

## **Bay Area Housing Corporation and Affiliates**

Consolidated Financial Statements  
and Supplementary Information  
and Other Audit Report

June 30, 2025  
(With Comparative Totals for 2024)



## TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 3
Consolidated Statement of Financial Position	4 - 5
Consolidated Statement of Activities	6
Consolidated Statement of Functional Expenses	7
Consolidated Statement of Cash Flows	8 - 9
Notes to Consolidated Financial Statements	10 - 28
Supplementary Information	
Consolidating Statement of Financial Position	30 - 31
Consolidating Statement of Activities	32
Other Audit Report	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34 - 35



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Bay Area Housing Corporation and Affiliates

### **Opinion**

We have audited the accompanying consolidated financial statements of Bay Area Housing Corporation and Affiliates (collectively, the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bay Area Housing Corporation and Affiliates as of June 30, 2025, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Organization 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 these 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 the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* 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, including omissions, 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 the Organization'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.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information on pages 30 - 32 is presented for purposes of additional analysis 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2026, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

### **Report on Summarized Comparative Information**

We have previously audited the Organization's 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 13, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

San Jose, California

January 30, 2026

Bay Area Housing Corporation and Affiliates  
Consolidated Statement of Financial Position  
June 30, 2025  
(With Comparative Totals for 2024)

	2025	2024
ASSETS		
Current assets		
Cash	\$ 2,094,747	\$ 1,599,349
Restricted cash	144,929	180,603
Short-term investments	433,280	422,297
Accounts receivable	227,862	426,830
Contributions and grants receivable	-	4,747
Note receivable - West Bay Housing Corporation, current portion	-	6,999
Prepaid expenses and deposits	59,710	54,534
Total current assets	2,960,528	2,695,359
Property and equipment, net	62,888,224	61,603,333
Other assets		
Housing predevelopment funds	253,541	246,515
Replacement reserves	1,366,006	1,431,364
Operating reserve	54,181	66,969
Surplus funds reserve	692,109	749,071
Debt service reserve	4,280,109	4,280,109
Total other assets	6,645,946	6,774,028
Total assets	\$ 72,494,698	\$ 71,072,720

The accompanying notes are an integral part of these consolidated financial statements.

Bay Area Housing Corporation and Affiliates  
Consolidated Statement of Financial Position  
June 30, 2025  
(With Comparative Totals for 2024)

	2025	2024
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 205,144	\$ 71,068
Deferred revenue	380,186	379,042
CHFFA bonds payable, current portion	1,925,121	3,910,755
Mortgages and notes payable, current portion	213,643	201,496
Accrued interest, current portion	10,000	10,000
Total current liabilities	2,734,094	4,572,361
<b>Long-term liabilities</b>		
CHFFA bonds payable, net of current portion	-	1,783,874
Mortgages and notes payable, net of current portion	10,649,204	10,851,811
Accrued interest, net of current portion	445,521	415,501
Total long-term liabilities	11,094,725	13,051,186
Total liabilities	13,828,819	17,623,547
<b>Net assets</b>		
<b>Without donor restrictions</b>		
Operating fund	1,775,720	1,630,666
Restricted deposits and reserves	6,392,405	6,527,513
Property and equipment fund	41,147,302	37,267,231
Total without donor restrictions	49,315,427	45,425,410
<b>With donor restrictions</b>		
Home modification fund	143,958	182,083
Housing predevelopment fund	253,541	253,514
Property and equipment fund	8,952,953	7,588,166
Total with donor restrictions	9,350,452	8,023,763
Total net assets	58,665,879	53,449,173
Total liabilities and net assets	\$ 72,494,698	\$ 71,072,720

The accompanying notes are an integral part of these consolidated financial statements.

Bay Area Housing Corporation and Affiliates  
Consolidated Statement of Activities  
For the Year Ended June 30, 2025  
(With Comparative Totals for 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
Revenue, support, and gains				
Rental income	\$ 6,241,106	\$ -	\$ 6,241,106	\$ 6,051,506
Property management income	1,589,803	-	1,589,803	1,455,375
Contributions and grants	1,004,340	1,544,300	2,548,640	2,341,460
Special events	-	-	-	55,511
Other income	6,800	-	6,800	6,800
Interest income	95,487	27	95,514	100,082
Net assets released from restriction	<u>217,638</u>	<u>(217,638)</u>	<u>-</u>	<u>-</u>
Total revenue, support, and gains	<u>9,155,174</u>	<u>1,326,689</u>	<u>10,481,863</u>	<u>10,010,734</u>
Functional expenses				
Program services				
Project development	434,143	-	434,143	363,118
Property management	4,361,632	-	4,361,632	4,227,235
Community programs	<u>110,739</u>	<u>-</u>	<u>110,739</u>	<u>124,330</u>
Total program services	<u>4,906,514</u>	<u>-</u>	<u>4,906,514</u>	<u>4,714,683</u>
Support services				
Management and general	304,670	-	304,670	344,378
Fundraising	<u>53,973</u>	<u>-</u>	<u>53,973</u>	<u>83,165</u>
Total support services	<u>358,643</u>	<u>-</u>	<u>358,643</u>	<u>427,543</u>
Total functional expenses	<u>5,265,157</u>	<u>-</u>	<u>5,265,157</u>	<u>5,142,226</u>
Change in net assets	3,890,017	1,326,689	5,216,706	4,868,508
Net assets, beginning of year	<u>45,425,410</u>	<u>8,023,763</u>	<u>53,449,173</u>	<u>48,580,665</u>
Net assets, end of year	<u>\$ 49,315,427</u>	<u>\$ 9,350,452</u>	<u>\$ 58,665,879</u>	<u>\$ 53,449,173</u>

The accompanying notes are an integral part of these consolidated financial statements.

