

**ISLAND CITY DEVELOPMENT
AND SUBSIDIARIES**
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2023 AND 2022



ISLAND CITY DEVELOPMENT AND SUBSIDIARIES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
DECEMBER 31, 2023 AND 2022
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Island City Development:

Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Island City Development (a California nonprofit public benefit corporation) and its Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, change in net assets (deficit), and cash flows, for the years then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Island City Development and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Island City Development's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that,



individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Island City Development's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Island City Development's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information in Schedules I and II is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Westlake Village, California
October 24, 2024

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

DECEMBER 31,	2023	2022
ASSETS		
Property, at cost		
Land improvements	\$ 5,370,720	\$ 5,370,720
Buildings and improvements	68,022,062	67,947,759
Furniture and equipment	2,632,875	2,632,875
Construction-in-progress	7,780,757	5,741,001
Total property	83,806,414	81,692,355
Less: accumulated depreciation	(7,178,614)	(4,692,548)
Net property	76,627,800	76,999,807
Cash and cash equivalents	3,403,084	4,057,436
Investments	15	14
Tenant accounts receivable, net	126,711	63,807
Other receivables	40,014	9,296
Right-of-use assets	15,636,742	15,845,181
Restricted funds:		
Reserves	753,567	629,509
Tenant security deposits	122,210	128,679
Other prepaids	217,214	1,892
Deposits	93,084	370,244
Deferred costs - TCAC fees	114,792	123,706
Total assets	\$ 97,135,233	\$ 98,229,571
LIABILITIES AND NET ASSETS (DEFICIT)		
Notes payable, net	\$ 70,131,336	\$ 87,837,236
Accounts payable and accrued expenses	527,835	214,351
Accrued construction and development costs	773,027	45,786
Accrued interest payable	3,068,135	2,331,950
Developer fees payable	61,000	337,500
Accrued Asset Management Fee payable	15,967	4,375
Prepaid rents	7,627	18,536
Tenant security deposits	119,354	128,104
Total liabilities	74,704,281	90,917,838
Commitments and contingencies		
Net assets (deficit)		
Without donor restrictions		
Controlling interests	(2,231,704)	(4,326,075)
Noncontrolling interests	24,662,656	11,637,808
Total net assets (deficit)	22,430,952	7,311,733
Total liabilities and net assets (deficit)	\$ 97,135,233	\$ 98,229,571

See notes to consolidated financial statements.

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31,	2023	2022
Revenue:		
Residential rent	\$ 1,539,739	\$ 768,298
Tenant subsidies	1,690,153	1,215,633
Other revenue	2,346,195	14,962
Total revenue	5,576,087	1,998,893
Expenses:		
Program services-housing	8,164,408	5,067,264
Supporting services	348,384	233,242
Total expenses	8,512,792	5,300,506
Change in net assets	\$ (2,936,705)	\$ (3,301,613)

See notes to consolidated financial statements.

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

FOR THE YEAR ENDED DECEMBER 31,

2023

	<u>Program Services</u>	<u>Supporting Services</u>	
	Permanent Housing Operations	Management and General	Total
Administrative			
Manager's salaries	\$ 129,269	\$ -	\$ 129,269
Manager's unit	80,137	-	80,137
Office expense	219,239	-	219,239
Tenant services	94,102	-	94,102
Professional fees - accounting	75,726	45,636	121,362
Professional fees - legal	32,924	544	33,468
Property management fees	93,084	-	93,084
Bad debt expense	229,003	-	229,003
Total administrative expenses	953,484	46,180	999,664
Utilities			
Electricity	27,415	-	27,415
Water and sewer	110,513	2,000	112,513
Gas	1,612	-	1,612
Total utilities	139,540	2,000	141,540
Operating and maintenance			
Maintenance salaries	125,786	-	125,786
Repairs and maintenance	280,246	-	280,246
Trash removal	133,409	-	133,409
Total operating and maintenance	539,441	-	539,441
Taxes and insurance			
Payroll taxes	31,469	-	31,469
Property and liability insurance	162,747	-	162,747
Employee benefits	29,245	-	29,245
State taxes	19,754	204	19,958
Total taxes and insurance	243,215	204	243,419
Other expenses			
Depreciation	2,486,066	-	2,486,066
Amortization	8,914	-	8,914
Advertising and lease-up	29,659	-	29,659
Interest expense	3,515,123	-	3,515,123
Asset Management Fees	11,592	-	11,592
AHA consulting services	-	300,000	300,000
Ground lease	208,438	-	208,438
Miscellaneous financial expenses	28,936	-	28,936
Total other expenses	6,288,728	300,000	6,588,728
Total functional expenses	\$ 8,164,408	\$ 348,384	\$ 8,512,792

See notes to consolidated financial statements.

