

TODCO/YBC 3
DBA MENDELSON HOUSE
(A California Nonprofit Public Benefit Corporation)
HUD PROJECT NO. 121-11144

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2021 AND 2020

**With Supplementary Information Required by the
U.S. Department of Housing and Urban Development**

TODCO/YBC 3
 DBA MENDELSON HOUSE
 (A California Nonprofit Public Benefit Corporation)
 HUD PROJECT NO. 121-11144
 FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2021 AND 2020

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To the Board of Directors
TODCO/YBC 3
dba Mendelsohn House
San Francisco, California

INDEPENDENT AUDITOR’S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of TODCO/YBC 3 dba Mendelsohn House, a nonprofit public benefit corporation (HUD Project No. 121-11144), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TODCO/YBC 3 dba Mendelsohn House as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, TODCO/YBC 3 dba Mendelsohn House adopted the new accounting guidance required by accounting principles generally accepted in the United States of America on revenue recognition. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of TODCO/YBC 3 dba Mendelsohn House as a whole. The accompanying supplemental information shown on pages 18 through 30 is presented for purposes of additional analysis as required by the *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 34 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021 on our consideration of TODCO/YBC 3 dba Mendelsohn House'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 solely 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 TODCO/YBC 3 dba Mendelsohn House'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 TODCO/YBC 3 dba Mendelsohn House's internal control over financial reporting and compliance.

Lindquist, von Husen and Joyce LLP

September 30, 2021

TODCO/YBC 3
 DBA MENDELSON HOUSE
 (A California Nonprofit Public Benefit Corporation)
 HUD PROJECT NO. 121-11144
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,233,238	\$ 2,378,631
Receivables		
Tenant	6,933	6,164
Subsidy	17,072	6,595
Related-party (Note 5)	2,570	4,739
Prepaid expenses	58,487	54,672
Total current assets	2,318,300	2,450,801
Restricted cash (Note 3):		
Reserve for replacements	584,238	569,908
Escrow deposits	34,200	43,117
Tenant security deposits	53,890	55,505
Property and equipment – net (Note 4)	7,996,596	8,347,715
Total assets	\$ 10,987,224	\$ 11,467,046
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 127,843	\$ 123,641
Accrued interest (Note 6)	8,112	8,317
Related-party payable (Note 5)	74,982	214,452
Note payable – current portion (Note 6)	96,430	93,948
Deferred revenue	484	875
Total current liabilities	307,851	441,233
Tenant security deposits	53,890	55,505
Note payable – net of current portion (Note 6)	3,455,752	3,545,582
Total liabilities	3,817,493	4,042,320
Net assets – without donor restrictions	7,169,731	7,424,726
Total liabilities and net assets	\$ 10,987,224	\$ 11,467,046

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

TODCO/YBC 3
 DBA MENDELSON HOUSE
 (A California Nonprofit Public Benefit Corporation)
 HUD PROJECT NO. 121-11144
 STATEMENTS OF ACTIVITIES
 YEARS ENDED JUNE 30, 2021 AND 2020

	<i>Without Donor Restrictions</i>	
	2021	2020
Revenue:		
Gross potential rent	\$ 4,530,481	\$ 4,452,218
Commercial rent (Note 9)	43,200	43,200
Less: vacancies and concessions	(146,330)	(55,166)
Contribution income – in kind donations (Note 10)	473,203	227,508
Interest income	599	2,630
Other income (Note 5)	140,696	33,354
Total revenue	5,041,849	4,703,744
Expenses:		
Program services	4,766,469	4,496,975
Management and general	530,375	528,726
Total expenses	5,296,844	5,025,701
Change in net assets	(254,995)	(321,957)
Net assets, beginning of year	7,424,726	7,746,683
Net assets, end of year	\$ 7,169,731	\$ 7,424,726

