is secured by a deed of trust on the property with a carrying value of $40,493,341, assignment of rents, a security agreement, and a fixture filing. Interest expense was $200,226 for each of the years ended December 31, 2023 and 2022.		**6,674,196**		6,674,196
In May 2010, 15th & Commercial entered into a loan agreement with California Housing Finance Agency (CalHFA) for a Mental health Services Act (MHSA) loan. The loan bears an interest rate of 3% simple interest per annum and matures in May 2065. Payments are calculated as 9.5% of residual cash receipts of the previous calendar year. The note is secured by a deed of trust on the property with a carrying value of $40,493,341, assignment of rents, a security agreement, and a fixture filing. All unpaid principal and interest is due at maturity. Interest expense was $70,710 for each of the years ended December 31, 2023 and 2022.		**2,357,000**		2,357,000
In May 2010, 15th & Commercial entered into a loan agreement with SDHC. The loan bears simple interest at the rate of 3% per annum and matures in January 2066. Payments are calculated as 9% of residual cash receipts of the previous calendar year. The note is secured by a deed of trust on the property with a carrying value of $40,385,790, assignment of rents, and a security agreement. All unpaid principal and interest is due at maturity. Interest expense was $103,914 for each of the years ended December 31, 2023 and 2022.		**3,463,813**		3,463,813
In May 2010, 15th & Commercial entered into a loan agreement with the California Tax Credit Allocation Committee. The loan does not accrue interest. All unpaid principal is due in May 2065. The note is secured by a deed of trust on the property with a carrying value of $40,493,341, assignment of rents, a security agreement, and a fixture filing.		**6,637,597**		6,637,597

December 31,		**2023**		2022
Benson Place				
In November 2019, Benson Place entered into a loan with SDHC. The loan bears simple interest at 4% per annum and matures on December 31, 2075. Payments began on May 31, 2021 and are made annually on May 31st of each year thereafter until maturity. Payments are calculated as 21.1% of the residual cash receipts for the previous calendar year. The loan is collateralized by a deed of trust on the property with a carrying value of $17,836,838 and assignment of rents. Interest expense was $194,400 for each of the years ended December 31, 2023 and 2022.	**$**	**4,860,000**	$	4,860,000
In March 2021, Benson Place entered into a note payable to CalHFA. The note bears simple interest at a rate of 3% per annum and has a maturity date of March 1, 2076. The loan is collateralized by a deed of trust on the property with a carrying value of $17,836,838 and assignment of rents. Payments are calculated at 16.39% of the residual cash receipts for the previous calendar year and the loan includes a mandatory debt service fee. Interest expense was $113,250 for each of the years ended December 31, 2023 and 2022.		**3,775,000**		3,775,000
VHHP				
In December 2019, VHHP entered into a loan agreement with SDHC. The loan bears simple interest at 3% per annum and matures on May 1, 2077. Payments are calculated at 17.43% of residual cash receipts for the previous calendar year. All unpaid principal and interest is due on maturity. The loan is secured by a deed of trust on the property with a carrying value of $34,188,950 and assignment of rents. Interest expense was $152,475 and $143,907 for the years ended December 31, 2023 and 2022, respectively.		**5,082,500**		5,082,500
In December 2019, VHHP entered into a loan agreement with the Housing Authority of the City of San Diego and a bank. The construction note of up to $22,000,000 bears interest at LIBOR plus 1.75% (5.87% at December 31, 2022), with payment terms of interest only up to the conversion date (converted on June 27, 2024). As of July 1, 2023, the interest rate is a floating rate per annum equal to 84.64% of the SOFR, plus 1.2%. See discussion of terms after conversion below. From the conversion date to maturity date of January 1, 2054, the loan has monthly payments of principal and interest based on a 20-year amortization at a rate of 4.11%. On the maturity date a balloon payment is required to pay any unpaid principal and interest remaining. The loan is secured by a deed of trust on the property with a carrying value of $34,188,950 and assignment of rents. Interest expense was $1,081,231 and $574,163 for the years ended December 31, 2023 and 2022, respectively.		**13,949,103**		13,949,103
In December 2019, VHHP entered into a loan agreement with the Housing Authority of the City of San Diego and a bank. The construction note of up to $2,000,000 bears interest at LIBOR plus 2% (6.4% at December 31, 2022), with payment terms of interest only up to the conversion date (converted on June 27, 2024). As of July 1, 2023, the interest rate is a floating rate per annum equal to 84.64% of the SOFR, plus 1.2%. See discussion of terms after conversion below. From the conversion date to maturity date of January 1, 2054, the loan has monthly payments of principal and interest based on a 20-year amortization at a rate of 4.11%. On the maturity date, a balloon payment is required to pay any unpaid principal and interest remaining. The loan is secured by a deed of trust on the property with a carrying value of $34,188,950 and assignment of rents. Interest expense was $111,245 and $42,046 for the years ended December 31, 2023 and 2022, respectively.		**2,000,000**		1,879,720