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

FOR THE YEAR ENDED DECEMBER 31,

2022

	<u>Program Services</u>	<u>Supporting Services</u>	
	Permanent Housing Operations	Management and General	Total
Administrative			
Manager's salaries	\$ 85,783	\$ -	\$ 85,783
Manager's unit	52,938	-	52,938
Office expense	188,543	22	188,565
Tenant services	65,359	-	65,359
Professional fees - accounting	31,071	27,018	58,089
Professional fees - legal	1,582	916	2,498
Property management fees	69,975	-	69,975
Bad debt expense	27,420	-	27,420
Total administrative expenses	522,671	27,956	550,627
Utilities			
Electricity	35,443	-	35,443
Water and sewer	85,172	-	85,172
Gas	6,492	-	6,492
Total utilities	127,107	-	127,107
Operating and maintenance			
Maintenance salaries	97,423	-	97,423
Repairs and maintenance	141,746	-	141,746
Trash removal	78,672	-	78,672
Total operating and maintenance	317,841	-	317,841
Taxes and insurance			
Payroll taxes	12,811	-	12,811
Property and liability insurance	87,328	-	87,328
Employee benefits	32,318	-	32,318
State taxes	17,980	226	18,206
Total taxes and insurance	150,437	226	150,663
Other expenses			
Depreciation	1,775,917	-	1,775,917
Amortization	8,854	-	8,854
Advertising and lease-up	146,571	-	146,571
Interest expense	1,863,590	5,060	1,868,650
Asset Management Fees	15,630	-	15,630
AHA consulting services	-	200,000	200,000
Ground lease	136,007	-	136,007
Miscellaneous financial expenses	2,639	-	2,639
Total other expenses	3,949,208	205,060	4,154,268
Total functional expenses	\$ 5,067,264	\$ 233,242	\$ 5,300,506

See notes to consolidated financial statements.

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

		Controlling Interests	Noncontrolling Interests	Total
Balance, December 31, 2021	\$	(4,247,112)	\$ 14,655,378	\$ 10,408,266
Contributions		-	205,080	205,080
Change in net assets		(78,963)	(3,222,650)	(3,301,613)
Balance, December 31, 2022		(4,326,075)	11,637,808	7,311,733
Contributions		-	18,055,924	18,055,924
Change in net assets		2,094,371	(5,031,076)	(2,936,705)
Balance, December 31, 2023	\$	(2,231,704)	\$ 24,662,656	\$ 22,430,952

See notes to consolidated financial statements.

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

FOR THE YEARS ENDED DECMEBER 31,	2023	2022
Cash flow from operating activities:		
Change in net assets	\$ (2,936,705)	\$ (3,301,613)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,486,066	1,775,917
Amortization of deferred costs	8,914	8,854
Amortization of debt discount and issuance costs	197,721	27,804
Amortization of right-of-use assets	208,439	265,933
Allowance for doubtful accounts	229,003	27,164
Changes in operating assets and liabilities:		
Tenant accounts receivable	(291,907)	(70,649)
Other receivables	(30,658)	-
Other prepaids	(215,382)	14,880
Accounts payable and accrued expenses	313,484	(6,213)
Accrued interest payable	736,185	142,684
Accrued Asset Management Fee payable	11,592	4,375
Prepaid rents	(10,909)	(2,268)
Tenant security deposits - liability	(8,750)	82,870
Net cash provided by (used in) operating activities	697,093	(1,030,262)
Cash flows from investing activities:		
Expenditures for property	(1,663,319)	(18,064,026)
Cash used in investing activities	(1,663,319)	(18,064,026)
Cash flows from financing activities:		
Proceeds from notes payable	20,962,292	20,315,795
Repayments on notes payable	(38,751,253)	(1,264,268)
Expenditures for debt issuance costs	(114,660)	(374,555)
Expenditures for deferred costs - TCAC fees	-	(36,430)
Repayment of affiliate advance	-	(197,000)
Lender deposit	277,160	-
Contributions	18,055,924	205,080
Net cash provided by financing activities	429,463	18,648,622
Net change in cash, cash equivalents, and restricted cash	(536,763)	(445,666)
Cash, cash equivalents, and restricted cash, at beginning of year	4,815,624	5,261,290
Cash, cash equivalents, and restricted cash, at end of year	\$ 4,278,861	\$ 4,815,624

See notes to consolidated financial statements.

