# Delta Community Developers Corporation

**Financial Statements and Independent Auditors' Report**

**Year Ended December 31, 2023**



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The following table lists the Board Members as of December 31, 2023:

| | |
|---|---|
| Chairperson | Ryan Gresham |
| First vice chairperson (tenant) | Patricia Barrett |
| Second vice chairperson | Lester Patrick |
| Commissioner | Stephen Beckham |
| Commissioner | Jonathan Mendelson |
| Commissioner (tenant) | Crisanne Santini |
| Commissioner | Rudolph (Rudy) Willey |

In addition to the above Commissioners, the Executive Director of the Housing Authority is Peter W. Ragsdale, who also serves on the Board as Secretary.

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# INDEPENDENT AUDITORS' REPORT

The Governing Body of
Delta Community Developers Corporation

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINION

We have audited the financial statements of the business-type activities and aggregate discretely presented component units Delta Community Developers Corporation (the Corporation), a component unit of the Housing Authority of the County of San Joaquin, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of the Corporation as of December 31, 2023, and the changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the following discretely presented component units:

Stockton Sierra Vista I, LP;
Stockton Sierra Vista II, LP; and
Victory Gardens, LP.

Collectively, these entities represent 100 percent, 100 percent, and 100 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those financial statements, which were prepared in accordance with *Accounting Standards Codification* as issued by the Financial Accounting Standards Board, were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for discretely presented component units, is based solely on the report of the other auditors.

### BASIS FOR OPINION

We conducted our audit 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 the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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

In performing an audit in accordance with GAAS, we:

(1) Exercise professional judgment and maintain professional skepticism throughout the audit; (2) Identify and assess the risks of material misstatement of the 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 financial statements; (3) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed; (4) Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; (5) Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation'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.

**OTHER MATTERS**

Management has omitted the Management's Discussion, and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Smith Marino & Co

August 7, 2024

## *Delta Community Developers Corporation*

Statement of Net Position
December 31, 2023

| | CONSOLIDATED CORPORATION | DISCRETE COMPONENTS |
|---|---|---|
| **Assets and Deferred Outflows of Resources** | | |
| Operating cash | $ 19,549,148 | $ 6,543,414 |
| Restricted cash | 77,825 | 200,891 |
| Total cash and equivalents | 19,626,973 | 6,744,305 |
| | | |
| Net accounts receivable | 3,318,169 | 142,615 |
| Accrued interest receivable | 12,042 | - |
| Prepaid expenses and other current assets | 141,728 | 104,574 |
| Total current assets | 23,098,912 | 6,991,494 |
| | | |
| Capital assets, at cost | | |
| Land | 5,197,525 | 11,168,959 |
| Construction in progress | 16,651,627 | - |
| Buildings and improvements | 22,797,865 | 74,551,872 |
| Equipment and furnishings | 320,861 | 10,037,177 |
| Total acquisition costs | 44,967,878 | 95,758,008 |
| Less: accumulated depreciation | (5,787,070) | (12,008,405) |
| Net capital assets | 39,180,808 | 83,749,603 |
| | | |
| Leases receivable | 114,040 | - |
| Other long-term assets | - | 506,320 |
| Total non-current assets | 39,294,848 | 84,255,923 |
| Total assets | 62,393,760 | 91,247,417 |
| | | |
| **Total Assets and Deferred Outflows of Resources** | **$ 62,393,760** | **$ 91,247,417** |

*See accompanying notes.*

## *Delta Community Developers Corporation*

Statement of Net Position
December 31, 2023

| | CONSOLIDATED CORPORATION | DISCRETE COMPONENTS |
|---|---|---|
| **Liabilities, Deferred Inflows of Resources, and Net Position** | | |
| Accounts payable | $ 1,188,095 | $ 13,285 |
| Unearned revenues | 12,055,260 | 13,523 |
| Deposits held in trust, contra | 77,825 | 197,468 |
| Other current liabilities | 719,401 | 225,875 |
| Accrued interest payable | - | 1,264,905 |
| Debt, current portion | 144,028 | - |
| Total current liabilities | 14,184,609 | 1,715,056 |
| | | |
| Debt, net of current | 5,121,502 | 36,689,908 |
| Other long-term liabilities | - | 278,383 |
| Total non-current liabilities | 5,121,502 | 36,968,291 |
| Total liabilities | 19,306,111 | 38,683,347 |
| | | |
| Other deferred inflows | 110,357 | - |
| Total deferred inflows of resources | 110,357 | - |
| | | |
| Net investment in capital assets | 33,915,278 | 47,059,695 |
| Unrestricted net position | 9,062,014 | 5,504,375 |
| Total net position | 42,977,292 | 52,564,070 |
| | | |
| **Total Liabilities, Deferred Inflows of Resources, and Net Position** | **$ 62,393,760** | **$ 91,247,417** |