Bay Area Housing Corporation and Affiliates  
Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2025  
(With Comparative Totals for 2024)

	Program Services				Support Services		2025 Total	2024 Total
	Project Development	Property Management	Community Programs	Total Program Services	Management and General	Fundraising		
Personnel expenses								
Salaries	\$ 345,375	\$ 289,630	\$ 46,375	\$ 681,380	\$ 168,199	\$ 38,623	\$ 888,202	\$ 742,172
Payroll taxes and benefits	44,814	71,096	8,236	124,146	22,362	4,625	151,133	128,051
Total personnel expenses	<u>390,189</u>	<u>360,726</u>	<u>54,611</u>	<u>805,526</u>	<u>190,561</u>	<u>43,248</u>	<u>1,039,335</u>	<u>870,223</u>
Interest	-	1,044,398	-	1,044,398	598	-	1,044,996	1,236,885
Depreciation	-	1,215,621	-	1,215,621	-	-	1,215,621	1,152,224
Property management	-	1,243,064	27,868	1,270,932	-	-	1,270,932	1,145,658
Property taxes	-	359,980	-	359,980	-	-	359,980	314,244
Professional services	-	66,000	8,740	74,740	77,721	7,250	159,711	214,632
Rent	10,810	15,916	3,002	29,728	5,405	901	36,034	35,794
Marketing and outreach	7,833	11,532	8,301	27,666	3,916	653	32,235	33,721
Insurance	5,461	21,590	1,516	28,567	9,504	455	38,526	33,652
Office expense	6,552	10,162	1,820	18,534	3,276	546	22,356	33,114
Travel and conferences	2,475	3,778	3,161	9,414	1,465	207	11,086	31,035
Telephone	5,661	8,334	1,572	15,567	2,971	472	19,010	18,435
Fundraising expenses	-	-	-	-	-	-	-	11,993
California LLC taxes	-	-	-	-	7,600	-	7,600	7,600
Taxes and licenses	305	531	85	921	1,653	241	2,815	1,857
Miscellaneous	4,857	-	63	4,920	-	-	4,920	669
Utilities	-	-	-	-	-	-	-	490
	<u>\$ 434,143</u>	<u>\$ 4,361,632</u>	<u>\$ 110,739</u>	<u>\$ 4,906,514</u>	<u>\$ 304,670</u>	<u>\$ 53,973</u>	<u>\$ 5,265,157</u>	<u>\$ 5,142,226</u>
Percentage of total	<u>8.2 %</u>	<u>82.8 %</u>	<u>2.1 %</u>	<u>93.1 %</u>	<u>5.8 %</u>	<u>1.0 %</u>	<u>100 %</u>	

The accompanying notes are an integral part of these consolidated financial statements.

Bay Area Housing Corporation and Affiliates  
Consolidated Statement of Cash Flows  
For the Year Ended June 30, 2025  
(With Comparative Totals for 2024)

	2025	2024
Cash flows from operating activities		
Change in net assets	\$ 5,216,706	\$ 4,868,508
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Grants revenue restricted for purchase of property and equipment	(1,544,300)	(1,030,880)
Depreciation	1,215,621	1,152,224
Amortization of debt issuance costs	178,852	177,532
Changes in operating assets and liabilities		
Accounts receivable	198,968	(53,406)
Contributions and grants receivable	4,747	35,000
Prepaid expenses and deposits	(5,176)	9,420
Accounts payable and accrued expenses	134,077	27,152
Deferred revenue	1,144	(61,207)
Accrued interest	30,020	(59,980)
Net cash provided by operating activities	5,430,659	5,064,363
Cash flows from investing activities		
Purchase of property and equipment	(2,500,512)	(2,682,410)
Payments received on notes receivable - WBHC	6,999	37,821
Purchase of investments	(10,983)	(422,297)
Net cash used in investing activities	(2,504,496)	(3,066,886)
Cash flows from financing activities		
Payment for debt issuance costs	-	(58,269)
Proceeds from mortgages and notes payable	-	1,166,747
Payments on mortgages and notes payable	(201,866)	(178,968)
Payments on bonds payable	(3,936,955)	(3,687,473)
Cash received from grants restricted for purchase of property and equipment	1,544,300	1,030,880
Net cash used in financing activities	(2,594,521)	(1,727,083)
Net increase in cash	331,642	270,394
Cash and restricted cash, beginning of year	8,553,980	8,283,586
Cash and restricted cash, end of year	\$ 8,885,622	\$ 8,553,980

The accompanying notes are an integral part of these consolidated financial statements.

Bay Area Housing Corporation and Affiliates  
Consolidated Statement of Cash Flows  
For the Year Ended June 30, 2025  
(With Comparative Totals for 2024)

	2025	2024
Cash and restricted cash consisted of the following:		
Cash	\$ 2,094,747	\$ 1,599,349
Restricted cash	144,929	180,603
Housing predevelopment funds	253,541	246,515
Replacement reserves	1,366,006	1,431,364
Operating reserve	54,181	66,969
Surplus funds reserve	692,109	749,071
Debt service reserve	4,280,109	4,280,109
	\$ 8,885,622	\$ 8,553,980

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 903,426	\$ 1,193,987
--	------------	--------------

The accompanying notes are an integral part of these consolidated financial statements.

Bay Area Housing Corporation and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2025  
(With Comparative Totals for 2024)

1. NATURE OF ACTIVITIES

Bay Area Housing Corporation ("BAHC"), a California nonprofit corporation, was established in April 2003 in response to the need for alternative housing solutions for the individuals being displaced by the closure of Agnews Developmental Center.

The mission is to develop and maintain housing, scattered within the community, which would provide a safe, supportive environment for people with intellectual and developmental disabilities.

BAHC's history

In cooperation with the Department of Developmental Services, San Andreas Regional Center ("SARC") and Golden Gate Regional Center ("GGRC"), BAHC has developed a well-respected housing organization with a financially sustainable portfolio.

BAHC currently owns 53 scattered site, single family homes in the Bay Area. Homes will provide PERMANENT housing opportunities for a vulnerable and often invisible part of its Community. Current capacity provides specialized housing for up to 214 individuals at any one time. Over the years, BAHC's homes have been a safe, supportive home for an estimated 400 people, and will continue to be a community resource into the future.

Casa Milagro

In 2007, BAHC formed a limited liability company, Casa Milagro, LLC. This LLC holds the 32 homes acquired under the Bay Area Housing Plan, between 2003 and 2011. These properties were refinanced with a 15-year bond issued in 2011 (see Note 8).

Mas Milagros

In 2010, BAHC formed another limited liability company, Mas Milagro, LLC. This LLC holds 4 properties, acquired between 2011 and 2015. These properties have "forgivable" loans from the City and County of Santa Clara, and are encumbered by restrictive covenants. Simple interest is accrued. Annual payments against interest are made in accordance with terms (see Note 9).