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

FOR THE YEARS ENDED DECMEBER 31, **2023** **2022**

Supplemental disclosure of cash activities:

Cash paid for interest, net of capitalized interest	\$	2,581,217	\$	302,022
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Supplemental disclosure of non-cash activities:

Recognition of right-of-use assets	\$	-	\$	15,879,785
Derecognition of remaining prepaid rent asset	\$	-	\$	(16,111,114)

Cash, cash equivalents, and restricted cash is as follows:

Cash and cash equivalents	\$	3,403,084	\$	4,057,436
Reserves		753,567		629,509
Tenant security deposits		122,210		128,679
	\$	4,278,861	\$	4,815,624

See notes to consolidated financial statements.

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

As of December 31, 2023 and 2022, the Company's consolidated financial statements include California limited partnerships and single member California limited liability companies (LLC), (the Partnership(s) or the Subsidiary(ies)) organized primarily to acquire, develop/rehabilitate, and manage multi-family affordable housing projects. As of December 31, 2023, the Company, through its Subsidiaries, owns the following Projects:

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

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

Company	0.01%
Limited Partner (noncontrolling)	99.99%

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

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

Principles of Consolidation and Accounting for Investments in a Limited Partnership

Accounting principles generally accepted in the United States of America (U.S. GAAP) establishes the presumption that the general partner in a limited partnership controls that limited partnership (or similar entity) regardless of ownership percentage. The presumption of control by the general partner is overcome when the limited partners have either: (a) the substantive ability to dissolve or liquidate the limited partnership, or otherwise remove the general partner without cause, or (b) substantive participation rights. If the presumption of control cannot be overcome, then the general partner is required to consolidate the limited partnership. For the years ended December 31, 2023 and 2022, ICD or its wholly owned Subsidiaries, as the controlling general partner, conformed their accounting to this presumption and determined the presumption of control for the limited partnerships had not been overcome.

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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

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

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

*The project was placed in service in June 2017 and ICD's investment is \$0 as of December 31, 2023 and 2022.

Basis of Accounting The consolidated financial statements have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the U.S. GAAP and include the accounts of ICD and all of its wholly owned and controlled affiliates. All significant intercompany balances and transactions have been eliminated in consolidation.

Revenues, expenses, gains, losses and net assets are classified in the consolidated financial statements based on the existence or absence of donor-imposed restrictions. As of December 31, 2023 and 2022, there were no donor-imposed restrictions on net assets. Accordingly, the net assets of the Company without donor restrictions and changes therein are classified and reported as follows:

Controlling interests The only limits on net assets are broad limits resulting from the nature of the Company and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements.

Noncontrolling interests is the net assets that represent the limited partners' equity interest in the Projects, generally up to 99.99%, that are included in the consolidated financial statements.

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

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

Program services are expenses that consist of costs incurred in connection with providing housing services. ICD's major program service is operation of permanent affordable housing.

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

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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

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

Accordingly, these consolidated financial statements do not reflect a provision for income taxes. However, the limited partnerships and the LLCs are required to pay an \$800 fee to the California Franchise Tax Board. There are no current tax examinations pending.

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

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

Investment Pool The Company maintains a portion of its cash in the California Asset Management Program (the CAMP Pool) as part of the common investment pool (\$15 and \$14 as of December 31, 2023 and 2022, respectively). The CAMP Pool invests in asset-backed commercial paper, certificates of deposits, commercial paper, corporate notes, government agency and instrumentality obligations and repurchase agreements. The fair value of CAMP Pool is reported in the accompanying consolidated financial statements at amounts based upon the Company's pro-rata share of the fair value provided by the CAMP Pool (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the CAMP Pool, which are recorded on an amortized cost basis. Cash may be added or withdrawn from the investment pool without limitation.

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

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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

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

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are not active;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

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

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

ICD capitalizes development costs, including interest (\$0 and \$499,242 during 2023 and 2022, respectively) and insurance until the project is placed in service. Thereafter, ICD capitalizes expenditures or betterments that materially increase asset lives, charging to depreciation expense the estimated net book value of the improvement cost being replaced, and charges ordinary repairs and maintenance to operations as incurred. When assets are sold or otherwise disposed of, the costs and related reserves are removed from the accounts, and any resulting gain or loss is included in operations.