December 31,		**2023**		2022
In December 2019, VHHP entered into a loan agreement with the Housing Authority of the City of San Diego and a bank. The construction note of up to $650,000 bears interest at LIBOR plus 2% (6.4% at December 31, 2022), with payment terms of interest only up to the conversion date (converted on June 27, 2024). As of July 1, 2023, the interest rate is a floating rate per annum equal to 84.64% of the SOFR, plus 1.2%. See discussion of terms after conversion below. From the conversion date to maturity date of January 1, 2054, the loan has monthly payments of principal and interest based on a 20-year amortization at a rate of 4.11%. On the maturity date, a balloon payment is required to pay any unpaid principal and interest remaining. The loan is secured by a deed of trust on the property with a carrying value of $34,188,950 and assignment of rents. Interest expense was $27,373 and $0 for the years ended December 31, 2023 and 2022, respectively.	**$**	**650,000**	$	-
Tower				
In December 2019, Tower entered into a loan agreement with SDHC. The loan bears simple interest at 3% per annum and matures on May 1, 2077. Payments are calculated at 5.39% of residual cash receipts for the previous calendar year. All unpaid principal and interest is due on maturity. The loan is secured by a deed of trust on the property with a carrying value of $127,320,659, and assignment of rents. Interest expense was $179,877 and $164,863 for the years ended December 31, 2023 and 2022, respectively.		**6,150,000**		5,925,000
In December 2019, Tower entered into a note with a bank for up to $91,555,000 to cover both construction and permanent financing of the STOCV. The construction loan of up to $85,232,875 bears interest at LIBOR plus 1.75% (5.87% at December 31, 2022), with payment terms of interest only up to the conversion date. The loan was converted to a permanent loan on September 7, 2023 with the principal amount of $9,114,000 bearing compound interest at 4.11% per annum and maturing January 1, 2054. From the conversion date to maturity date, the loan has monthly payments of principal and interest amortizing the permanent loan amount over 20 years. On the maturity date a balloon payment is required to pay any unpaid principal or interest remaining. The loan is secured by a deed of trust on the property with a carrying value of $127,320,659, a security agreement, assignment of rents, and a fixture filing. Interest expense was $3,221,547 and $2,323,673 for the years ended December 31, 2023 and 2022, respectively.		**9,062,403**		61,009,696
In December 2020, Tower entered into a loan agreement with the county of San Diego. The loan bears simple interest at 3% per annum and matures on December 6, 2074. Payments are calculated at 13.365% of residual cash receipts for the previous calendar year. All unpaid principal and interest is due on maturity. The loan is secured by a deed of trust on the property with a carrying value of $127,320,659, a security agreement, and assignment of rents. Interest expense was $391,233 and $346,500 for the years ended December 31, 2023 and 2022, respectively.		**14,000,000**		12,600,000