*See accompanying notes.*

## *Delta Community Developers Corporation*

Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2023

| | CONSOLIDATED CORPORATION | DISCRETE COMPONENTS |
|---|---|---|
| Tenant rental revenue, net of collection losses | $ 1,225,098 | $ 3,798,657 |
| Operating grants and subsidies | 9,532,755 | 170,213 |
| Other revenue | 3,372,565 | 69,499 |
| Total operating revenues | 14,130,418 | 4,038,369 |
| Administrative | 451,192 | 669,737 |
| Tenant services | - | 132,172 |
| Utilities | 180,242 | 499,856 |
| Ordinary maintenance and operations | 323,814 | 700,786 |
| Protective services | 28,379 | 1,466 |
| Insurance premiums | 52,956 | 185,816 |
| Other general expenses | 183,294 | 83,300 |
| Depreciation | 978,204 | 3,831,580 |
| Total operating expenses | 2,198,081 | 6,104,713 |
| Operating income (loss) | 11,932,337 | (2,066,344) |
| Investment income | 548,550 | 33,189 |
| Gains (losses) on disposition of assets | 221,667 | - |
| Interest expense | (118,201) | (2,172,248) |
| Total non-operating revenues (expenses) | 652,016 | (2,139,059) |
| Income (loss) before contributions and other items | 12,584,353 | (4,205,403) |
| Net intercompany transfers | (1,138,974) | - |
| Capital contributions | - | 15,692,098 |
| **Change in Net Position** | **$ 11,445,379** | **$ 11,486,695** |
| Net position, beginning of year | $ 32,323,943 | $ 41,077,375 |
| Change in net position | 11,445,379 | 11,486,695 |
| Prior-period restatements | (792,030) | - |
| **Net Position, End of Year** | **$ 42,977,292** | **$ 52,564,070** |

*See accompanying notes.*

## *Delta Community Developers Corporation*

Statement of Cash Flows
Year Ended December 31, 2023

| | |
|---|---|
| Cash receipts from tenants | $ 1,233,042 |
| Cash receipts from grants | 2,204,412 |
| Cash payments to suppliers for goods and services | (566,754) |
| Cash payments for wages and benefits | (108,857) |
| Other cash payments and receipts | 84,643 |
| Net cash from operating activities | 2,846,486 |
| | |
| Acquisition and construction of capital assets | (9,077,251) |
| Proceeds from disposition of capital assets | 1,199,873 |
| Payments of interest | (118,201) |
| Principal payments on debt | (91,893) |
| Net cash from capital and related financing activities | (8,087,472) |
| | |
| Receipts of interest on cash deposits | 548,550 |
| Receipts of interest on notes receivable | 301,333 |
| Net cash from investing activities | 849,883 |
| | |
| Net change in cash and equivalents | (4,391,103) |
| Cash at beginning of period | 24,018,076 |
| **Cash at End of Period** | **$ 19,626,973** |
| | |
| *Reconciliation of cash to the statement of net position:* | |
| Cash and equivalents - operating | $ 19,549,148 |
| Restricted cash and equivalents | 77,825 |
| **Total Cash and Equivalents** | **$ 19,626,973** |

*See accompanying notes.*

| | |
|---|---|
| Reconciliation of operating income (loss) to net cash from operating activities: | |
| Operating income (loss) | $ 11,932,337 |
| Adjustments to reconcile operating income (loss) to net cash from operating activities: | |
| Pension and other post-employment benefits | (35,465) |
| Lease and subscription amortizations | 33,084 |
| Intercompany timing differences | (1,138,974) |
| Changes in operating assets and liabilities: | |
| Accounts receivable | (2,185,641) |
| Prepaid expenses and other assets | (97,656) |
| Accounts payable | 1,023,964 |
| Deposits held in trust, contra | 4,991 |
| Unearned revenues | (7,321,781) |
| Other liabilities | 631,627 |
| **Net Cash from Operating Activities** | **$ 2,846,486** |

*See accompanying notes.*

## NOTE 01 - NATURE OF BUSINESS AND ORGANIZATION

Delta Community Developers Corporation (the Corporation, we, us, our) was initially incorporated under the name Villa Real in June 1999, as a 501(c)(3) not-for-profit corporation. The Corporation changed names to Delta Community Developers Corporation in June 2017. The Corporation operates as a California non-profit public benefit corporation whose purpose is to engage in financing, acquiring, developing, rehabilitating, owning, managing, and selling affordable housing for disabled, elderly, and extremely low, low, and moderate-income persons within the County of San Joaquin.

*Reporting Entity*

We are a wholly owned subsidiary of the Housing Authority of the County of San Joaquin (Authority). We share the same Board of Commissioners (Board) as the Authority, are fiscally dependent on the Authority, and have a financial benefit/burden relationship with the Authority, therefore we are considered a component unit of the Authority.

As described in GASB Statement No. 34, paragraph 134, the Corporation meets the definition of a special purpose government (SPG). The Corporation is a legally separate entity that is engaged in only business-type activities. Business-type activities are defined as activities that are financed in whole or in part by fees charged to external parties for goods or services. SPGs engaged only in business-type activities are required to present only the financial statements required for proprietary funds, which includes Management's Discussion and Analysis (MD&A), basic financial statements, and Required Supplemental Information (RSI). All inter-program activities have been eliminated in these financial statements.