The Company reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. When evaluating recoverability, management considers future undiscounted cash flows estimated to be generated by the property including the low-income housing tax credits and any estimated proceeds from the eventual disposition. In the event these accumulated cash flows are less than the carrying amount of the property, the Company recognizes an impairment loss equal to the excess of the carrying amount over the estimated fair value of the property. No impairment losses were recognized during the years ended December 31, 2023 and 2022.

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Tenant Accounts Receivable The Company reviews tenant accounts receivable for collectability, and if it is determined that collection is not probable, an allowance for doubtful accounts is provided. As of December 31, 2023 and 2022, the Projects' allowance for doubtful accounts was \$260,059 and \$31,056, respectively.

Concentration of Credit and Business Risk The Company's cash and cash equivalents are maintained in more than one financial institution. The Partnership maintains the majority of their cash and cash equivalents at major financial institutions in the United States, and deposits with these financial institutions may exceed the amount of insurance provided on such deposits; however, the Company regularly monitors the financial stability of these financial institutions and believe the Company is not currently exposed to any significant default risk with respect to their deposits.

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

Debt Discount and Issuance Costs Debt discount and issuance costs of \$1,192,976 and \$1,003,789, net of accumulated amortization as of December 31, 2023 and 2022, respectively, are reported as a direct reduction of the obligation to which such costs relate. While the projects are under development, the amortization of the debt discount and issuance costs are capitalized. Thereafter, the amortization is reported as a component of interest expense using a method that approximates the effective interest method.

2. RIGHT-OF-USE ASSETS

Littlejohn Commons entered into a ground lease agreement with AHA commencing December 2016 for a period of 99 years ending December 31, 2115. In accordance with the ground lease agreement, \$3,410,000 was originally recorded as a prepaid ground lease which is evidenced by a note secured by a leasehold deed of trust, see Note 7. The prepaid ground lease is reflected as an right-of-use (ROU) asset and will be amortized over the remaining lease term of the agreement. During the term of the ground lease, the Subsidiary will annually amortize the ROU asset by \$34,444. As of December 31, 2023 and 2022, the unamortized ROU asset was \$3,168,890 and \$3,203,335, respectively.

Everett Commons entered into a ground lease agreement with AHA commencing June 2017 for a period of 99 years ending June 1, 2116. The prepaid ground lease is reflected as an ROU asset and will be amortized over the remaining lease term of the agreement. Beginning January 1, 2022, in accordance with ASC 842 (Note 1), the prepaid ground lease and related deferred costs – ground lease are reflected as a ROU asset in the accompanying consolidated statements of financial position and will be amortized over the remaining lease term of the Agreement. During the term of the ground lease, the Subsidiary will annually amortize the ROU asset by \$160 annually. As of December 31, 2023 and 2022, the unamortized ROU asset was \$15,033 and \$15,193, respectively.

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Rosefield Village entered into a ground lease agreement with AHA commencing August 2020 for a period of 75 years ending December 31, 2095. In accordance with the ground lease agreement, \$13,110,000 was recorded as a prepaid ground lease financed by a seller takeback loan, see Note 7. Beginning January 1, 2022, in accordance with ASC 842 (Note 1), the prepaid ground lease and related deferred costs – ground lease are reflected as a ROU asset in the accompanying consolidated statements of financial position and will be amortized over the remaining lease term of the Agreement. During the term of the ground lease, the Subsidiary will annually amortize the ROU asset by \$173,834. As of December 31, 2023 and 2022, the unamortized ROU asset was \$12,452,819 and \$12,626,653, respectively.

3. RESERVES

Restricted cash accounts (Reserves) are restricted for use by various agreements including partnership, loan, and regulatory agreements. The Reserves as of December 31, 2023 and 2022 are as follows:

	2023	2022
Reserves	\$ 753,567	\$ 629,509

4. PREACQUISITION COSTS

ICD capitalizes preacquisition costs until management determines the proposed development is not feasible, which is included in construction-in-progress in the accompanying consolidated financial statements. ICD's preacquisition costs do not include AHA's incremental indirect project costs clearly associated with the acquisition, development and construction of the proposed project. In general, once a project is approved, the preacquisition costs are reclassified to construction-in-progress to be reimbursed by a newly formed consolidated entity using third party loans and capital contributions.