Community Placement Plan ("CPP") properties

CPP holds 17 properties acquired under the Community Placement Plan, between fiscal 2016 and 2025. These properties are financed with a combination of grants from the State of California and commercial loans. In fiscal 2024-25, BAHC acquired a multi-unit property in San Jose, fulfilling a CPP contract for San Andreas Regional Center. Renovations are in progress at year end.

BAHC, Casa Milagro, Mas Milagro and CPP properties are collectively referred as the "Organization".

Bay Area Housing Corporation and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2025  
(With Comparative Totals for 2024)

1. NATURE OF ACTIVITIES (continued)

Primary sources of revenues

The Organization's primary sources of revenue are rental income from the 53 homes and associated property management fees. Long-term lease agreements have been entered into with tenants (Service Providers) sponsored by SARC and paid with state appropriate funds. These funds are obligated under state law to provide services to people with developmental disabilities. The Organization also earns developer fees for managing the acquisition and renovations of CPP contract projects.

Fundraising for community programs

In fiscal 2021-22, the Organization increased fundraising activities, raising money specifically intended to assist low-income individuals with intellectual and developmental disabilities ("IDD") who require modifications to their home to improve quality of life. This program is referred to as Making Homes Work.

In fiscal 2022-23, the Organization invested in the development of another community program, referred to as the Legacy Home Program. This program helps families plan for the long-term housing needs of loved ones with IDD, while creating more affordable housing in the Community.

In fiscal 2023-24, the Organization hired a full time program manager to launch the community programs and focus on promoting and fulfilling the mission.

In fiscal 2024-25 the Organization put the raised funds to work. The program, referred to as Making Homes Work, was able to improve the lives of seven families by funding quality of life modifications to their homes.

In general

Since its inception, the Organization has sustained an experienced, supportive Board of Directors consisting primarily of parents of children with developmental disabilities.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code.

Bay Area Housing Corporation and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2025  
(With Comparative Totals for 2024)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Not-for-profits that: 1) have a majority of voting interest; 2) have economic interest; and 3) exercise economic control over a related entity, are required to consolidate their financial statements. Casa Milagro, LLC and Mas Milagros, LLC meet the above criteria and are consolidated into the BAHC's financial statements. The two LLCs, of which BAHC is the sole member, are California limited liability companies operated exclusively to further the tax exempt charitable purposes of BAHC. All significant intercompany transactions have been eliminated.

Method of accounting

The Organization prepares its consolidated financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of presentation

The Organization reports information regarding its consolidated financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net assets without donor restrictions* - include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization.
- *Net assets with donor restrictions* - include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the year end of the current reporting year (see Note 12). Net assets held in perpetuity include those assets which are subject to a non-expiring donor restriction, such as endowments. There are no net assets held in perpetuity as of June 30, 2025 and 2024.

Use of estimates

The presentation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include the expected useful lives of property and equipment, and the determination of functional expense allocations.

Bay Area Housing Corporation and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2025  
(With Comparative Totals for 2024)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash consists of cash on hand and cash in demand deposit accounts. Not included in cash are funds restricted as to their use, regardless of their liquidity. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. The Organization's cash balance included no cash equivalents as of June 30, 2025 and 2024.

The Organization maintains its cash in bank deposit accounts which exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Restricted cash

Restricted cash consists of cash held for the Making Homes Work projects (home modification program) of BAHC.

Short-term investments

Short-term investments consists of certificates of deposit held with an original maturity within a year.

Receivables and allowance for credit losses

The Organization maintains an allowance for credit losses for uncollectible receivables. The allowance for credit losses is estimated based on historical collection trends, the age of outstanding receivables and the Organization's assessment of current conditions and reasonable and supportable expectation of future economic conditions. Accounts are monitored by management on an ongoing basis and are written off by the Organization when it has been determined that all available collection avenues have been exhausted. There was no allowance for credit losses as of June 30, 2025 and 2024.

Property and equipment

All property and equipment are stated at cost, or if donated, recorded as support at the estimated fair value at the time of donation. Major improvements or additions over \$2,500 are capitalized. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Bay Area Housing Corporation and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2025  
(With Comparative Totals for 2024)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Land improvements	15 - 20 years
Buildings and building improvements	40 years
Furniture and fixtures	5 years

Impairment of long-lived assets

The Organization reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of June 30, 2025 and 2024, there were no events or changes in circumstances indicating that the carrying amount of property and equipment may not be recoverable.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of the debt issuance costs is calculated using the straight-line method, which approximates the effective interest method and is reported as a component of interest expense.

Contributions and grants

Contributions and grants are recorded as revenue without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restriction. Contributions and grants with donor restrictions are reported as an increase in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions and grants are recognized. Contributions and grants including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional, which is when donor stipulated barriers are overcome and the Organization is entitled to the assets transferred or promised. There were no conditional contributions and grants as of June 30, 2025.

Bay Area Housing Corporation and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2025  
(With Comparative Totals for 2024)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The Organization follows the following steps to determine revenue recognition for program income including property management:

- Identifying the contract(s) with a customer,
- Identifying the performance obligations in the contract(s),
- Determining the transaction price,
- Allocating the transaction price to the performance obligations in the contract(s), and
- Recognizing revenue when, or as, the Organization satisfies a performance obligation.

Retirement plan

The Organization has a Simple IRA retirement plan, which covers substantially all full-time employees. The Organization contributes up to 3% of an eligible employee's gross salary. The contribution for the years ended June 30, 2025 and 2024 was \$19,258 and \$16,851, respectively.

Functional expense allocations

Directly identifiable expenses are charged to program and support services. Expenses related to more than one function are charged to programs and support services on the basis of salary expense. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income tax status

U.S. GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns and its state limited liability company tax returns are more likely than not to be sustained upon examination.

The Organization files information returns in the U.S. federal jurisdiction and state of California. The Organization's federal returns for the previous 3 years remain subject to possible examination by the Internal Revenue Service. The Organization's California returns for the previous 4 years remain subject to possible examination by the Franchise Tax Board.

Bay Area Housing Corporation and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2025  
(With Comparative Totals for 2024)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Summarized comparative information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or functional revenue and expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2024 consolidated financial statements to conform with the presentation in the current year's consolidated financial statements. These reclassifications had no effect on total assets, liabilities, net assets, or the change in net assets as previously reported.