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

TODCO/YBC 3
DBA MENDELSON HOUSE
(A California Nonprofit Public Benefit Corporation)
HUD PROJECT NO. 121-11144
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	<i>Program Services</i>	<i>Management and General</i>	<i>Total</i>	<i>Program Services</i>	<i>Management and General</i>	<i>Total</i>
Administrative	\$ 259,912	\$ 421,043	\$ 680,955	\$ 256,192	\$ 356,066	\$ 612,258
Utilities	310,385	-	310,385	279,583	-	279,583
Operating and maintenance	620,265	39,518	659,783	560,345	11,693	572,038
Taxes and insurance	199,401	56,249	255,650	180,235	47,435	227,670
Interest expense (Note 6)	105,078	-	105,078	107,501	-	107,501
Mortgage insurance premium	16,979	-	16,979	17,397	-	17,397
Resident services	373,428	-	373,428	365,945	-	365,945
Total operating expenses	1,885,448	516,810	2,402,258	1,767,198	415,194	2,182,392
Contributions – cash (Note 5)	2,031,346	-	2,031,346	2,123,954	-	2,123,954
Contributions – in-kind (Note 10)	473,203	-	473,203	227,508	-	227,508
Meal reimbursement (Note 5)	-	13,565	13,565	-	113,532	113,532
Depreciation	376,472	-	376,472	378,315	-	378,315
Total expenses	\$ 4,766,469	\$ 530,375	\$ 5,296,844	\$ 4,496,975	\$ 528,726	\$ 5,025,701

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

TODCO/YBC 3
 DBA MENDELSON HOUSE
 (A California Nonprofit Public Benefit Corporation)
 HUD PROJECT NO. 121-11144
 STATEMENTS OF CASH FLOWS
 YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Rental receipts	\$ 4,415,714	\$ 4,455,106
Interest receipts	599	2,630
Other operating receipts	11,984	33,697
Total receipts	4,428,297	4,491,433
Management fee	(124,740)	(124,740)
Administrative	(244,477)	(204,423)
Utilities	(309,084)	(279,246)
Salaries and wages	(559,686)	(533,453)
Operating and maintenance	(398,096)	(319,502)
Real estate taxes	(7,154)	(7,154)
Property insurance	(88,153)	(77,038)
Miscellaneous taxes and insurance	(163,161)	(147,629)
Interest paid on first mortgage	(98,683)	(101,100)
Other operating expenses	(409,032)	(364,303)
Miscellaneous financial expenses	(16,979)	(17,397)
Total disbursements	(2,419,245)	(2,175,985)
Net cash provided by operating activities	2,009,052	2,315,448
Cash flows from investing activities:		
Purchase of property and equipment	(25,353)	(66,788)
Net cash used in investing activities	(25,353)	(66,788)
Cash flows from financing activities:		
Entity disbursements – contribution to TODCO	(2,031,346)	(2,123,954)
Payment of first mortgage	(93,948)	(91,531)
Net cash used in financing activities	(2,125,294)	(2,215,485)
Increase (decrease) in cash, cash equivalents, and restricted cash	(141,595)	33,175
Cash, cash equivalents, and restricted cash, beginning of year	3,047,161	3,013,986
Cash, cash equivalents, and restricted cash, end of year	\$ 2,905,566	\$ 3,047,161

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

TODCO/YBC 3
DBA MENDELSON HOUSE
(A California Nonprofit Public Benefit Corporation)
HUD PROJECT NO. 121-11144
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (254,995)	\$ (321,957)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	376,472	378,315
Interest expense – amortization of permanent loan cost	6,600	6,600
Entity disbursements – contribution to TODCO	2,031,346	2,123,954
(Increase) decrease in assets:		
Tenant receivable	(769)	(5,526)
Subsidy receivable	(10,477)	20,210
Related-party receivable	2,169	(4,739)
Prepaid expenses	(3,815)	(179)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	4,202	5,188
Deferred revenue	(391)	170
Interest payable	(205)	(199)
Tenant security deposits	(1,615)	343
Related-party payable	(139,470)	113,268
Net cash provided by operating activities	\$ 2,009,052	\$ 2,315,448
Cash and cash equivalents	\$ 2,233,238	\$ 2,378,631
Restricted cash:		
Reserve for replacements	584,238	569,908
Escrow deposits	34,200	43,117
Tenant security deposits	53,890	55,505
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	\$ 2,905,566	\$ 3,047,161

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

TODCO/YBC 3
DBA MENDELSONH HOUSE
(A California Nonprofit Public Benefit Corporation)
HUD PROJECT NO. 121-11144
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

TODCO/YBC 3 dba Mendelsohn House (the Organization) was incorporated in 1981 in California as a nonprofit public benefit corporation under the name of TODCO/YBC III, Inc., which changed its name to TODCO/YBC 3 in February 2002. It owns and operates a 189-unit housing complex for the elderly and handicapped persons located in San Francisco, California known as Mendelsohn House (the Project). The building was first occupied in October 1988.