5. DEFERRED COSTS – TCAC FEES

Deferred TCAC costs consist of fees paid to TCAC that will be amortized over a 15-year period, beginning in the year the applicable Project is placed in service. As of December 31, 2023 and 2022, unamortized TCAC costs were \$114,792 and \$123,706, respectively.

6. DEPOSITS

Deposits consist of funds that ICD sent to various regulatory agencies on behalf of real estate projects under development. These funds are anticipated to be refunded as the projects under development achieve certain milestones. As of December 31, 2023 and 2022, deposits were \$93,084 and \$370,244, respectively.

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7. NOTES PAYABLE

	2023	2022
A summary of ICD's financing arrangements as of December 31, 2023 and 2022 is as follows:		
AHA North Housing loan Various unsecured promissory notes payable to AHA for the purpose of funding development efforts of a project known as North Housing with maximum borrowings in the amount of \$6,108,000, with simple interest accruing at a rate of 3.00% commencing January 1, 2024. All unpaid principal and interest are due December 31, 2074. During 2022, the note was voided, and the unpaid balance was transferred to the \$7,500,000 AHA North Housing loan.	\$ -	\$ -
AHA North Housing – additional loan Note payable to AHA in the amount of \$130,000. Note shall bear simple interest at the rate of 3.00% annually. Interest payments will begin on January 1, 2024. All unpaid principal and interest are due on December 31, 2074. During 2022, the note was voided, and the unpaid balance was transferred to the \$7,500,000 AHA North Housing loan.	-	-
AHA North Housing loan Note payable to AHA for the purpose of funding development efforts of a project known as North Housing with maximum borrowings in the amount of \$7,500,000, with simple interest accruing at a rate of 3.00% commencing January 1, 2025. All unpaid principal and interest are due January 1, 2080.	7,500,000	7,500,000
AHA Rosefield loan Unsecured promissory note payable to AHA for the purpose of funding development efforts of Rosefield Village in the amount of \$1,026,000. The loan accrues interest at the rate of 2.00% and all unpaid principal and interest were due July 29, 2051. The loan was repaid during 2022.	-	-
Total ICD notes payable	7,500,000	7,500,000

A summary of the Littlejohn Commons financing arrangements as of December 31, 2023 and 2022 is as follows:

Note payable to California Community Reinvestment Corporation (CCRC) secured by a leasehold deed of trust with absolute assignment of leases and rents, security agreement and fixture filing. The CCRC note accrues and interest rate of 5.39% and requires monthly payments of principal and interest of \$19,709. All unpaid principal and interest are due March 1, 2034.	1,859,407	1,991,793
Note payable to the City of Alameda, secured by a subordinate deed of trust, borrowings up to \$195,740, simple interest at 3.00% per annum, payable from Residual Receipts and unpaid principal and interest are due on April 1, 2073.	174,589	195,740

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

	2023	2022
Note payable to AHA, in the original amount of \$3,600,000, secured by a leasehold deed of trust, assignment of rents, and security agreement, interest at 2.26%, compounded annually; principal and interest payable annually from Residual Receipts and all unpaid principal and interest are due December 31, 2073.	3,520,516	3,520,516
Note payable to AHA, in the original amount of \$3,410,000, secured by a leasehold deed of trust, assignment of rents, and security agreement, interest at 2.26%, compounded annually; principal and interest payable annually from Residual Receipts; and all unpaid principal and interest are due December 31, 2073.	3,410,000	3,410,000
Total Littlejohn Commons notes payable	8,964,512	9,118,049

A summary of the Rosefield Village financing arrangements as of December 31, 2023 and 2022 is as follows:

Note payable in the amount of \$16,576,088 dated August 1, 2020, payable to AHA (the Seller Loan, aka AHA Takeback Loan), and secured by a deed of trust. The loan bears interest at a rate of 1.12% compounded annually. Principal and interest payments are made on May 1 from Residual Receipts, all unpaid principal and interest are due December 31, 2077.	16,576,088	16,576,088
Note payable in the amount of \$515,683 dated March 24, 2021, and payable to the City of Alameda (HOME Fund) and secured by a subordinate deed of trust. The loan bears simple interest at a rate of 3.00% per annum. Principal and interest payments are made on May 1 from Residual Receipts and all unpaid principal and interest are due August 5, 2075.	516,683	515,683
Note payable to Bank of America N.A. with maximum borrowings of \$40,322,758 (the Construction Loan), secured by a deed of trust with interest accruing at 2.20%, payable monthly during construction. The Construction Loan was extended to October 10, 2023. In conjunction with the extension, the Partnership paid loan extension fees of \$100,807, which are included in interest expense in the accompanying statements of operations. The Construction loan was repaid on August 31, 2023 with proceeds from limited partner capital contributions and permanent loans.	-	36,663,151
Note payable to Greystone Servicing Company LLC (Greystone Loan) with maximum borrowings of \$13,858,000, secured by a deed of trust, accrues interest at 3.44% and requires monthly payments of \$51,113. The Greystone Loan is due on September 1, 2040.	12,426,982	-