Subsequent events

Management has evaluated events and transactions subsequent to June 30, 2025 for potential recognition or disclosure in the consolidated financial statements. The Organization did not have subsequent events that required recognition or disclosure in the consolidated financial statements as of and for the year ended June 30, 2025. Subsequent events have been evaluated through the date the consolidated financial statements became available to be issued, January 30, 2026.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of the Organization's liquidity management, it structures its financial assets to be available as its operating expenditures, liabilities, and other obligations come due.

To meet liquidity needs, the Organization maintains adequate levels of cash and cash equivalents available. Accounts receivable that are considered current expected to be collected within one year.

In addition, the Organization maintains funds in reserves for operating and replacement accounts. These funds are used for the benefit of the tenants (Service Providers) and/or the Organization. Such funds are not considered by the Organization to have donor restrictions. If there are emergency replacements and repairs that cannot be covered by operating cash, the Organization can request funds to be temporarily released from the reserve accounts. Funds will then be returned back to the reserve accounts once operating cash becomes available.

Bay Area Housing Corporation and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2025  
(With Comparative Totals for 2024)

3. LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2025 and 2024 to fund general expenditures and other obligations when they become due:

	2025	2024
Financial assets		
Cash	\$ 2,094,747	\$ 1,599,349
Restricted cash	144,929	180,603
Short-term investments	433,280	422,297
Accounts receivable	227,862	426,830
Contributions and grants receivable	-	4,747
Note receivable - West Bay Housing Corporation	-	6,999
Housing predevelopment funds	253,541	246,515
	3,154,359	2,887,340
Less: amounts unavailable to meet cash needs for general expenditures		
Funds subject to purpose restriction - Home modification fund	(143,958)	(182,083)
Funds subject to purpose restriction - Housing predevelopment fund	(253,541)	(253,514)
	(397,499)	(435,597)
	\$ 2,756,860	\$ 2,451,743

4. NOTE RECEIVABLE

West Bay Housing Corporation

In July 2009, the Organization advanced \$500,000 to West Bay Housing Corporation ("WBHC") per authorization of the Steering Committee of the Bay Area Housing Plan ("BAHP") for the purchase of properties pursuant to the Bay Area Housing Plan. The source of the funds is the SARC housing predevelopment advance (see Note 7). The advance to WBHC is subject to the conditions established in a promissory note agreement between WBHC and the Organization dated July 20, 2009. Monthly payments of principal and interest of \$3,513 were due through July 2024 at an interest rate of 3.25% per annum. The balance of the note receivable from WBHC was \$0 and \$6,999 as of June 30, 2025 and 2024, respectively. Interest earned and received for the years ended June 30, 2025 and 2024 totaling \$27 and \$826, respectively, was restricted for related predevelopment expenses.

Bay Area Housing Corporation and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2025  
(With Comparative Totals for 2024)

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2025	2024
Land	\$ 27,382,553	\$ 26,932,553
Land improvements	897,608	880,408
Buildings and building improvements	47,031,076	45,697,511
Furniture and fixtures	17,826	17,826
Construction in progress	<u>2,870,764</u>	<u>2,171,017</u>
	78,199,827	75,699,315
Accumulated depreciation	<u>(15,311,603)</u>	<u>(14,095,982)</u>
	<u><u>\$ 62,888,224</u></u>	<u><u>\$ 61,603,333</u></u>

Depreciation expense for the years ended June 30, 2025 and 2024 was \$1,215,621 and \$1,152,224, respectively.

6. RESTRICTED DEPOSITS AND RESERVES

Housing predevelopment funds

The Organization holds housing predevelopment funds available for disbursement. The balance as of June 30, 2025 and 2024 was \$253,541 and \$246,515, respectively (see Note 7).

Replacement reserves

The Organization is required to maintain reserves for capital improvements, maintenance, repair and replacement of major components of its properties, to be funded on a monthly basis at varying rates per property ranging from \$2,400 to \$12,000 per year. Disbursements from the replacement reserves require prior approval from the lender and/or SARC.

The replacement reserves activity detail is as follows:

	2025	2024
Balance, beginning of year	\$ 1,431,364	\$ 1,448,754
Monthly funding and interest earned	238,394	246,703
Authorized withdrawals	<u>(303,752)</u>	<u>(264,093)</u>
Balance, end of year	<u><u>\$ 1,366,006</u></u>	<u><u>\$ 1,431,364</u></u>

Bay Area Housing Corporation and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2025  
(With Comparative Totals for 2024)

6. RESTRICTED DEPOSITS AND RESERVES (continued)

Replacement reserves (continued)

Interest earned during the years ended June 30, 2025 and 2024 was \$15,016 and \$14,653, respectively.

Operating reserve

The Organization acquired a property located at 455 Cypress Avenue in San Jose by assuming the seller's outstanding loans on the property and carried operating reserves along with the loans. The balance as of June 30, 2025 and 2024 was \$54,181 and \$66,969, respectively.

Surplus funds reserve

The surplus funds reserve, also known as the prepayment account, represents the accumulation of funds from rents which proved to be higher than the property taxes they were meant to pay. Currently the Organization uses the surplus funds reserve to pay two types of expenses: (1) maintenance and repair expenses as provided for in the November 2016 BAHM HOMES: Policies and Procedures for Maintenance Services and Repairs; and (2) certain professional fees and bank charges associated with Casa Milagro's ownership of 32 BAHM properties. The balance in the surplus funds reserve amounted to \$692,109 and \$749,071, as of June 30, 2025 and 2024, respectively.

Debt service reserve

Concurrent with the bond refinancing (see Note 8), \$4,269,387 was deposited to a debt service reserve fund held in trust by the bond trustee. The reserve is part of the bond reserve account, which includes three non-profit organizations. Due to the uncertainty of the ownership of the earnings from the reserve, the Organization doesn't record the interest. It will be determined when the bond is due in February 2026. As of June 30, 2025 and 2024, the debt service reserve was \$4,280,109 and \$4,280,109, respectively.