The project was constructed with funding from a grant and a loan from the City and County of San Francisco. The loan from the City and County of San Francisco was funded by a housing development grant from U.S. Department of Housing and Urban Development (HUD). In May 2013, the project was refinanced with the HUD insured loan. As such, the project is regulated by the City and County of San Francisco and HUD regulations as to rental charges and operating methods.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

The Organization uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets, as applicable: net assets without donor restrictions and net assets with donor restrictions. Accordingly all net assets are accounted for as net assets without 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 subject to donor restrictions and for which the applicable restrictions were not met as of the end of the current reporting period. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. When a donor restriction expires – that is, when a stipulated time restrictions ends or purpose restriction is accomplished – net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. The Organization has no net assets with non-expiring donor restrictions as of June 30, 2021 and 2020.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

Revenue Recognition

Rental income is shown at its maximum gross potential. Vacancy loss is shown as a reduction of rental income. Rental units occupied by employees are included in rental income and as an expense of operations.

During 2021, the Organization adopted the new accounting standard required by accounting principles generally accepted in the United States of America that affects the recognition of revenue. The Organization's revenue is mainly derived from leases, which are not impacted by the new revenue recognition standard. The new revenue recognition standard applies to the Organization's other income. However, such income is ancillary to the lease process and is recognized as revenue at the point in time such income or fees are earned. Therefore, adopting this standard did not have a significant impact on the Organization's revenue recognition policies.

Cash, Cash Equivalents, and Restricted Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash. Generally, only investments with original maturities of three months or less qualify as cash equivalents. Restricted cash are funds restricted as to their use, regardless of liquidity, such as reserve for replacements, escrow deposits and tenant security deposits. The Organization occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balance, including restricted cash, was approximately \$1,964,000 as of June 30, 2021. The Organization has not experienced any losses in such accounts.

Accounts Receivable

No allowance for uncollectible accounts has been provided since the accounts receivable are deemed to be collectible.

Property and Equipment

Property and equipment is stated at cost of acquisition or construction. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized. The Organization adopted a fixed asset capitalization policy of \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The useful lives of the assets are estimated as follows:

Building and improvements	5 to 60 years
Furniture and equipment	5 years

The Organization reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property, including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2021 and 2020.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

Development in Progress

The organization incurs costs during the development phase of the project undertaken. Such costs may include governmental fees, legal and consulting fees, as well as construction costs. The organization records these costs as assets (development in progress). Project development costs are considered to be development in progress until the project is placed in service. Development in progress is not depreciated until completion of the development.

Permanent Loan Costs

Costs incurred in order to obtain permanent financing are stated at cost and amortized on a straight-line basis into interest expense over the term of the loan. Permanent loan costs are reported as a direct deduction from the face amount of the related debt.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and the related California code sections. The Organization is required to file annual informational returns with the Internal Revenue Service and the California Franchise Tax Board.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal and state information returns for the years 2017 through 2020 are subject to examination by regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively.

Functional Expenses Allocation

The costs of providing program services and supporting services are summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs are allocated among program services and supporting services based on estimates of employees' time incurred and on usage of resources. Directly identifiable expenses are charged to programs and supportive services.

Subsequent Events

Management has evaluated subsequent events through September 30, 2021, the date on which the financial statements were available to be issued.

NOTE 3 – RESTRICTED CASH

Reserve for Replacements

As required by the HUD insured loan, the project is required to make an initial deposit of \$200,000 and monthly deposits of \$6,300 in a replacement reserve kept in an escrow account held by the lender. Withdrawals from the replacement reserve require HUD's prior approval. The replacement reserve balance was \$584,238 and \$569,908 in 2021 and 2020, respectively.