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES

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DECEMBER 31, 2023 AND 2022

	2023	2022
Note payable in the amount of \$8,093,414 dated August 1, 2020, and payable to the County of Alameda (County A1 Loan) and secured by a deed of trust. The County A1 Loan accrues simple interest at 3.00%. Principal and interest payments are made on May 1 from Residual Receipts and all unpaid principal and interest are due on August 1, 2075.	8,093,414	7,993,414
Note payable to HACA (AHA Funds Loan), secured by a subordinate deed of trust, bears no interest, payable from Residual Receipts. Unpaid principal is due on December 31, 2077.	8,018,052	1,483,052
Note payable in the amount of \$633,912 dated August 1, 2020, and payable to the City of Alameda (City CDBG Loan) and secured by a subordinate deed of trust. The City CDBG Loan bears simple interest at a rate of 2.33%, principal and interest payments are made on May 1 from Residual Receipts and all unpaid principal and interest are due April 1, 2074	633,912	633,912
Total Rosefield Village notes payable	46,265,131	63,865,300

A summary of the Everett Commons financing arrangements as of December 31, 2023 and 2022 is as follows:

Note payable to JPMorgan Chase Bank, N.A. (the Chase Loan), in the maximum amount of \$3,330,168, secured by a deed of trust, assignment of rents, security agreement and fixture filing, accrues interest at 5.55% and monthly payments of principal and interest of \$17,993. All unpaid principal and interest are due September 21, 2039.	3,191,387	3,226,642
Note payable to the City of Alameda, secured by a subordinated leasehold deed of trust, assignment of rents, security agreement and fixture filing, borrowings up to \$153,282, accrues simple interest at 3.00%, payable from residual receipts and all unpaid principal and interest are due on December 31, 2074.	153,282	153,282
Note payable to AHA, in the original amount of \$4,250,000, secured by a leasehold deed of trust, assignment of rents, and security agreement and fixture filing, accrues interest at 2.68%, principal and interest payable annually from residual receipts; and all unpaid principal and interest are due December 31, 2074.	4,250,000	4,250,000

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DECEMBER 31, 2023 AND 2022

	2023	2022
Note payable to County of Alameda, in the maximum amount of \$1,000,000, secured by a subordinated leasehold deed of trust, assignment of rents, security agreement and fixture filing, simple interest at 3.00%, payable from Residual Receipts and unpaid principal and interest are due on December 31, 2074.	1,000,000	1,000,000
Total Everett Commons notes payable	8,594,669	8,629,924
Total notes payable	71,324,312	89,113,273
Less: unamortized debt discount and issuance costs	(1,192,976)	(1,276,037)
Total notes payable, net	\$ 70,131,336	\$ 87,837,236

Principal payments on notes payable are required as follows:

Year Ending December 31,	Amount
2024	\$ 365,305
2025	382,259
2026	399,509
2027	417,581
2028	436,026
Thereafter	69,323,632
	\$ 71,324,312

8. RELATED PARTY TRANSACTIONS

Consulting Services ICD entered into an agreement with AHA, commencing on April 15, 2015, in which AHA shall provide professional project management services. In May 2022, the agreement was amended to extend through December 31, 2024, and during 2023 and 2022, ICD was charged and paid \$300,000 and \$200,000, respectively, for consulting services.

Developer Fee Payable The Subsidiaries have entered into joint developer fee agreements with ICD and AHA (together referred to as the Developers, in the amounts of 90.00% and 10.00%, respectively, or such amount agreed to by the Developers). As of December 31, 2023 and 2022, the Developers have entered into developer fee agreements in the amounts of \$7,290,000. ICD's portion (90.00%) has been eliminated during consolidation. As of December 31, 2023 and 2022, developer fees owed to AHA of \$61,000 and \$337,500, respectively, remain unpaid.