7. HOUSING PREDEVELOPMENT FUND ADVANCE

SARC made available a fund, originally in the amount of \$3,360,672, to be used for housing predevelopment costs as outlined in a Bay Area Housing Plan agreement, in which BAHM is the trustee of. The funds were primarily lent out for the development of housing and repaid with interest. During the year ended June 30, 2018, all funds less authorized expenditures were repaid to SARC after the plan was fully implemented. All interest earned is restricted for housing predevelopment purposes and included in the net assets with donor restrictions balance (see Notes 4 and 12).

Bay Area Housing Corporation and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2025  
(With Comparative Totals for 2024)

7. HOUSING PREDEVELOPMENT FUND ADVANCE (continued)

The fund balance detail is as follows:

	2025	2024
Fund assets		
Note receivable - West Bay Housing Corporation	\$ -	\$ 6,999
Housing predevelopment funds	253,541	246,515
	\$ 253,541	\$ 253,514
Fund net assets		
Net assets with donor restrictions - housing predevelopment fund interest income	\$ 253,541	\$ 253,514
	\$ 253,541	\$ 253,514

8. CHFFA BONDS PAYABLE

The Organization refinanced its indebtedness on 32 homes under a loan agreement dated February 1, 2011 between Casa Milagro, LLC and California Health Facilities Financing Authority ("CHFFA"), a public instrumentality of the State of California, using proceeds allocated from its issuance of Tax-Exempt Series 2011A and Taxable Series 2011B Insured Revenue Bonds (Community Program for Persons with Developmental Disabilities), pursuant to the Bay Area Housing Plan. The total amount allocated to Casa Milagro, LLC net of premium and discount was \$41,610,258. The bond debt is fully amortizable over a fifteen-year term with payments of principal and interest due monthly in the amount of \$359,130 through February 1, 2026. Interest rates range from 2.12% in year one to 7.88% in year fifteen. The loan is secured by the underlying properties.

CHFFA bonds payable consisted of the following:

	2025	2024
CHFFA bonds payable	\$ 2,019,285	\$ 5,930,039
Unamortized bond premium and discount, net	17,467	43,668
Unamortized debt issuance cost	(111,631)	(279,078)
	1,925,121	5,694,629
Less: current portion	(1,925,121)	(3,910,755)
	\$ -	\$ 1,783,874

Interest expense on the CHFFA bonds for the years ended June 30, 2025 and 2024 was \$372,607 and \$622,090, respectively. Amortization of debt issuance costs on the CHFFA bonds for the years ended June 30, 2025 and 2024 was \$167,447 and \$167,447, respectively.

Bay Area Housing Corporation and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2025  
(With Comparative Totals for 2024)

9. MORTGAGES AND NOTES PAYABLE

Mortgages and notes payable are detailed as follows:

	2025	2024
<p>City of Santa Clara RDA note (2010) - The Organization assumed debt with the City of Santa Clara Redevelopment Agency through a loan assignment and assumption agreement dated November 9, 2010, in exchange for property acquired from Bracher HDC, Inc. The note accrues simple interest at the rate of 2% per annum. Payments of \$10,000 are due annually starting on December 1, 2015, to be applied to accrued and current interest first. All unpaid principal and interest is due at maturity on August 1, 2033.</p>	\$ 1,246,000	\$ 1,246,000
<p>City of Santa Clara RDA loan (2012) - Mas Milagros, LLC ("Mas") assumed a note with the City of Santa Clara Redevelopment Agency through a loan assignment and assumption agreement dated August 28, 2012, in exchange for property acquired from Senior Housing Solutions. The note, bearing no interest, is due at maturity on August 31, 2065.</p>	393,858	393,858
<p>City of Santa Clara HOME loan - Mas Milagros, LLC assumed a note with the City of Santa Clara through a loan assignment and assumption agreement dated August 28, 2012, in exchange for property acquired from Senior Housing Solutions. The note, bearing no interest, is due at maturity on July 13, 2030. As long as the property continues to be used to provide affordable housing and services to extremely low income persons with developmental disabilities, no repayment is required to the City.</p>	488,244	488,244

Bay Area Housing Corporation and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2025  
(With Comparative Totals for 2024)

9. MORTGAGES AND NOTES PAYABLE (continued)

	2025	2024
<p>County of Santa Clara HOME loan - Mas Milagros, LLC assumed a note with the County of Santa Clara through a loan assignment and assumption agreement dated August 21, 2012, in exchange for property acquired from Senior Housing Solutions. The note, bearing 3% interest, is due at maturity on July 13, 2065. Payments of principal and interest are contingent on the availability of residual receipts as defined in the note. Residual receipts are kept by Mas until the threshold of \$25,000 is reached. Once the threshold is attained, 50% of residual receipts will be used to make payments on the County of Santa Clara HOME loan.</p>	170,000	170,000
<p>Housing Trust loan - Mas Milagros, LLC assumed a note with the Opportunity Fund Northern California through a loan assignment and assumption agreement dated June 5, 2012, in exchange for property acquired from Senior Housing Solutions. The loan was assigned to Housing Trust Silicon Valley on January 1, 2013. The note bears no interest. Mas has an option to keep residual receipts as defined in the note, or use 100% of residual receipts to pay down the note. Unpaid principal is due at maturity on August 1, 2065.</p>	100,000	100,000
<p>First Republic Bank loan - the Organization entered into a loan agreement dated April 12, 2017, in the amount of \$404,799, bearing 4.5% simple interest, to acquire a property located in South San Francisco. In June 2017 monthly payments of principal and interest in the amount of \$2,051 commenced. Final payment of all outstanding principal and interest shall be made May 1, 2047.</p>	342,575	351,552
<p>First Republic Bank loan - the Organization entered into a loan agreement dated May 24, 2017, in the amount of \$584,000, bearing 4.5% simple interest, to acquire a property located in Daly City. In July 2017 monthly payments of principal and interest in the amount of \$2,595 commenced. Final payment of all outstanding principal and interest shall be made June 1, 2047.</p>	495,453	508,292

Bay Area Housing Corporation and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2025  
(With Comparative Totals for 2024)