Tenant Security Deposits

In accordance with HUD regulations, the Organization is required to maintain on-deposit funds equal to the related liability for tenant security deposits. Security deposits are held in a separate cash account in the name of the Organization.

TODCO/YBC 3
 DBA MENDELSON HOUSE
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 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2021	2020
Land	\$ 94,500	\$ 94,500
Building and improvements	17,832,759	17,820,869
Furniture and equipment	350,488	350,488
Motor Vehicle	13,463	-
Development in progress	35,000	35,000
	18,326,210	18,300,857
Less: accumulated depreciation	(10,329,614)	(9,953,142)
Total property and equipment	\$ 7,996,596	\$ 8,347,715

NOTE 5 – RELATED PARTY TRANSACTIONS

Related-party transactions are summarized as follows:

<u>Payable/Paid to</u> <u>Description</u>	<u>Payable at</u> <u>June 30, 2021</u>	<u>2021</u> <u>Expense</u> <u>(Payment)</u>	<u>Payable) at</u> <u>June 30, 2020</u>	<u>2020</u> <u>Expense</u> <u>(Payment)</u>
<u>Tenant and Owners Development Corporation</u>				
<u>(TODCO)</u>				
Resident services program ⁽¹⁾	\$ 27,576	\$ 332,893 (368,497)	\$ 63,180	\$ 330,781 (329,139)
Office equipment reimbursement ⁽¹⁾	46,148		35,218	
Surplus cash distribution ⁽²⁾	-	2,031,346 (2,031,346)	-	2,123,954 (2,123,954)
Meal reimbursement ⁽³⁾	-	13,565 (127,097)	113,532	113,532 -
<u>TODCO/YBC5 Inc. dba Eugene Coleman</u>				
<u>Community House</u>				
Consulting fees ⁽⁴⁾	1,258		2,522	
Total	\$ 74,982		\$ 214,452	

⁽¹⁾ The Organization reimburses TODCO for the payroll costs of social workers and resident services. In addition, to utilize the group purchasing power, starting January 2014, TODCO entered into master lease agreements for office equipment such as printer, computer, and mobile phones to be used by TODCO and all its sponsored projects, including the Project. The cost of the office equipment and TODCO's IT support staff are reimbursed by all of TODCO's sponsored projects.

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- (2) The Project generated surplus cash from the prior fiscal years which was distributed to TODCO in the succeeding fiscal years.
- (3) The emergence and spread of COVID-19 resulted in the discontinuation of a meal program administered by a third-party non-profit organization directly with the Project's tenants. In response to the discontinuation, TODCO provided paid meals for the tenants and was reimbursed by the Project. However, it has been determined that the activity was not allowable in accordance with the HUD regulatory agreement and TODCO returned a total of \$127,097 back to the Project. The refund is included in other income in the statements of activities.
- (4) A fee is charged to the Project for consulting fees provided by a staff in an affiliate organization.

Other Related-Party Transactions

Affiliated Projects:

Automobile and landscaping operating expenses are paid by the Organization and are reimbursed by Woolf House and Ceatrice Polite Apartments, TODCO sponsored projects, for their share of the expenses. The reimbursable balance from the affiliated projects were \$2,570 and \$4,739 for 2021 and 2020, respectively.

Officer:

Starting July 1996, due to his increasing responsibilities and the requirement to be “on call” outside of normal working hours, the current President of the Organization, who holds the same title with other TODCO sponsored nonprofit corporations, entered into a Use Agreement for Living Quarters with the Organization to use Mendelsohn House Terrace Room as his personal residence. According to the agreement, the officer does not pay any rent, and the use of this residence may be terminated at any time by the Organization. Since this room was previously used for meeting purposes only and is not one of the 189 rental housing units of Mendelsohn House, no rental income is recognized for financial statement purposes. However, the gross potential rent for the studio is reported annually as income to the officer for income tax reporting purposes.