Management applied the criteria of GASB Statement No. 14, *The Financial Reporting Entity,* Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14,* Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14* to determine whether the component units should be reported as blended or discretely presented component units. The criteria included whether the Corporation appoints the voting majority of the governing board, there is a financial benefit/burden relationship, the Corporation is able to impose its will, the component unit is fiscally dependent on the Corporation, the component unit's governing body is substantially the same as the Corporation, and management of the Corporation have operational responsibility for the activities of the component unit.

The following entities are considered blended component units of the Authority and are required to be blended within our financial statements:

The Corporation is the sole member of DCDC Center Street, LLC, DCDC Creekside, LLC, DCDC Sonora Square, LLC, DCDC Stand, LLC, DCDC Victory Gardens, LLC, DCDC Sierra Vista I, DCDC Sierra Vista II, DCDC Medici Artist Lofts, LLC, DCDC Park Center, LLC, DCDC Cottage Village, and DCDC Calveras Quarters, LLC.

The Corporation is also a majority interest owner (51%) of DCDC Housing First, LLC.

The purpose of these entities is to provide affordable housing for low-income, disabled, elderly and homeless persons in San Joaquin County through development partnerships, as well as acquiring, developing, rehabilitating, owning, managing, and selling affordable housing. These entities report on a December 31 year-end. These entities do not issue separate audited financial statements. Their financial statement data, as of and for the year ended December 31, 2023, has been blended through consolidation with the Corporation's financial statement data.

Financial information for blended component units may be obtained at the Authority's office.

The following entities are considered discrete component units of the Corporation and are required to be discretely presented apart from our financial statements:

*Stockton Sierra Vista I, LP (SV I)*
SV I was formed as a limited partnership under the laws of the State of California for the purpose of investing in and acquiring a fee interest in the land, constructing, developing, owning, improving, leasing, maintaining, operating, financing, mortgaging, and encumbering a residential rental housing project. SV I consists of 19 buildings comprised of 115 units located in Stockton, California. During 2019, SV I completed construction for 10 of the 19 buildings of the Project and the remaining buildings were completed and placed in service during the first quarter of 2020. SVI is operating under the name of Sierra Vista I Apartments. DCDC Sierra Vista I, LLC serves as the managing general partner and owns 0.0049% of SV I. SV I reports on a December 31 calendar year and issues separately audited financial statements. Information as of and for the year ended December 31, 2023, have been reported in the accompanying basic financial statements.

*Stockton Sierra Vista II, LP (SV II)*
SV II was formed as a limited partnership under the laws of the State of California for the purpose of investing in and acquiring a fee interest in the land, constructing, developing, owning, improving, leasing, maintaining, operating, financing, mortgaging, and encumbering a residential rental housing project. SV II consists of 100 units located in Stockton, California. During 2020 SV II completed construction. SV II is operating under the name of Sierra Vista II Apartments. DCDC Sierra Vista II, LLC serves as the managing general partner and owns 0.0049% of SV II. SV II reports on a December 31 calendar year and issues separately audited financial statements. Information as of and for the year ended December 31, 2023, have been reported in the accompanying basic financial statements.

*Victory Gardens, LP (VG)*
VG was formed as a limited partnership under the laws of the State of California for the purpose of investing in and acquiring a fee interest in the land, constructing, developing, owning, improving, leasing, maintaining, operating, financing, mortgaging, and encumbering a residential rental housing project. VG consists of 49 units located in Stockton, California. During 2022, VG completed construction. VG is operating under the name of Victory Gardens. DCDC Victory Gardens, LLC serves as the managing general partner and owns 0.005% of VG. VG reports on a December 31 calendar year and issues separately audited financial statements. Information as of and for the year ended December 31, 2023, have been reported in the accompanying basic financial statements.

Reports for discrete component units may be obtained at the Authority's office.

The following entities are considered joint ventures of the Corporation and are not required to be presented within our financial statements:

*DFA Cottage Village Associates, LP (CVA)*
CVA was formed in December 2015, as a limited partnership under the laws of the State of California for the purpose of acquiring, constructing, developing, owning, improving, leasing, maintaining, operating, financing, mortgaging, and encumbering a residential senior rental housing project. CVA consists of 48 units located in Manteca, California. During 2020, CVA completed construction. CVA is operating under the name of Cottage Village Senior Apartments. DCDC Cottage Village, LLC serves as the co-administrative partner and owns 0.001% of CFA. CFA reports on a December 31 calendar year and issues separately audited financial statements.

*DFA Medici Associates, LP (MA)*
MA was formed in March 2017, as a limited partnership under the laws of the State of California for the purpose of acquiring, constructing, developing, owning, improving, leasing, maintaining, operating, financing, mortgaging, and encumbering a residential rental housing project. MA consists of 34 units located in Stockton, California. During 2020, MA completed construction. MA is operating under the name of Medici Artist Lofts. DCDC Medici Artists Lofts, LLC serves as the co-administrative partner and owns 0.001% of MA. MA reports on a December 31 calendar year and issues separately audited financial statements.

## NOTE 02 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Accrual Basis of Accounting*
The financial statements are presented using the accrual basis of accounting with an economic resources measurement focus. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. As permitted by accounting principles generally accepted in the United States of America (GAAP), the Corporation has elected to apply all relevant Government Accounting Standards Board (GASB) pronouncements.