9. MORTGAGES AND NOTES PAYABLE (continued)

	2025	2024
<p>Clearinghouse Community Development Financial Institution loan - the Organization entered into a loan agreement dated December 2, 2016, in the amount of \$615,038, bearing 6.0% simple interest, to acquire a property located in San Martin. In February 2017 monthly payments of principal and interest in the amount of \$3,721 commenced. Final payment of all outstanding principal and interest shall be made January 1, 2047.</p>	536,915	548,590
<p>Clearinghouse Community Development Financial Institution loan - the Organization entered into a loan agreement dated April 18, 2017, in the amount of \$593,722, bearing 6.15% simple interest, to acquire a property located in Morgan Hill. In June 2017 monthly payments of principal and interest in the amount of \$3,794 commenced. Final payment of all outstanding principal and interest shall be made May 1, 2044.</p>	501,861	515,447
<p>Clearinghouse Community Development Financial Institution loan - the Organization entered into a loan agreement dated April 18, 2017, in the amount of \$560,267, bearing 6.15% simple interest, to acquire a property located in Morgan Hill. In June 2017 monthly payments of principal and interest in the amount of \$3,581 commenced. Final payment of all outstanding principal and interest shall be made May 1, 2044.</p>	473,582	486,403
<p>Clearinghouse Community Development Financial Institution loan - the Organization entered into a loan agreement dated December 9, 2016, in the amount of \$666,000, bearing 6.15% simple interest, to acquire a property located in San Martin. In February 2017 monthly payments of principal and interest in the amount of \$4,030 commenced. Final payment of all outstanding principal and interest shall be made January 1, 2047.</p>	581,846	594,489

Bay Area Housing Corporation and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2025  
(With Comparative Totals for 2024)

9. MORTGAGES AND NOTES PAYABLE (continued)

	2025	2024
Santa Cruz County Bank - the Organization entered into a loan agreement dated September 19, 2016, in the amount of \$611,500, bearing 6.5% simple interest, to acquire a property located in Santa Cruz. In November 2016 monthly payments of principal and interest in the amount of \$3,903 commenced. Final payment of all outstanding principal and interest shall be made October 5, 2046.	535,262	546,397
First Republic Bank loan - the Organization entered into a loan agreement dated July 5, 2017, in the amount of \$811,292, bearing 4.5% simple interest, to acquire a property located in San Jose. In September 2017 monthly payments of principal and interest in the amount of \$4,111 commenced. Final payment of all outstanding principal and interest shall be made August 1, 2047.	691,157	708,947
Santa Cruz County Bank - the Organization entered into a loan agreement dated September 25, 2018, in the amount of \$535,000, bearing 6.5% simple interest, to acquire a property located in Hollister. In October 2018 monthly payments of principal and interest in the amount of \$3,599 commenced. Final payment of all outstanding principal and interest shall be made September 5, 2043.	465,819	478,291
Santa Cruz County Bank - the Organization entered into a loan agreement dated March 11, 2019, in the amount of \$640,000, bearing 6.5% simple interest, to acquire a property located in Hollister. In April 2019 monthly payments of principal and interest in the amount of \$4,044 commenced. Final payment of all outstanding principal and interest shall be made March 5, 2049.	582,462	592,759
Choice Financial Group - the Organization entered into a loan agreement dated December 20, 2019, in the amount of \$660,000, bearing 5.0% simple interest, to acquire a property located in San Juan Bautista. In February 2020 monthly payments of principal and interest in the amount of \$3,543 commenced. Final payment of all outstanding principal and interest shall be made January 1, 2050.	601,137	613,273

Bay Area Housing Corporation and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2025  
(With Comparative Totals for 2024)

9. MORTGAGES AND NOTES PAYABLE (continued)

	2025	2024
<p>Clearinghouse Community Development Financial Institution loan - the Organization entered into a loan agreement dated December 7, 2020, in the amount of \$622,102, bearing 5.75% simple interest, to acquire a property located in Watsonville. In February 2021 monthly payments of principal and interest in the amount of \$4,099 commenced. Final payment of all outstanding principal and interest shall be made January 1, 2044.</p>	557,282	574,036
<p>Clearinghouse Community Development Financial Institution loan - the Organization entered into a loan agreement dated November 29, 2021, in the amount of \$570,000, bearing 5.75% simple interest, to acquire a property located in Watsonville. In February 2022 monthly payments of principal and interest in the amount of \$3,837 commenced. Final payment of all outstanding principal and interest shall be made January 1, 2044.</p>	521,361	537,384
<p>Clearinghouse Community Development Financial Institution loan - the Organization entered into a loan agreement dated November 29, 2022 in the amount of \$740,000, bearing 5.25% simple interest, to acquire a property located in Newark. In November 2022 monthly payments of principal and interest in the amount of \$4,468 commenced. Final payment of all outstanding principal and interest shall be made October 1, 2047.</p>	699,860	715,782
<p>Clearinghouse Community Development Financial Institution loan - the Organization entered into a loan agreement dated October 30, 2023 in the amount of \$656,747, bearing 8.25% simple interest, to acquire a property located in Gilroy. In January 2024 monthly payments of principal and interest in the amount of \$5,297 commenced. Final payment of all outstanding principal and interest shall be made December 1, 2047.</p>	643,099	652,435

Bay Area Housing Corporation and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2025  
(With Comparative Totals for 2024)

9. MORTGAGES AND NOTES PAYABLE (continued)

	2025	2024
<p>Clearinghouse Community Development Financial Institution loan - the Organization entered into a loan agreement dated March 12, 2024 in the amount of \$510,000, bearing 7.88% simple interest, to acquire a property located in Royal Oaks. In May 2024 monthly payments of principal and interest in the amount of \$3,985 commenced. Final payment of all outstanding principal and interest shall be made April 1, 2048.</p>	<u>501,371</u>	<u>508,831</u>
Less unamortized debt issuance costs	<u>11,129,144</u> <u>(266,297)</u>	<u>11,331,010</u> <u>(277,703)</u>
Current portion	<u>10,862,847</u> <u>(213,643)</u>	<u>11,053,307</u> <u>(201,496)</u>
	<u>\$ 10,649,204</u>	<u>\$ 10,851,811</u>

The future maturities of the mortgages and notes payable are as follows:

<u>Year ending June 30,</u>		
2026	\$	213,643
2027		226,544
2028		239,142
2029		254,731
2030		270,194
Thereafter		<u>9,924,890</u>
		<u>\$ 11,129,144</u>

Amortization of debt issuance costs on the mortgages and notes for the years ended June 30, 2025 and 2024 was \$11,405 and \$10,085, respectively.