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December 31,		**2023**		2022
In September 2023, Tower entered into a loan agreement with the HCD, through its Supportive Housing Multi-Family Housing Program (SHMHP). The loan bears simple interest at 3% per annum and matures on August 31, 2078. The loan has monthly payments in the amount of 0.42% per annum for 30 years. After 30 years, the payment amount will be reset based on HCD monitoring costs. Additional payments out of available net cash flows are required. All unpaid principal and interest is due at maturity. The loan is secured by a deed of trust on the property with a carrying value of $127,320,659, a security agreement, and assignment of rents. Interest expense was $191,667 and $0 for the years ended December 31, 2023 and 2022, respectively.	**$**	**20,000,000**	$	-
In September 2023, Tower entered into a loan agreement with HCD, through its Affordable Housing and Sustainable Communities Program (AHSC). The loan bears simple interest at 3% per annum and matures on August 31, 2078. The loan has monthly payments in the amount of 0.42% per annum for 30 years. After 30 years, the payment amount will be reset based on HCD monitoring costs not to exceed 3% of the original principal balance. Additional payments out of available net cash flows are required. All unpaid principal and interest is due at maturity. The loan is secured by a deed of trust on the property with a carrying value of $127,320,659, a security agreement, and assignment of rents. Interest expense was $162,438 and $0 for the years ended December 31,2023 and 2022, respectively.		**16,950,000**		-
17th & Commercial				
In April 2023, 17th & Commercial entered into a loan agreement with the City of San Diego, through its Community Development Block Grant program (CDBG). The loan bears simple interest at 3% per annum, with payment terms of interest only up to the conversion date. From the conversion date to maturity date of December 31, 2082, payments are calculated at 50% of the residual cash receipts for the previous calendar year. All unpaid principal and interest is due at maturity. The loan is secured by a deed of trust on the property with a carrying value of $490,057, a security agreement, and assignment of rents. Interest expense was $35,178 for the year ended December 31, 2023.		**4,000,000**		-
Total Debt Payable in Cash		**142,193,410**		151,464,628
Current portion of debt payable in cash		**(5,156,837)**		(29,870,361)
Debt issuance costs		**(1,584,036)**		(1,622,559)
Total Long-Term Portion of Debt Payable in Cash	**$**	**135,452,537**	$	119,9871,708

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Forgivable debt consisted of the following:

December 31,		2023		2022
S.V.D.P.				
In April 1998, S.V.D.P., on behalf of Village Place, entered into a RDA loan payable to a bank. The loan is forgivable in 2028 and secured by a deed of trust on the property with a carrying value of $613,087. Interest accrues at 3%. The outstanding principal and interest is forgivable as long as Village Place is in compliance with specific affordable housing requirements. Interest expense for each of the years ended December 31, 2023 and 2022 was $13,800.	$	**460,000**	$	460,000
In April 2007, S.V.D.P., on behalf of 16th and Market, entered into an Affordable Housing Program (AHP) loan payable to a bank. The loan is forgivable in January 2024 and interest does not accrue as long as 16th and Market is in compliance with specific affordable housing requirements. The loan is collateralized by a deed of trust on the property with a carrying value of $44,683,415, a security agreement, and assignment of rents.		**1,000,000**		1,000,000
In February 2010, S.V.D.P., on behalf of 15th & Commercial, entered into an AHP loan payable to a bank. The loan is forgivable in December 2026 and interest does not accrue as long as 15th & Commercial is in compliance with specific affordable housing requirements. The loan is collateralized by a deed of trust on the property with a carrying value of $39,275,658, assignment of leases and rents, security agreement, and fixture filing.		**1,500,000**		1,500,000
In June 2010, S.V.D.P., on behalf of Boulevard Apartments, entered into an AHP loan payable to a bank. The loan is forgivable in April 2024. Interest does not accrue as long as Boulevard Apartments is in compliance with specific affordable housing requirements. The loan is collateralized by a deed of trust on the property with a carrying value of $7,311,346, assignment of rents, security agreement, and fixture filing.		**325,543**		325,543
In December 2019, S.V.D.P., on behalf of Tower, entered into an AHP loan payable to a bank. The loan is forgivable in January 2027. Interest does not accrue as long as Tower is in compliance with specific affordable housing requirements. The loan is collateralized by a deed of trust on the property with a carrying value of $127,320,659, assignment of leases and rents, security agreement, and fixture filing.		**2,000,000**		2,000,000
Total Forgivable Debt	$	**5,285,543**	$	5,285,543

Debt is recorded in the consolidated statements of financial position as follows:

December 31,		2023		2022
Total debt payable in cash	$	**142,193,410**	$	151,464,628
Total forgivable debt		**5,285,543**		5,285,543
Total Debt		**147,478,953**		156,750,171
Current portion of debt payable in cash		**(5,156,837)**		(29,870,361)
Debt issuance costs		**(1,584,036)**		(1,622,559)
Total Long-Term Portion of Debt	$	**140,738,080**	$	125,257,251