The Corporation distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from grant agreements, providing services, and producing and delivering goods in connection with the ongoing principal operations. The principal operating revenues of the Corporation include program specific grants, rental income from tenants of the various housing projects. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Estimates*
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Cash and Equivalents*
The Corporation defines cash to include certificates of deposit, money market funds, savings accounts, demand deposits, and other short-term securities; consequently, the cost, carrying value, and market value are equivalent.

*Restricted Cash*
Restricted cash, if any, consists of cash and investments that are held in trust, reserves, and escrows, as well as other cash and investments that are restricted for specific purposes.

*Accounts Receivable from Tenants*
For the Corporation managed projects, an allowance for doubtful accounts is established based upon the likelihood of recovery.

For the Corporation, an allowance for doubtful accounts is established based upon the likelihood of recovery. As of December 31, 2023, the allowance for tenant receivables was $796.

*Accounts Receivable from HUD and Other Governments*
The amounts reported as accounts receivable from HUD or due from other governments represent reimbursable costs or grant subsidies earned that have not been received as of year-end; these amounts are considered fully collectible.

*Capital Assets*
Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation of exhaustible capital assets is charged as an expense against operations utilizing the straight-line method. Accumulated depreciation is reported on the statement of net position. The estimated useful lives for each major class of depreciable fixed assets are as follows:

| | |
|---|---|
| Buildings and improvements | 10-40 years |
| Furniture, fixtures, and equipment | 3-5 years |

*Impairment of Capital Assets*
The Corporation reviews its capital assets for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. As of December 31, 2023, there has been no impairment of the capital assets.

*Tenant Security Deposits*
Security deposits consist of amounts held in trust by us in order for tenants to secure apartment leases.

*Leasing Activities*
We are the lessor of dwelling units to eligible residents. The rents under the leases are determined generally by the residents' income as adjusted for eligible deductions regulated by HUD, although the residents may opt for a flat rent. Leases may be cancelled at any time or renewed annually. The Corporation may cancel the leases only for a cause. Revenues associated with these leases are recorded in the accompanying financial statements and related schedules within dwelling rent revenue.

*Revenues*
All of the Corporation's revenues are accrued. These revenues consist of user charges for rents, utilities, repairs, and other miscellaneous charges. Monies received from customers for security deposits are recorded as a liability upon receipt. Subsidies and grants, which finance current operations, are reported as operating revenues. Subsidies and grants, which finance capital operations, gain/loss on sale of fixed assets, and interest income/expense, are reported as non-operating revenues.

Revenues for government-mandated and voluntary exchange transactions are recorded when all applicable eligibility requirements, including time requirements, are met. Resources received before all eligibility requirements are met are reported as deferred inflows of resources or unearned revenues.

In accordance with GASB standards, for the fiscal year ended December 31, 2023, dwelling income and other rental related fees of $1,225,098 has been netted with collection losses of $-.

*Expenditures*
Expenditures are recognized when the liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the years purchased.

*Income Taxes*
The Corporation is exempt from federal income tax under Internal Revenue Code Section 501 (c)(3) and by California Revenue and Taxation Code Section 23701d. Contributions from donors qualify for income tax deductions.

We have evaluated tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the Corporation's continued qualification as a tax-exempt organization and whether there are unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not (>50%) of being sustained upon potential audit and/or examination; therefore, no disclosures of uncertain income tax positions are required.

We file informational returns in the U.S. federal jurisdiction, as well as the State of California.

*Net Position*
In the statement of net position, equity is classified as net position and displayed in three components: (1) Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any notes or other borrowings attributable to those capital assets. (2) Restricted net position consists of assets with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation. (3) Unrestricted net position – All other assets that do not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted net positions are available for use, generally it is our policy to use restricted resources first.

*Fair Value Measurements*
Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, and Level 3 inputs that have the lowest priority and consist of unobservable inputs for an asset or liability. The Corporation has no assets or liabilities measured at fair value.

*Implementation of New Accounting Principles*
The Corporation adopted the provisions of GASB Statement No. 87, Leases. The objective of this statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for leases, improving the comparability of financial statements among governments that have entered into leases, and enhancing the understandability, reliability, relevance, and consistency of information about leases.

*Subsequent Events*
We have evaluated subsequent events through August 7, 2024, the date the consolidated financial statements were available to be issued.