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 NOTES TO FINANCIAL STATEMENTS
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NOTE 6 – NOTE PAYABLE

	2021		2020	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
Red Mortgage Capital, LLC – On May 14, 2013, the project received a \$4,417,100 mortgage loan and paid off the \$2,465,693 principal balance and \$1,241,118 deferred interest on the MOH loan, with the remaining loan proceeds to be used for major repairs and replacement ⁽²⁾ . The new loan is insured by HUD under Section 223(f) of the National Housing Act and is secured by the first deed of trust of the property. The new loan bears an interest rate of 2.61% per annum and requires monthly principal and interest payments of \$16,053 with the remaining balance due on June 1, 2048. Commencing on July 1, 2013, the project may prepay, upon 30 days advance written notice to the lender, in whole or in an amount equal to one or more monthly installments of the principal next due, provided such prepayment is accompanied by the applicable prepayment premium from 10% for first year starting July 2013, which rate is reduced 1% annually until 0% for prepayment starting July 1, 2023. Interest expense was \$98,478 and \$100,901 in 2021 and 2020, respectively.	\$ 8,112	\$ 3,729,835	\$ 8,317	\$ 3,823,783
Total	8,112	3,729,835	8,317	3,823,783
Less:				
Unamortized permanent loan costs ⁽¹⁾	-	(177,653)	-	(184,253)
Current portion	(8,112)	(96,430)	(8,317)	(93,948)
Long-term portion	\$ -	\$ 3,455,752	\$ -	\$ 3,545,582

⁽¹⁾ Costs incurred in order to obtain permanent financing were \$231,003 and are amortized on a straight-line basis into interest expense over the term of the loan. Interest expense for amortization of permanent loan costs was \$6,600 in both 2021 and 2020.

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- (2) In 1988, the Organization obtained a loan from the Mayor’s Office of Housing (MOH) of the City and County of San Francisco (the City) for \$2,465,693 funded by a housing development grant from HUD to the City. According to the first amended loan agreement, the loan bears interest at 3%, and the repayment of principal and interest is deferred until May 31, 2010. At least 60 days prior to the due date, the Organization may apply to the City for an extension of the due date. If the project continues to be in compliance with the loan requirements, the City may, in its discretion, agree to extend the due date, permit to continue to defer repayment of principal and interest, or require the Organization to make amortized payments of principal and interest, depending on factors such as rental payments received from the commercial portion of the project. In any event, the City agrees that the Organization’s obligation to repay all unpaid principal and accrued interest shall be forgiven as of December 31, 2043. The 2nd loan amendment was executed on May 14, 2013 which extended the affordability period by an additional 55 years. The MOH loan was paid off on May 14, 2013 with proceeds from a new HUD insured loan. In addition to the loan terms, the project is required to comply with certain terms as specified in the regulatory agreement with HUD as to tenant eligibility, rental charges, operating methods and limited distribution. The project is also required to maintain a replacement reserve and residual receipts as necessary. The project is still subject to the original loan agreement and loan amendments, which impose affordability requirements through year 2080 and requires MOH to pre-approve the rents through year 2025. The loan agreement is subordinated to the HUD insured loan

The future principal payments for the HUD insured loan are as follow:

	<u>Year Ending June 30,</u>
2022	\$ 96,430
2023	98,977
2024	101,592
2025	104,275
2026	107,029
Thereafter	<u>3,221,532</u>
Total	<u>\$ 3,729,835</u>

NOTE 7 – TENANT ASSISTANCE PAYMENTS

The Organization’s policy is to charge its existing tenants up to 30% of their household income as determined by Section 8 program regulations with a maximum rent not to exceed the rent limit approved annually by the City.

The Organization has been working with the San Francisco Housing Authority to market its vacant units to elderly households who qualify for its Section 8 Certificate program, and thereby receive the maximum rent permitted by the Housing Development Grant program for those households. Tenants participating in this program are expected to contribute a portion of their income towards rent, and the San Francisco Housing Authority pays the remaining balance of the allowed maximum rent.

Total tenant assistance payments were \$3,684,447 and \$3,660,460 in 2021 and 2020, respectively, from the Section 8 Certificate program.