Maturities or forgiveness of debt are expected to occur as follows:

Year ending December 31,	Forgivable Debt	Debt Payable in Cash
2024	$ 1,325,543	$ 5,156,837
2025	-	584,098
2026	1,500,000	612,339
2027	-	627,588
2028	460,000	581,766
Thereafter	2,000,000	134,630,782
Total	$ 5,285,543	$ 142,193,410

Debt Covenants

The agreements with the banks require that S.V.D.P. maintain certain financial and non-financial loan covenants. Management believes they are in compliance with, or have obtained waivers for, all debt covenants at December 31, 2023 and 2022.

Debt Issuance Costs

Debt issuance costs are amortized to interest expense using the straight-line method (which approximates the effective interest method) over the term of the related debt. Amortization expense for the years ended December 31, 2023 and 2022 was $38,523 and $108,301, respectively.

Line of Credit

S.V.D.P. held a demand line of credit secured by its investments in the amount of $425,000 with a fluctuating interest rate measured at a spread of 1.5% plus Bloomberg Short-Term Bank Yield Index (BSBY) (6.93% at December 31, 2023). No balance was drawn on this account as of December 31, 2023 or 2022. The line of credit is due upon demand and can be cancelled at any time by the bank. The terms of the underlying line of credit were amended effective August 19, 2024, on a prospective basis to replace the BSBY rate with a daily SOFR rate.

Subsequent Conversion of Debt

On June 27, 2024, VHHP undertook a significant financial restructuring by transforming its long-term debt through available permanent financing. Specifically, VHHP converted the construction loans of $13,949,103, $2,000,000, and $650,000 into permanent financing through a combination of capital contributions, developer fee adjustments, and debt refinancing. Maturities of debt have been modified to correspond to the refinancing. VHHP entered into a regulatory agreement with HCD with the refinancing. The terms under the debt refinancing are as follows:

VHHP converted its construction loans with the Housing Authority of the City of San Diego and a bank to permanent financing in the principal amount of $1,783,000 bearing compounding interest at 4.11% per annum and maturing January 1, 2054. Monthly payments are $10,908 with any unpaid principal and interest due at maturity.

VHHP entered into a loan agreement with HCD, through its Veterans Housing and Homelessness Prevention Program (VHHPP), for $9,999,996 bearing simple interest at 3% per annum until the maturity date on June 27, 2079. Payments in the amount of 0.42% per annum on the unpaid principal balance of the loan shall commence on the last day of the initial operating year and continue up to and including the 29th year of the loan. In the 30th year of the loan, and continuing annually thereafter, payments will be the lesser of the full amount of interest accruing on the unpaid principal or an amount determined that is necessary to cover the costs of continued monitoring for compliance. Additional payments out of available net cash flows are required. All unpaid principal and interest is due at maturity.

Additionally, VHHP increased its principal balance on an existing loan, included in the table above with SDHC, by $267,500.

10. Interest Rate Swap

16th and Market entered into an interest rate swap agreement effective December 1, 2009, with a bank to reduce the exposure to the floating interest rate of 84.64% of LIBOR plus 1.2%. Effective July 1, 2023, the floating rate transferred to a SOFR benchmark. The interest rate was 5.38% and 4.33% at December 31, 2023 and 2022, respectively. This swap set the interest rate at 6.15%, and the notional amount begins with $3,010,000 and declines monthly through the term, which expires December 1, 2044. At December 31, 2023 and 2022, the notional principal amount under the interest rate swap agreement totaled $2,475,480 and $2,531,026, respectively. At December 31, 2023 and 2022, the estimated fair value of the interest rate swap agreement was a liability of $523,177 and $562,437, respectively. The change in fair value on the interest rate swap agreement was a gain of $39,260 and $714,977 for the years ended December 31, 2023 and 2022, respectively. Accrued interest was $2,546 and $3,590 at December 31, 2023 and 2022, respectively.