## NOTE 03 - RESTRICTED CASH AND EQUIVALENTS

As of December 31, 2023, our restricted cash and equivalents were comprised of the following:

| | | |
|---|---|---|
| Tenant security deposits | $ | 77,825 |
| Restricted cash with offsetting liabilities | | **77,825** |
| **Total Restricted Cash and Equivalents** | **$** | **77,825** |

## NOTE 04 - ACCOUNTS RECEIVABLE

Accounts receivable was comprised of the following as of December 31, 2023:

| | |
|---|---|
| Tenant receivables | $ 41,174 |
| Allowance for doubtful accounts - tenants | (796) |
| Net tenant receivables | 40,378 |
| | |
| Reimbursable costs | 3,277,791 |
| Net other receivables | 3,277,791 |
| | |
| **Net Accounts Receivable** | **$ 3,318,169** |

## NOTE 05 - CAPITAL ASSETS

A summary of the activity of our capital assets for the year ended December 31, 2023, is as follows:

| | 12/31/22 | Additions | Deletions | 12/31/23 |
|---|---|---|---|---|
| **Non-Depreciable** | | | | |
| Land | $ 5,078,239 | $ 224,886 | $ (105,600) | $ 5,197,525 |
| Construction in process | 9,643,354 | 7,008,273 | - | 16,651,627 |
| | 14,721,593 | 7,233,159 | (105,600) | 21,849,152 |
| | | | | |
| **Depreciable** | | | | |
| Buildings and improvements | 20,872,751 | 1,925,114 | - | 22,797,865 |
| Equipment and furnishings | 296,283 | 24,578 | - | 320,861 |
| | 21,169,034 | 1,949,692 | - | 23,118,726 |
| | | | | |
| Total acquisition costs | 35,890,627 | 9,182,851 | (105,600) | 44,967,878 |
| Accumulated depreciation | (4,904,072) | (978,204) | 95,206 | (5,787,070) |
| **Net Capital Assets** | **$ 30,986,555** | **$ 8,204,647** | **$ (10,394)** | **$ 39,180,808** |

## NOTE 06 - LONG-TERM LIABILITIES

Changes in long-term liabilities of the Corporation for the year ended December 31, 2023, are summarized below:

| | 12/31/22 | Additions | Reductions | 12/31/23 |
|---|---|---|---|---|
| Direct borrowings | $ 5,357,423 | $ - | $ (235,921) | $ 5,121,502 |

Direct borrowings were comprised of the following as of December 31, 2023:

| | Principal | Interest Payable |
|---|---|---|
| In March 1995, we entered into a note agreement with San Joaquin County Neighborhood Preservation. The face amount of the note was $252,528 and matures March 2025. The note carries an interest rate of 1.00% and calls for monthly payments of $812.23. The note is secured by the Mourfield property. | $ 12,234 | $ - |
| In December 2021, we entered into a note agreement with Farmers & Merchants Bank. The face amount of the note was $1,200,000 and matures December 2046. The note carries an interest rate of 3.38% and calls for monthly payments of $5,930.53. The note is secured by property located at Crossway. | 1,133,391 | - |
| In November 2020, we refinanced a note with Farmers & Merchants Bank. The face amount of the note was $142,089 and matures April 2031. The note carries an interest rate of 3.00% and calls for monthly payments of $1,325.87. The note is secured by property located at Park Street. | 104,718 | - |
| In November 2020, we refinanced a note with Farmers & Merchants Bank. The face amount of the note was $203,303 and matures April 2039. The note carries an interest rate of 3.00% and calls for monthly payments of $1,198.01. The note is secured by property located at 508 South Central Ave. | 177,083 | - |
| In May 2023, we refinanced a note agreement with Dignity Health. The face amount of the note was $3,850,000 and matures May 2033, at which time all unpaid principal and interest are due. The note carries an interest rate of 3.5% and calls for quarterly payments of $49,079.14. The note is secured by the Creekside South Apartments. | 3,656,425 | - |
| In January 2021, we entered into a note agreement with the Farmers & Merchants Bank. The face amount of the note was $203,000 and matures January 2041. The note carries an interest rate of 3.00% and calls for monthly payments of $1,108.91. The note is secured by property located at Washington Street. | 181,679 | - |
| **Total** | **$ 5,265,530** | **$ -** |

Aggregate maturities of debt are due in future years as follows for the years ended December 31:

| | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 144,028 | $ 176,796 | $ 320,824 |
| 2025 | 141,515 | 172,127 | 313,642 |
| 2026 | 143,690 | 167,386 | 311,076 |
| 2027 | 148,589 | 162,487 | 311,076 |
| 2028 | 153,642 | 157,434 | 311,076 |
| 2029 - 2033 | 3,590,456 | 656,376 | 4,246,832 |
| 2034 - 2038 | 372,107 | 122,138 | 494,245 |
| 2039 - 2043 | 336,705 | 61,832 | 398,537 |
| 2044 - 2048 | 234,798 | 10,739 | 245,537 |
| **Total** | **$ 5,265,530** | **$ 1,687,315** | **$ 6,952,845** |

## NOTE 07 - NET POSITION

Net investment in capital assets was comprised of the following as of yearend:

| | |
|---|---|
| Land | $ 5,197,525 |
| Construction in progress | 16,651,627 |
| Buildings and improvements | 22,797,865 |
| Euipment and furnishings | 320,861 |
| Less: | |
| Accumulated depreciation | (5,787,070) |
| Short-term capital debt obligations | (144,028) |
| Long-term capital debt obligations | (5,121,502) |
| **Net Investment in Capital Assets** | **$ 33,915,278** |

Restricted net position was comprised of the following as of yearend:

| | |
|---|---|
| Restricted cash and equivalents | $ 77,825 |
| Less: | |
| Tenant security deposit, contra | (77,825) |
| **Restricted Net Position** | **$ -** |

## NOTE 08 - BUSINESS RISK AND CONCENTRATIONS

*Risk Management*

We are exposed to various risk of losses related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. There were no claims more than commercial coverage during the previous three years. These losses include an estimate of claims that have been incurred but not reported. At December 31, 2023, there were no liabilities to be reported.