Bay Area Housing Corporation and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2025  
(With Comparative Totals for 2024)

10. ACCRUED INTEREST

Accrued interest consisted of the following:

	2025	2024
City of Santa Clara RDA note (2010)	\$ 390,171	\$ 365,251
County of Santa Clara HOME loan	<u>65,350</u>	<u>60,250</u>
	455,521	425,501
Accrued interest, current portion	<u>(10,000)</u>	<u>(10,000)</u>
	<u>\$ 445,521</u>	<u>\$ 415,501</u>

11. INTEREST EXPENSE

Interest expense consisted of the following:

	2025	2024
CHFFA bonds	\$ 372,607	\$ 622,090
City of Santa Clara RDA note (2010)	24,920	24,920
County of Santa Clara HOME loan	5,100	5,100
CPP Properties various loans	462,919	407,243
BAHC	598	-
Amortization of debt issuance costs	<u>178,852</u>	<u>177,532</u>
	<u>\$ 1,044,996</u>	<u>\$ 1,236,885</u>

\$67,302 and \$72,888 of interest incurred during the years ended June 30, 2025 and 2024, respectively, was capitalized to property and equipment.

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2025	2024
Home modification fund	\$ 143,958	\$ 182,083
Housing predevelopment fund *	253,541	253,514
Property and equipment fund	<u>8,952,953</u>	<u>7,588,166</u>
	<u>\$ 9,350,452</u>	<u>\$ 8,023,763</u>

Bay Area Housing Corporation and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2025  
(With Comparative Totals for 2024)

12. NET ASSETS WITH DONOR RESTRICTIONS (continued)

\* In the event fund is not used for the intended restricted purpose, the remaining unexpended amount from housing predevelopment costs will be repaid to SARC at the culmination of the Bay Area Housing Plan (see Note 7).

13. RENTAL INCOME

Rental income consisted of the following:

	2025	2024
Property lease income	\$ 6,129,104	\$ 5,764,635
Property tax reimbursement	35,202	209,271
Replacement reserve payments	76,800	77,600
	\$ 6,241,106	\$ 6,051,506

14. PROPERTY MANAGEMENT INCOME

Property management income consisted of the following:

	2025	2024
Property management fees	\$ 380,116	\$ 380,118
Property repairs and maintenance reimbursement	1,119,971	982,148
Property maintenance contract fees	30,214	37,753
Property insurance reimbursement	59,502	55,356
	\$ 1,589,803	\$ 1,455,375

15. COMMITMENTS AND CONTINGENCIES

Commitment

The Organization, under restrictions as outlined in various agreements with the California Department of Developmental Services and the City of Santa Clara Redevelopment Agency, is to maintain all owned properties solely as long-term residences for the benefit of persons who are intellectually and developmentally disabled.

Lease

The Organization conducts its operations from office space leased under month-to-month basis. Lease expense for the office space for the years ended June 30, 2025 and 2024 was \$36,034 and \$35,794, respectively.

SUPPLEMENTARY INFORMATION

Bay Area Housing Corporation and Affiliates  
Consolidating Statement of Financial Position  
June 30, 2025  
(With Comparative Totals for 2024)

ASSETS

	BAHC (without CPP)	CPP Projects	Eliminating Entries	BAHC	Casa Milagro, LLC	Mas Milagros, LLC	Eliminating Entries	2025 Total	2024 Total
Current assets									
Cash	\$ 1,302,338	\$ 731,720	\$ -	\$ 2,034,058	\$ -	\$ 60,689	\$ -	\$ 2,094,747	\$ 1,599,349
Restricted cash	144,929	-	-	144,929	-	-	-	144,929	180,603
Short-term investments	433,280	-	-	433,280	-	-	-	433,280	422,297
Due from related parties	45,365	-	-	45,365	35,203	-	(80,568)	-	-
Accounts receivable	291,150	1,924	(13,268)	279,806	79,400	-	(131,344)	227,862	426,830
Contributions and grants receivable	-	-	-	-	-	-	-	-	4,747
Note receivable - West Bay Housing Corporation, current portion	-	-	-	-	-	-	-	-	6,999
Prepaid expenses and deposits	59,710	-	-	59,710	-	-	-	59,710	54,534
Total current assets	<u>2,276,772</u>	<u>733,644</u>	<u>(13,268)</u>	<u>2,997,148</u>	<u>114,603</u>	<u>60,689</u>	<u>(211,912)</u>	<u>2,960,528</u>	<u>2,695,359</u>
Property and equipment, net	<u>-</u>	<u>24,077,571</u>	<u>-</u>	<u>24,077,571</u>	<u>35,718,220</u>	<u>3,092,433</u>	<u>-</u>	<u>62,888,224</u>	<u>61,603,333</u>
Other assets									
Housing predevelopment funds	253,541	-	-	253,541	-	-	-	253,541	246,515
Replacement reserves	-	226,906	-	226,906	809,562	329,538	-	1,366,006	1,431,364
Operating reserve	-	-	-	-	-	54,181	-	54,181	66,969
Surplus funds reserve	-	-	-	-	692,109	-	-	692,109	749,071
Debt service reserve	-	-	-	-	4,280,109	-	-	4,280,109	4,280,109
Total other assets	<u>253,541</u>	<u>226,906</u>	<u>-</u>	<u>480,447</u>	<u>5,781,780</u>	<u>383,719</u>	<u>-</u>	<u>6,645,946</u>	<u>6,774,028</u>
Total assets	<u>\$ 2,530,313</u>	<u>\$ 25,038,121</u>	<u>\$ (13,268)</u>	<u>\$ 27,555,166</u>	<u>\$ 41,614,603</u>	<u>\$ 3,536,841</u>	<u>\$ (211,912)</u>	<u>\$ 72,494,698</u>	<u>\$ 71,072,720</u>

Bay Area Housing Corporation and Affiliates  
Consolidating Statement of Financial Position  
June 30, 2025  
(With Comparative Totals for 2024)