The fair value of the interest rate swap is valued using Level 2 inputs as described in Note 2. The fair value is based on the present value of estimated monthly net future cash flows resulting from the swap agreement. Cash outflows per this valuation are based on the contractual fixed interest rate required to be paid by 16th and Market on the notional balances over the swap term. Estimated cash inflows are based on projected future one-month LIBOR or SOFR rates plus a spread, as defined in the swap agreement, as definitive futures rates are not available upon which such cash inflows are based.

11. Contributed Nonfinancial Assets

Contributed nonfinancial assets are recognized as revenue when an unconditional commitment is received by S.V.D.P. and as expense (cost of sales) when sold in the thrift stores or auction. Differences between contributed nonfinancial assets recognized and sold arise due to differences in timing between receipt and distribution. Undistributed nonfinancial assets are reflected in inventory - automobiles. There are no material undistributed nonfinancial assets related to the thrift stores and auctions, and thus, there are no assets on the consolidated statements of financial position at December 31, 2023 and 2022. There are no donor restrictions on contributed nonfinancial assets.

S.V.D.P. recognized the following contributed nonfinancial assets:

Year ended December 31,		**2023**		2022
Clothing, furniture, and other goods	**$**	**4,649,849**	$	4,486,770
Automobiles		**1,637,620**		1,744,219
	$	**6,287,469**	$	6,230,989

12. Rental Income

S.V.D.P., Villa Harvey Mandel, and 15th & Commercial lease property for various activities under long-term operating leases expiring at various dates through 2031. Generally, these leases are adjusted annually for changes in the consumer price index (CPI).

Aggregate minimum lease payments expected to be received are as follows:

Year ending December 31,		
2024	$	1,288,085
2025		1,316,396
2026		1,122,425
2027		890,015
2028		907,815
Thereafter		4,000,537
Total	$	9,525,273

Included in rental income were amounts from the Village of $3,148,908 and $2,938,552 for the years ended December 31, 2023 and 2022, respectively.

13. Leases

S.V.D.P. leases copiers, washing machines, and vehicles under noncancelable operating leases that are utilized by S.V.D.P. and the Village, which expire in various years through 2025 with options to renew for varying terms at both S.V.D.P.'s and the respective landlord's discretion. S.V.D.P. has not included these options to extend or terminate the lease in the calculation of ROU assets or lease liabilities as it is not reasonably certain that S.V.D.P. will exercise these options. Lease expense for equipment utilized by the Village is passed through to the Village.

S.V.D.P. leases retail space for the thrift stores under noncancelable operating leases that expire at various dates through 2029 with options to renew for varying terms at both S.V.D.P.'s and the respective landlord's discretion. S.V.D.P. has not included these options to extend or terminate the lease in the calculation of ROU assets or lease liabilities as it is not reasonably certain that S.V.D.P. will exercise these options.

Total operating lease costs were $952,592 and $1,198,932 and cash paid for amounts included in the measurement of operating lease liabilities was $870,680 and $823,118 during the years ended December 31, 2023 and 2022, respectively.

The weighted-average remaining lease term was 4.48 years and 5.35 years for operating leases at December 31, 2023 and 2022, respectively. The weighted-average discount rate was 1.71% and 1.65% at December 31, 2023 and 2022, respectively.

Maturities of lease liabilities are as follows:

Year ending December 31,		
2024	$	742,513
2025		657,031
2026		642,839
2027		539,380
2028		458,855
Thereafter		35,853
		3,076,471
Less: amount representing interest		(176,327)
Total Lease Liability		2,900,144
Less: current portion		(699,252)
Long-Term Portion	$	2,200,892

On April 29, 2024, S.V.D.P. exercised its option to extend one thrift store lease for three years beginning on June 1, 2024 through May 31, 2027, which is not included above.

14. Commitments and Contingencies

Litigation

In the normal course of business, S.V.D.P. is occasionally named as a defendant in various claims. It is the opinion of management that the outcome of any claims would not materially affect S.V.D.P.'s operations or financial position.

In 2022, S.V.D.P. became a defendant in three general wage and hour class actions against the Village and S.V.D.P. (collectively the Organizations). All three class actions have been consolidated into one for pre-trial purposes. The Organizations have undergone two mediation attempts, which has resulted in a settlement. All parties are currently negotiating the terms of the settlement agreement. Based on the preliminary settlement agreement reached by both parties, the Organizations have accrued a loss of $3,250,000 plus payroll taxes for the year ended December 31, 2022. As of December 31, 2023, a revision of the settlement was made aggregating the total accrued loss of $3,700,000 plus payroll taxes. Of the total preliminary settlement loss, S.V.D.P. will be allocated $922,477 based on total number of employees between S.V.D.P. and the Village. A court date is set for the end of 2024 to finalize the settlement amongst the parties.