*Financial Instruments and Credit Risk*
The Corporation maintains cash balances at one financial institution. The Federal Deposit Insurance Corporation insures up to $250,000 per depositor, per insured bank, for each account ownership category.

*Interest Rate Risk*
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Our policy is to manage this exposure to declines in fair values by limiting the weighted average maturity of its investments portfolio.

As of December 31, 2023, our risk of changes in interest rates is minimal since the investments primarily consist of state sponsored investment pool funds which have stated interest rates.

*Credit Risk*
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is our policy to follow the HUD regulations by only having direct investments and investments through mutual funds to direct obligations, guaranteed obligations, or obligations of the agencies of the Unites States of America.

As of December 31, 2023, we mitigated exposure to credit risk by only investing in fully insured state investment pool funds.

*Custodial Credit Risk*
Custodial credit risk is the risk that in the event of a bank failure, our deposits may not be returned. Our policy for custodial credit risk requires collateral to be held in our name by its agent or by the bank's trust department.

As of December 31, 2023, none of our total bank balances were exposed to custodial credit risk.

## NOTE 09 - COMMITMENTS AND CONTINGENCIES

*Government Examination*
We have indirectly received funds from Federal grant programs passed through the Authority. It is possible that at some future date, it may be determined that we were not in compliance with applicable grant requirements. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined now, although we do not expect such disallowed amounts, if any, to materially affect the financial statements.

*Construction Contracts*
During the normal course of business, the Corporation is engaged in various construction contracts for development properties.

*Lessor*
The Corporation, as a lessor, has several office leases to various entities for office space. These leases expire on various dates through 2027. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease related inflows, recognized during the fiscal year-end was $69,305.

## NOTE 10 - RELATED PARTY TRANSACTIONS

*Management Fees*
The Corporation has no employees and as such, utilizes the resources of the Authority. Annually a budgeted amount is approved by management to pay for the cost of resources used by the Corporation.

For the year ended December 31, 2023, the Corporation was charged management fees of $30,470.

## NOTE 11 - CONDENSED COMBINING FINANCIAL STATEMENTS

*Combining Schedules – Blended Components*

| | Delta Community Developers Corporation | DCDC Center Street LLC | DCDC Creekside LLC | DCDC Housing First LLC |
|---|---|---|---|---|
| Cash and equivalents | $ 5,647,246 | $ 45,452 | $ 269,309 | $ 168,771 |
| Intercompany receivables | - | - | - | - |
| Other current assets | 3,353,751 | - | 15,624 | 2,763 |
| Total current assets | 9,000,997 | 45,452 | 284,933 | 171,534 |
| Net capital assets | 11,593,363 | - | 3,183,703 | 4,495,115 |
| Other non-current assets | 114,040 | - | - | - |
| Total assets | 20,708,400 | 45,452 | 3,468,636 | 4,666,649 |
| Deferred outflows of resources | - | - | - | - |
| **Total Assets and Deferred Outflows of Resources** | **$ 20,708,400** | **$ 45,452** | **$ 3,468,636** | **$ 4,666,649** |
| Intercompany payables | $ - | $ - | $ - | $ - |
| Other current liabilities | 721,271 | - | 112,025 | 7,662 |
| Total current liabilities | 721,271 | - | 112,025 | 7,662 |
| Total non-current liabilities | 1,465,077 | - | 3,656,425 | - |
| Total liabilities | 2,186,348 | - | 3,768,450 | 7,662 |
| Deferred inflows of resources | 110,357 | - | - | - |
| Net investment in capital assets | 9,984,258 | - | (472,722) | 4,495,115 |
| Restricted | - | - | - | - |
| Unrestricted | 8,427,437 | 45,452 | 172,908 | 163,872 |
| Total net position | 18,411,695 | 45,452 | (299,814) | 4,658,987 |
| **Total Liabilities, Deferred Inflows of Resources, and Net Position** | **$ 20,708,400** | **$ 45,452** | **$ 3,468,636** | **$ 4,666,649** |

| | DCDC Sonora Square LLC | DCDC Stand LLC | DCDC Victory Gardens LLC |
|---|---|---|---|
| Cash and equivalents | $ 108,674 | $ - | $ (11,574) |
| Intercompany receivables | - | - | - |
| Other current assets | - | - | - |
| Total current assets | 108,674 | - | (11,574) |
| Net capital assets | 397,000 | - | - |
| Other non-current assets | - | - | - |
| Total assets | 505,674 | - | (11,574) |
| Deferred outflows of resources | - | - | - |
| **Total Assets and Deferred Outflows of Resources** | **$ 505,674** | **$ -** | **$ (11,574)** |
| Intercompany payables | $ - | $ - | $ - |
| Other current liabilities | 32 | - | - |
| Total current liabilities | 32 | - | - |
| Total non-current liabilities | - | - | - |
| Total liabilities | 32 | - | - |
| Deferred inflows of resources | - | - | - |
| Net investment in capital assets | 397,000 | - | - |
| Restricted | - | - | - |
| Unrestricted | 108,642 | - | (11,574) |
| Total net position | 505,642 | - | (11,574) |
| **Total Liabilities, Deferred Inflows of Resources, and Net Position** | **$ 505,674** | **$ -** | **$ (11,574)** |