Due to Affiliate During 2021, AHA advanced \$197,000 to ICD. This advance is unsecured, does not bear interest, and is payable as cash flow permits. During 2022, the advance was repaid in full.

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

9. COMMITMENTS

In connection with the development and operations of the Projects, AHA and the Company, together as Guarantor, made certain guaranties regarding the duties and performance obligations of the

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

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DECEMBER 31, 2023 AND 2022

Subsidiaries' general partners. These duties include, but are not limited to, ensuring complete development of the Projects, ensuring tax credit delivery, maintaining the Projects' compliance with various regulatory agencies, and providing operating deficit guarantees of \$314,000 to Everett Commons, \$245,668 to Little John Commons, and \$792,000 to Rosefield Village.

10. LIQUIDITY AND AVAILABILITY

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

As of December 31,	2023	2022
Cash and cash equivalents	\$ 3,403,084	\$ 4,057,436
Investments - CAMP Pool	15	14
Restricted funds	875,777	758,188
Less: Subsidiaries operating cash due to partnership and lender restrictions	(2,404,862)	(2,017,442)
Estimated financial assets available to meet general expenditures within one year	\$ 1,874,014	\$ 2,798,196

In addition to the financial assets available in the above table, for the years ended December 31, 2023 and 2022, AHA has committed an additional \$0 and \$0, respectively, of development proceeds to ICD (Note 7).

Regarding the Subsidiaries' liquidity needs, each subsidiary has been established to develop and operate affordable housing. As a result, the Subsidiaries have been structured in such a way to be self-sufficient regarding their liquidity needs. In the event the subsidiaries have unplanned liquidity needs over and above that which is provided by its operations, they have access to cash reserves, reported as restricted funds, subject to lender and limited partner withdrawal approval, upon conversion to permanent financing. In addition, in the normal course of business, the Subsidiaries under development rely on receiving funds from non-recourse permanent loan commitments and limited partner capital contributions. In the event the Subsidiaries are unable to meet their liquidity needs, AHA and the Company, together as Guarantor, have provided limited guarantees to fund operating deficits (Note 9). As of December 31, 2023, ICD's management believes they have sufficient liquidity availability to meet its obligations for the coming year.

11. SALE OF STATE TAX CREDITS

During 2023, In connection with the development of Rosefield Village, the Company sold the TCAC reserved state tax credits of \$2,691,000 for \$2,287,350. The sale was recorded as other revenue in the accompanying consolidated statements of activities and the proceeds were concurrently loaned to the Constitution and Eagle, L.P. partnership. The loan was eliminated in consolidation.

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

12. SUBSEQUENT EVENTS

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

On January 18, 2024, the Company created ICD Shinsei LLC, a California limited liability company (ICD Shinsei). On March 30, 2024, ICD Shinsei acquired a partnership interest for \$1 and was admitted as the substitute limited partner in Shinsei Gardens Apartments, L.P., a 39-unit affordable housing complex located in Alameda, California.

In 2024, the Company purchased and syndicated two phases of The North Housing master plan project through its subsidiaries and received approximately \$3,034,000 of capital contributions and \$82,192,000 of loan proceeds.

During 2024, the Company and the hotel owner mutually agreed to not move forward with the sale of the project to be known as Poppy Place. In connection with the terminated acquisition, the Company plans to dissolve ICD Webster, LLC in 2024.