In September and December of 2022, S.V.D.P. was named in two related lawsuits claiming negligence, wrongful death, and strict products liability as it relates to STOCV. Plaintiffs for both lawsuits have added Tower as a named defendant, as Tower is the owner of the building. S.V.D.P. is currently negotiating with plaintiffs' counsels to remove S.V.D.P. as a named defendant. Tower has tendered the claims to all appropriate insurance carriers covering the eight to nine defendants named in the lawsuits as Tower is listed as an additional insured beginning with the general contractor. All parties are currently in discussion; however, no estimate can be made regarding time or amount as all parties are still analyzing the data.

Reserves

The limited partnerships are required by contractual agreements to maintain and annually fund reserves for various terms through the termination of the partnerships.

Consulting Fee

S.V.D.P. entered into an agreement with Chelsea Investment Corporation (CIC) to assist in supervising and overseeing the development of STOCV for a consulting fee of $3,705,000. The consulting fee was earned as services were performed with the full amount earned upon the receipt of the final certificate of occupancy that was received on January 13, 2022. The final amount was contingent upon cost savings on conversion to permanent financing, which occurred in 2023 and 2024. The liability as of December 31, 2023 and 2022 was $2,020,754 and $3,315,000, respectively. As of December 31, 2022, the full balance was included in accounts payable and accrued liabilities as the date at which the balance was to be paid was undeterminable. As of December 31, 2023, $475,000 is included in accounts payable and accrued liabilities, and $1,545,754 is considered deferred and is payable from net cash flows received from the properties.

15. Related Party Transactions

Related Party Expenses

On July 1, 2018, S.V.D.P. entered into a long-term operating sub-lease for single residence occupancy units on the sixth and seventh floors of the 1506 Commercial Street building with the Village. The original monthly rent amount per the sub-lease agreement is $16,667 with an annual adjustment for CPI beginning 12 months from the date S.V.D.P. entered into the sub-lease, continuing month to month as of July 1, 2023. S.V.D.P.'s rental expense was $235,376 and $220,432 during the years ended December 31, 2023 and 2022, respectively.

Benson Place has a service contract with the Village that commenced September 2020. The Village provides supportive services including case management, therapy, and other services. The initial rate of $28,792 is adjusted annually in September at an increase of 2%. The services continue until terminated by either party. The charges under this contract were $361,856 and $357,597 during the years ended December 31, 2023 and 2022, respectively, and are included in contract services in the consolidated statements of functional expenses.

STOCV has entered a service contract with the Village that commenced December 2019. The Village was to provide design and lease-up services leading up to the construction completion and provide social services for a period of 15 years. The charges under this contract were $1,825,123 and $2,144,904 during the years ended December 31, 2023 and 2022, respectively, and are included in contract services in the consolidated statements of functional expenses.

Related Party Income

An operating subsidy is mandated by the 15th & Commercial transitional housing lease. Per the lease agreement, in December of each calendar year the Village shall pay 15th & Commercial a subsidy payment or credit in an amount equal to the Section 42 Breakpoint less the amount of property expenses that the Village paid for the calendar year. Section 42 Breakpoint is the difference between the market rate that could be charged for an apartment unit and the maximum rent that can be charged for a similar but low-income apartment unit. This payment is to supplement the difference between the maximum allowable California Tax Credit Allocation Committee (TCAC) rent rate charged to tenants and the cost to maintain the units. The credit was $(107,531) and $(50,736) during the years ended December 31, 2023 and 2022, respectively, and is included in rental income on the consolidated statements of activities.

As part of the lease, the Village pays common area maintenance (CAM) charges for the property leased from 15th & Commercial. The CAM charges were $1,233,060 and $1,197,567 during the years ended December 31, 2023 and 2022, respectively, and are included in rental income on the consolidated statements of activities.