| | DCDC Cottage Village LLC | DCDC Calveras Quarters LLC | TOTAL |
|---|---|---|---|
| Cash and equivalents | $ (633) | $ 13,399,728 | $ 19,626,973 |
| Intercompany receivables | - | - | - |
| Other current assets | - | 99,801 | 3,471,939 |
| Total current assets | (633) | 13,499,529 | 23,098,912 |
| Net capital assets | 1,000,000 | 18,511,627 | 39,180,808 |
| Other non-current assets | - | - | 114,040 |
| Total assets | 999,367 | 32,011,156 | 62,393,760 |
| Deferred outflows of resources | - | - | - |
| **Total Assets and Deferred Outflows of Resources** | **$ 999,367** | **$ 32,011,156** | **$ 62,393,760** |
| Intercompany payables | $ - | $ - | $ - |
| Other current liabilities | - | 13,343,619 | 14,184,609 |
| Total current liabilities | - | 13,343,619 | 14,184,609 |
| Total non-current liabilities | - | - | 5,121,502 |
| Total liabilities | - | 13,343,619 | 19,306,111 |
| Deferred inflows of resources | - | - | 110,357 |
| Net investment in capital assets | 1,000,000 | 18,511,627 | 33,915,278 |
| Restricted | - | - | - |
| Unrestricted | (633) | 155,910 | 9,062,014 |
| Total net position | 999,367 | 18,667,537 | 42,977,292 |
| **Total Liabilities, Deferred Inflows of Resources, and Net Position** | **$ 999,367** | **$ 32,011,156** | **$ 62,393,760** |

| | Delta Community Developers Corporation | DCDC Center Street LLC | DCDC Creekside LLC | DCDC Housing First LLC |
|---|---|---|---|---|
| Operating revenues | $ 6,270,491 | $ - | $ 476,866 | $ 135,306 |
| Operating expenses | 1,344,737 | 920 | 415,008 | 333,873 |
| Operating income (loss) | 4,925,754 | (920) | 61,858 | (198,567) |
| Non-operating revenues (expenses) | 208,682 | 3 | (64,008) | 1 |
| Income (loss) before contributions and other items | 5,134,436 | (917) | (2,150) | (198,566) |
| Contributions, transfers, and other items | (1,108,120) | - | (30,854) | - |
| **Change in Net Position** | **$ 4,026,316** | **$ (917)** | **$ (33,004)** | **$ (198,566)** |
| Net position, beginning of year | $ 15,272,617 | $ 46,369 | $ (266,810) | $ 4,857,553 |
| Change in net position | 4,026,316 | (917) | (33,004) | (198,566) |
| Prior-period restatements | (887,238) | - | - | - |
| Equity transfers | - | - | - | - |
| **Net Position, End of Year** | **$ 18,411,695** | **$ 45,452** | **$ (299,814)** | **$ 4,658,987** |

| | DCDC Sonora Square LLC | DCDC Stand LLC | DCDC Victory Gardens LLC |
|---|---|---|---|
| Operating revenues | $ - | $ - | $ - |
| Operating expenses | 6,735 | - | 9,369 |
| Operating income (loss) | (6,735) | - | (9,369) |
| Non-operating revenues (expenses) | - | - | - |
| Income (loss) before contributions and other items | (6,735) | - | (9,369) |
| Contributions, transfers, and other items | - | - | - |
| **Change in Net Position** | **$ (6,735)** | **$ -** | **$ (9,369)** |
| Net position, beginning of year | $ 512,377 | $ - | $ (2,205) |
| Change in net position | (6,735) | - | (9,369) |
| Prior-period restatements | - | - | - |
| Equity transfers | - | - | - |
| **Net Position, End of Year** | **$ 505,642** | **$ -** | **$ (11,574)** |

| | DCDC Cottage Village LLC | DCDC Calveras Quarters LLC | TOTAL |
|---|---|---|---|
| Operating revenues | $ - | $ 7,247,755 | $ 14,130,418 |
| Operating expenses | - | 87,439 | 2,198,081 |
| Operating income (loss) | - | 7,160,316 | 11,932,337 |
| Non-operating revenues (expenses) | - | 507,338 | 652,016 |
| Income (loss) before contributions and other items | - | 7,667,654 | 12,584,353 |
| Contributions, transfers, and other items | - | - | (1,138,974) |
| **Change in Net Position** | **$ -** | **$ 7,667,654** | **$ 11,445,379** |
| Net position, beginning of year | $ 999,367 | $ 10,904,675 | $ 32,323,943 |
| Change in net position | - | 7,667,654 | 11,445,379 |
| Prior-period restatements | - | 95,208 | (792,030) |
| Equity transfers | - | - | - |
| **Net Position, End of Year** | **$ 999,367** | **$ 18,667,537** | **$ 42,977,292** |