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

SCHEDULE I

AS OF DECEMBER 31,

2023

Assets

	Island City Development	Housing (a)	Pre- Consolidation	Eliminating Entries	Consolidated
Property, at cost:					
Land improvements	\$ -	\$ 5,370,720	\$ 5,370,720	\$ -	\$ 5,370,720
Buildings and improvements	-	74,187,130	74,187,130	(6,165,068)	68,022,062
Furniture and equipment	-	2,632,875	2,632,875	-	2,632,875
Construction-in-progress	7,780,757	-	7,780,757	-	7,780,757
Total property	7,780,757	82,190,725	89,971,482	(6,165,068)	83,806,414
Less accumulated depreciation	-	(7,505,596)	(7,505,596)	326,982	(7,178,614)
Net property	7,780,757	74,685,129	82,465,886	(5,838,086)	76,627,800
Cash and cash equivalents	1,873,999	1,529,085	3,403,084	-	3,403,084
Investments	15	-	15	-	15
Tenant accounts receivable, net	-	126,711	126,711	-	126,711
Other receivables	40,014	-	40,014	-	40,014
Note receivable	2,287,350	-	2,287,350	(2,287,350)	-
Due from affiliates	5,600	-	5,600	(5,600)	-
Right-of-use assets	-	15,636,742	15,636,742	-	15,636,742
Restricted funds:					
Reserves	-	753,567	753,567	-	753,567
Tenant security deposits	-	122,210	122,210	-	122,210
Developer fee receivable	2,435,000	-	2,435,000	(2,435,000)	-
Investment (deficit) in affiliates	(2,450,647)	-	(2,450,647)	2,450,647	-
Other prepaids	-	217,214	217,214	-	217,214
Deposits	-	93,084	93,084	-	93,084
Deferred costs - TCAC fees	-	114,792	114,792	-	114,792
Total assets	\$ 11,972,088	\$ 93,278,534	\$ 105,250,622	\$ (8,115,389)	\$ 97,135,233

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

See independent auditor's report.

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

SCHEDULE I

AS OF DECEMBER 31,

2023

LIABILITIES AND NET ASSETS (DEFICIT)

	Island City Development	Housing (a)	Pre- Consolidation	Eliminating Entries	Consolidated
Notes payable, net	\$ 7,500,000	\$ 64,918,686	\$ 72,418,686	\$ (2,287,350)	\$ 70,131,336
Accounts payable and accrued expenses	103,837	431,339	535,176	(7,341)	527,835
Accrued construction and development costs	702,612	70,415	773,027	-	773,027
Accrued Partnership Management Fee payable	-	45,434	45,434	(45,434)	-
Accrued interest payable	-	3,068,135	3,068,135	-	3,068,135
Developer fees payable	61,000	2,435,000	2,496,000	(2,435,000)	61,000
Accrued Asset Management Fee payable	-	15,967	15,967	-	15,967
Prepaid rents	-	7,627	7,627	-	7,627
Tenant security deposits	-	119,354	119,354	-	119,354
Total liabilities	8,367,449	71,111,957	79,479,406	(4,775,125)	74,704,281
Net assets (deficit)					
Net assets without donor restrictions					
Controlling interests	3,604,639	(2,496,079)	1,108,560	(3,340,264)	(2,231,704)
Noncontrolling interests	-	24,662,656	24,662,656	-	24,662,656
Total net assets (deficit)	3,604,639	22,166,577	25,771,216	(3,340,264)	22,430,952
Total liabilities and net assets (deficit)	\$ 11,972,088	\$ 93,278,534	\$ 105,250,622	\$ (8,115,389)	\$ 97,135,233

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

See independent auditor's report.

ISLAND CITY DEVELOPMENT AND SUBSIDIARIES**SCHEDULE II**

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIT)

FOR THE YEAR ENDED DECEMBER 31,**2023**

	Island City Development	Housing (a)	Pre- Consolidation	Eliminating Entries	Consolidated
Revenue:					
Residential rent	\$ -	\$ 1,539,739	\$ 1,539,739	\$ -	\$ 1,539,739
Tenant subsidies	-	1,690,153	1,690,153	-	1,690,153
Total rental revenue	-	3,229,892	3,229,892	-	3,229,892
Equity in earnings (loss) of investments	(503)	-	(503)	503	-
Other revenue	2,334,558	52,988	2,387,546	(41,351)	2,346,195
Total other revenue	2,334,055	52,988	2,387,043	(40,848)	2,346,195
Total revenue	2,334,055	3,282,880	5,616,935	(40,848)	5,576,087
Expenses:					
Program services-housing	-	8,273,108	8,273,108	(108,700)	8,164,408
Supporting services	348,384	41,351	389,735	(41,351)	348,384
Total operating expenses	348,384	8,314,459	8,662,843	(150,051)	8,512,792
Change in net assets	1,985,671	(5,031,579)	(3,045,908)	109,203	(2,936,705)
Contributions - noncontrolling interests	-	18,055,924	18,055,924	-	18,055,924
Total changes in net assets	1,985,671	13,024,345	15,010,016	109,203	15,119,219
Net assets (deficits), beginning of the year	1,618,968	9,142,232	10,761,200	(3,449,467)	7,311,733
Net assets (deficits), end of the year	\$ 3,604,639	\$ 22,166,577	\$ 25,771,216	\$ (3,340,264)	\$ 22,430,952

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

See independent auditor's report.