S.V.D.P. has service contracts with the Village to provide administrative, development, and grant services. The charges under these contracts were $11,365,254 and $11,342,868 during the years ended December 31, 2023 and 2022, respectively. The administrative services charges are charged based on an allocation of the proportional benefit the Village receives based on cost drivers. In the case that charges are more than actual costs for a fiscal year, S.V.D.P. would only charge the actual costs incurred to the Village. S.V.D.P. may opt to donate a portion of its net profit on retail and auto operations to the Village. The term of the agreement is five years with automatic five-year renewals unless either party gives notice of termination.

The Village facilitates a housing assistance subsidy program that tenants at Benson Place, Boulevard Apartments, 15th & Commercial, 16th and Market, Villa Harvey Mandel, and Village Place (collectively the Partnerships) qualify for. The program pays for the difference between established rental rates and tenant portions based on income. The Partnerships received $1,081,012 and $1,055,758 from the Village on behalf of their tenants during the years ended December 31, 2023 and 2022, respectively, and is included in rental income on the consolidated statements of activities.

Due from Related Party

The Village owed S.V.D.P. and various affiliated limited partnerships $4,865,893 and $2,916,983 as of December 31, 2023 and 2022, respectively.

See Note 7 for details on the related party note receivable.

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16. Medical Self-Insurance

S.V.D.P. self-insures its medical insurance plan for employees. The plan is self-funded by S.V.D.P., which means that S.V.D.P. is financially responsible for the payment of plan benefits. To be eligible for benefits, the individual must complete one month of employment and be a regular and active employee who is paid on a regular basis through the S.V.D.P. payroll system. S.V.D.P. has purchased specific stop-loss insurance to protect itself from large individual claims. Through December 31, 2023, coverage under a provider was set at $100,000 as well as maximum annual aggregate stop loss set at $2,000,000. As of January 1, 2024, coverage transitioned to a new provider with individual stop loss at $100,000 as well as maximum annual aggregate stop loss set at $1,000,000. At December 31, 2023 and 2022, reserves of $85,266 and $65,857, respectively, have been recorded to set aside funds to pay for future claims. The sufficiency of the reserve will be monitored and adjusted as historical data can be analyzed. Claims paid and plan expenses during the years ended December 31, 2023 and 2022, were $765,376 and $462,675, respectively. Because of the inherent uncertainties in estimating future medical claims, it is at least reasonably possible that the estimates used will change in the near term, and the change could be material.

Supplementary Schedules

BDO

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Suite 2300
Seattle, WA 98101

Independent Auditor's Report on Supplementary Information

We have audited the consolidated financial statements of S.V.D.P. Management, Inc and Consolidated Entities dba Father Joe's Villages (S.V.D.P.) as of and for the years ended December 31, 2023 and 2022, and have issued our report thereon dated September 27, 2024, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules of financial position of S.V.D.P. Management, Inc. as of December 31, 2023 and 2022, and the related schedules of activities for the years then ended, are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BDO USA, P.C.

September 27, 2024

S.V.D.P. Management, Inc.

Schedules of Financial Position

December 31,		2023		2022
Assets				
Current Assets				
Cash and cash equivalents	$	**469,108**	$	1,884,593
Investments		**9,551,590**		8,659,011
Contributions receivable, current portion		**-**		2,398,843
Tenant and other receivables		**351,557**		179,381
Grant receivables		**-**		1,108,427
Due from related party, current portion		**8,153,439**		3,699,685
Notes receivable, current portion		**-**		3,461,000
Interest receivable, current portion		**-**		682,020
Receivable from limited partnerships, current portion		**441,907**		-
Inventory - automobiles		**13,840**		41,273
Prepaid expenses		**869,313**		526,288
Total Current Assets		**19,850,754**		22,640,521
Non-Current Assets				
Notes receivable, net		**4,591,329**		4,665,181
Interest receivable, net		**11,018**		11,410
Investment in limited partnerships		**45,283,687**		51,474,803
Receivable from limited partnerships, net		**51,943,317**		44,834,262
Deposits and other assets		**44,250**		44,100
Operating lease right-of-use assets		**2,900,144**		3,673,821
Property and equipment, net		**10,806,072**		11,423,116
Total Assets	$	**135,430,571**	$	138,767,214
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued liabilities	$	**1,510,027**	$	4,747,507
Accrued payroll related liabilities		**898,230**		811,395
Prepaid rent		**1,406**		1,406
Operating lease liabilities, current portion		**699,252**		788,575
Debt, current portion		**1,374,634**		547,237
Total Current Liabilities		**4,483,549**		6,896,120
Non-Current Liabilities				
Deferred developer fee payable		**1,545,754**		-
Operating lease liabilities, net of current portion		**2,200,892**		2,929,957
Accrued interest		**347,256**		333,456
Debt, net of current portion		**5,720,644**		7,095,247
Tenant security deposits		**-**		25,540
Refundable advances		**15,750**		15,750
Contingency reserve		**922,477**		835,215
Total Liabilities		**15,236,322**		18,131,285
Net Assets				
Without donor restrictions		**119,948,242**		119,389,922
With donor restrictions		**246,007**		1,246,007
Total Net Assets		**120,194,249**		120,635,929
Total Liabilities and Net Assets	$	**135,430,571**	$	138,767,214