| | Delta Community Developers Corporation | DCDC Center Street LLC | DCDC Creekside LLC | DCDC Housing First LLC |
|---|---|---|---|---|
| Net cash from operating activities | $ 1,908,736 | $ (920) | $ 46,080 | $ (194,423) |
| Net cash from capital and related financing activities | (1,410,172) | - | 93,581 | 237,392 |
| Net cash from non-capital financing activities | - | - | - | - |
| Net cash from investing activities | 342,537 | 3 | 4 | 1 |
| Net change in cash | 841,101 | (917) | 139,665 | 42,970 |
| Cash at beginning of period | 4,806,145 | 46,369 | 129,644 | 125,801 |
| **Cash at End of Period** | **$ 5,647,246** | **$ 45,452** | **$ 269,309** | **$ 168,771** |

| | DCDC Sonora Square LLC | DCDC Stand LLC | DCDC Victory Gardens LLC |
|---|---|---|---|
| Net cash from operating activities | $ (8,294) | $ - | $ (9,369) |
| Net cash from capital and related financing activities | - | - | - |
| Net cash from non-capital financing activities | - | - | - |
| Net cash from investing activities | - | - | - |
| Net change in cash | (8,294) | - | (9,369) |
| Cash at beginning of period | 116,968 | - | (2,205) |
| **Cash at End of Period** | **$ 108,674** | **$ -** | **$ (11,574)** |

| | DCDC Cottage Village LLC | DCDC Calveras Quarters LLC | TOTAL |
|---|---|---|---|
| Net cash from operating activities | $ - | $ 1,104,676 | $ 2,846,486 |
| Net cash from capital and related financing activities | - | (7,008,273) | (8,087,472) |
| Net cash from non-capital financing activities | - | - | - |
| Net cash from investing activities | - | 507,338 | 849,883 |
| Net change in cash | - | (5,396,259) | (4,391,103) |
| Cash at beginning of period | (633) | 18,795,987 | 24,018,076 |
| **Cash at End of Period** | **$ (633)** | **$ 13,399,728** | **$ 19,626,973** |

*Combining Schedules - Discrete Components:*

| | Stockton Sierra Vista I LP | Stockton Sierra Vista II LP | Victory Gardens LP | TOTAL |
|---|---|---|---|---|
| Cash and equivalents | $ 1,183,484 | $ 2,021,587 | $ 3,539,234 | $ 6,744,305 |
| Other current assets | 138,846 | 29,718 | 78,625 | 247,189 |
| Total current assets | 1,322,330 | 2,051,305 | 3,617,859 | 6,991,494 |
| Net capital assets | 29,895,194 | 32,946,884 | 20,907,525 | 83,749,603 |
| Other non-current assets | 195,683 | 200,345 | 110,292 | 506,320 |
| **Total Assets** | **$ 31,413,207** | **$ 35,198,534** | **$ 24,635,676** | **$ 91,247,417** |
| Current liabilities | $ 955,635 | $ 561,222 | $ 198,199 | $ 1,715,056 |
| Non-current liabilities | 12,821,771 | 13,964,135 | 10,182,385 | 36,968,291 |
| Total liabilities | 13,777,406 | 14,525,357 | 10,380,584 | 38,683,347 |
| Net investment in capital assets | 17,073,423 | 18,982,749 | 11,003,523 | 47,059,695 |
| Restricted | - | - | - | - |
| Unrestricted | 562,378 | 1,690,428 | 3,251,569 | 5,504,375 |
| Total net position | 17,635,801 | 20,673,177 | 14,255,092 | 52,564,070 |
| **Total Liabilities and Net Position** | **$ 31,413,207** | **$ 35,198,534** | **$ 24,635,676** | **$ 91,247,417** |

| | Stockton Sierra Vista I LP | Stockton Sierra Vista II LP | Victory Gardens LP | TOTAL |
|---|---|---|---|---|
| Operating revenues | $ 1,822,712 | $ 1,719,624 | $ 496,033 | $ 4,038,369 |
| Operating expenses | 2,284,495 | 2,321,486 | 1,498,732 | 6,104,713 |
| Operating income (loss) | (461,783) | (601,862) | (1,002,699) | (2,066,344) |
| Non-operating revenues (expenses) | (649,877) | (642,319) | (846,863) | (2,139,059) |
| Income (loss) before contributions and other items | (1,111,660) | (1,244,181) | (1,849,562) | (4,205,403) |
| Contributions, transfers, and other items | - | 879,961 | 14,812,137 | 15,692,098 |
| **Change in Net Position** | **$ (1,111,660)** | **$ (364,220)** | **$ 12,962,575** | **$ 11,486,695** |
| Net position, beginning of year | $ 18,747,461 | $ 21,037,397 | $ 1,292,517 | $ 41,077,375 |
| Change in net position | (1,111,660) | (364,220) | 12,962,575 | 11,486,695 |
| Prior-period restatements | - | - | - | - |
| Equity transfers | - | - | - | - |
| **Net Position, End of Year** | **$ 17,635,801** | **$ 20,673,177** | **$ 14,255,092** | **$ 52,564,070** |