LIABILITIES AND NET ASSETS

	BAHC (without CPP)	CPP Projects	Eliminating Entries	BAHC	Casa Milagro, LLC	Mas Milagros, LLC	Eliminating Entries	2025 Total	2024 Total
<b>Current liabilities</b>									
Accounts payable and accrued expenses	\$ 204,600	\$ 11,888	\$ (11,344)	\$ 205,144	\$ 128,102	\$ 3,242	\$ (131,344)	\$ 205,144	\$ 71,068
Deferred revenue	-	21,056	-	21,056	359,130	-	-	380,186	379,042
CHFFA bonds payable, current portion	-	-	-	-	1,925,121	-	-	1,925,121	3,910,755
Mortgages and notes payable, current portion	-	213,643	-	213,643	-	-	-	213,643	201,496
Accrued interest, current portion	-	-	-	-	-	10,000	-	10,000	10,000
Due to related parties	37,127	-	(1,924)	35,203	43,365	2,000	(80,568)	-	-
Total current liabilities	<u>241,727</u>	<u>246,587</u>	<u>(13,268)</u>	<u>475,046</u>	<u>2,455,718</u>	<u>15,242</u>	<u>(211,912)</u>	<u>2,734,094</u>	<u>4,572,361</u>
<b>Long-term liabilities</b>									
CHFFA bonds payable, net of current portion	-	-	-	-	-	-	-	-	1,783,874
Mortgages and notes payable, net of current portion	-	8,282,801	-	8,282,801	-	2,366,403	-	10,649,204	10,851,811
Accrued interest, net of current portion	-	-	-	-	-	445,521	-	445,521	415,501
Total long-term liabilities	<u>-</u>	<u>8,282,801</u>	<u>-</u>	<u>8,282,801</u>	<u>-</u>	<u>2,811,924</u>	<u>-</u>	<u>11,094,725</u>	<u>13,051,186</u>
Total liabilities	<u>241,727</u>	<u>8,529,388</u>	<u>(13,268)</u>	<u>8,757,847</u>	<u>2,455,718</u>	<u>2,827,166</u>	<u>(211,912)</u>	<u>13,828,819</u>	<u>17,623,547</u>
<b>Net assets</b>									
Without donor restrictions	1,891,087	7,555,780	-	9,446,867	39,158,885	709,675	-	49,315,427	45,425,410
With donor restrictions	397,499	8,952,953	-	9,350,452	-	-	-	9,350,452	8,023,763
Total net assets	<u>2,288,586</u>	<u>16,508,733</u>	<u>-</u>	<u>18,797,319</u>	<u>39,158,885</u>	<u>709,675</u>	<u>-</u>	<u>58,665,879</u>	<u>53,449,173</u>
Total liabilities and net assets	<u>\$ 2,530,313</u>	<u>\$ 25,038,121</u>	<u>\$ (13,268)</u>	<u>\$ 27,555,166</u>	<u>\$ 41,614,603</u>	<u>\$ 3,536,841</u>	<u>\$ (211,912)</u>	<u>\$ 72,494,698</u>	<u>\$ 71,072,720</u>

Bay Area Housing Corporation and Affiliates  
Consolidating Statement of Activities  
For the Year Ended June 30, 2025  
(With Comparative Totals for 2024)

	BAHC (without CPP)	CPP Projects	Eliminating Entries	BAHC	Casa Milagro, LLC	Mas Milagros, LLC	Eliminating Entries	2025 Total	2024 Total
Revenue, support, and gains									
Rental income	\$ -	\$ 1,566,364	\$ -	\$ 1,566,364	\$ 4,571,350	\$ 103,392	\$ -	\$ 6,241,106	\$ 6,051,506
Property management income	2,588,748	-	(594,979)	1,993,769	453,896	-	(857,862)	1,589,803	1,455,375
Contributions and grants	7,465	2,541,175	-	2,548,640	-	-	-	2,548,640	2,341,460
Special events	-	-	-	-	-	-	-	-	55,511
Development fee revenue	125,000	-	(125,000)	-	-	-	-	-	-
Other income	-	-	-	-	6,800	-	-	6,800	6,800
Interest income	32,749	23	-	32,772	52,625	10,117	-	95,514	100,082
Total revenue, support, and gains	<u>2,753,962</u>	<u>4,107,562</u>	<u>(719,979)</u>	<u>6,141,545</u>	<u>5,084,671</u>	<u>113,509</u>	<u>(857,862)</u>	<u>10,481,863</u>	<u>10,010,734</u>
Functional expenses									
Program services									
Project development	429,286	129,857	(125,000)	434,143	-	-	-	434,143	363,118
Property management	1,673,118	1,726,122	(594,979)	2,804,261	2,132,180	283,053	(857,862)	4,361,632	4,227,235
Community programs	110,739	-	-	110,739	-	-	-	110,739	124,330
Total program services	<u>2,213,143</u>	<u>1,855,979</u>	<u>(719,979)</u>	<u>3,349,143</u>	<u>2,132,180</u>	<u>283,053</u>	<u>(857,862)</u>	<u>4,906,514</u>	<u>4,714,683</u>
Supporting services									
Management and general	274,312	-	-	274,312	25,615	4,743	-	304,670	344,378
Fundraising	53,973	-	-	53,973	-	-	-	53,973	83,165
Total support services	<u>328,285</u>	<u>-</u>	<u>-</u>	<u>328,285</u>	<u>25,615</u>	<u>4,743</u>	<u>-</u>	<u>358,643</u>	<u>427,543</u>
Total functional expenses	<u>2,541,428</u>	<u>1,855,979</u>	<u>719,979</u>	<u>3,677,428</u>	<u>2,157,795</u>	<u>287,796</u>	<u>857,862</u>	<u>5,265,157</u>	<u>5,142,226</u>
Change in net assets	212,534	2,251,583	-	2,464,117	2,926,876	(174,287)	-	5,216,706	4,868,508
Net assets, beginning of year	<u>2,076,052</u>	<u>14,257,150</u>	<u>-</u>	<u>16,333,202</u>	<u>36,232,009</u>	<u>883,962</u>	<u>-</u>	<u>53,449,173</u>	<u>48,580,665</u>
Net assets, end of year	<u>\$ 2,288,586</u>	<u>\$ 16,508,733</u>	<u>\$ -</u>	<u>\$ 18,797,319</u>	<u>\$ 39,158,885</u>	<u>\$ 709,675</u>	<u>\$ -</u>	<u>\$ 58,665,879</u>	<u>\$ 53,449,173</u>

OTHER AUDIT REPORT



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Bay Area Housing Corporation and Affiliates

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Bay Area Housing Corporation and Affiliates (collectively, the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated January 30, 2026.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Armanino LLP".

San Jose, California

January 30, 2026