S.V.D.P. Management, Inc.

Schedule of Activities

Year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Rental income	$ 3,624,123	$ -	$ 3,624,123
Retail and automobile:			
Contributed nonfinancial assets	6,287,469	-	6,287,469
Sales	6,279,853	-	6,279,853
Cost of sales	(6,436,580)	-	(6,436,580)
Contract charges for services to related party	11,371,108	-	11,371,108
Contract income (loss) from limited partnerships	(818,097)	-	(818,097)
Contributions	94,571	-	94,571
Interest income	1,032,029	-	1,032,029
Investment return, net	824,648	-	824,648
Gain on sale of land to limited partnerships	5,134,943	-	5,134,943
Miscellaneous income	458,683	-	458,683
Net assets released from donor restrictions	1,000,000	(1,000,000)	-
Total Support and Revenue	28,852,750	(1,000,000)	27,852,750
Expenses			
Program expenses	9,528,160		9,528,160
Management and general	8,749,328		8,749,328
Fundraising	5,288,840		5,288,840
Total Expenses	23,566,328	-	23,566,328
Change in Net Assets Before Non-Operating Loss	5,286,422	(1,000,000)	4,286,422
Loss on Reallocation of Capital Accounts	(352,912)	-	(352,912)
Loss from Limited Partnerships	(4,375,190)	-	(4,375,190)
Change in Net Assets	558,320	(1,000,000)	(441,680)
Net Assets, at beginning of year	119,389,922	1,246,007	120,635,929
Net Assets, at end of year	$ 119,948,242	$ 246,007	$ 120,194,249

S.V.D.P. Management, Inc.

Schedule of Activities

Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Rental income	$ 3,365,963	$ -	$ 3,365,963
Retail and automobile:			
Contributed nonfinancial assets	6,230,989	-	6,230,989
Sales	6,216,968	-	6,216,968
Cost of sales	(6,362,986)	-	(6,362,986)
Contract charges for services to related party	11,342,868	-	11,342,868
Contract income from limited partnerships	5,706,306	-	5,706,306
Grant income	638,474	1,000,000	1,638,474
Contributions	347,991	-	347,991
Interest income	980,978	-	980,978
Investment return, net	(1,144,012)	-	(1,144,012)
Gain on sale of land to limited partnerships	17,354,943	-	17,354,943
Miscellaneous income	55,917	-	55,917
Net assets released from donor restrictions	420,713	(420,713)	-
Total Support and Revenue	45,155,112	579,287	45,734,399
Expenses			
Program expenses	11,370,269	-	11,370,269
Management and general	8,170,443	-	8,170,443
Fundraising	4,819,168	-	4,819,168
Total Expenses	24,359,880	-	24,359,880
Change in Net Assets Before Paycheck Protection Program Loan Forgiveness and Non-Operating Loss	20,795,232	579,287	21,374,519
Paycheck Protection Program Loan Forgiveness	1,504,828	-	1,504,828
Loss from Limited Partnerships	(856,893)	-	(856,893)
Change in Net Assets	21,443,167	579,287	22,022,454
Net Assets, at beginning of year	97,946,755	666,720	98,613,475
Net Assets, at end of year	$ 119,389,922	$ 1,246,007	$ 120,635,929