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NOTE 8 – QUARTERS ALLOWANCE

The Organization provides an apartment unit to its manager free of charge. The value of the free rent was \$31,524 and \$30,264 in 2021 and 2020, respectively, for the manager unit.

NOTE 9 – COMMERCIAL LEASE

In May 1990, the Organization entered a ten-year lease agreement to lease its commercial space with two five-year option renewals. The lease expired in May 2010, which was amended for three additional option periods. The first extension period commenced on June 1, 2010 for ten years and the two additional subsequent option periods shall be for five years each. The rent for the three additional option periods is \$3,600 a month. Total rent collected from the tenant was \$43,200 for both 2021 and 2020. The lease shall continue under a month-to-month basis until a formal agreement is set to extend the lease.

NOTE 10 – COMMITMENTS, CONTINGENCIES AND OTHER MATTERS

Property Management

The Organization has a management agreement with an independent property management company through June 30, 2021, for a management fee of \$55 per unit per month effective July 1, 2020. Property management fees were \$124,740 in both 2021 and 2020.

Loan Guaranty

On November 4, 2011, the Organization entered into a loan guaranty agreement with the City and County of San Francisco (the City) to guarantee repayment of a \$2,379,464 loan that the City provided Hotel Grand Southern, a California limited partnership sponsored by TODCO. This loan is secured by a deed of trust, fixtures, and assignment of rents on the real property owned by the Organization.

In-Kind Donations

In coordination with the San Francisco Food Bank, TODCO has the “Brown Bag Distribution Program”, which provides tenants at TODCO and its affiliated properties, including the Project, with bags and boxes of foods for their basic nutritional needs. According to San Francisco Food Bank data, the market value of the food received by the Project and distributed at no cost to its tenants was \$473,203 and \$227,508 in 2021 and 2020, respectively, of which \$181,170 and \$96,062 in 2021 and 2020, respectively, was from the U.S. Department of Agriculture.

COVID-19 Pandemic

The emergence and spread of the coronavirus (COVID-19) beginning in the first quarter of 2020 has affected businesses and economic activities in the US and beyond. The extent of the impact of COVID-19 on the Organization’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the effects on residents, supply chains, service providers, business partners, and changes in business practices, all of which are uncertain and cannot be determined at this time.

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NOTE 11 – LIQUIDITY AND AVAILABILITY

Financial assets include amounts that will be used to pay accounts payable, accrued expenses and distributions from surplus cash in the subsequent year. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. As part of its liquidity management, the Organization maintains a replacement reserve account as described in Note 3 that may be accessed with the approval of HUD.

Financial assets available within one year consist of:

<i>Financial Assets</i>	2021	2020
Cash	\$ 2,233,238	\$ 2,378,631
Tenant receivables	6,933	6,164
Subsidy receivables	17,072	6,595
Reserve for replacements	584,238	569,908
Escrow deposits	34,200	43,117
Tenant security deposits	53,890	55,505
	<hr/>	<hr/>
Total financial assets at the end of the year	2,929,571	3,059,920
Less:		
Reserve for replacements	(584,238)	(569,908)
Tenant security deposits	(53,890)	(55,505)
Anticipated surplus cash payment	(2,021,817)	(2,031,346)
	<hr/>	<hr/>
Financial assets available within one year for general expenditures	\$ 269,626	\$ 403,161

**SUPPLEMENTARY INFORMATION REQUIRED BY THE
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Balance Sheet Data, Including Account Numbers

ASSETS		
Cash:		
1120	Cash – operations	\$ 2,233,238
1121	Construction cash account	-
1125	Cash – entity	-
	Total cash	2,233,238
Tenant accounts receivable:		
1130	Tenant accounts receivable	6,933
1131	Allowance for doubtful accounts	-
1130N	Net tenant accounts receivable	6,933
Other current assets:		
1135	Accounts receivable – HUD	-
1140	Accounts and notes receivable – SFHA subsidy	17,072
1145	Accounts and notes receivable – entity	2,570
1160	Accounts receivable – interest	-
1165	Interest reduction payment receivable	-
1170	Short-term investments – operations	-
1175	Short-term investments – entity	-
1190	Miscellaneous current assets	-
1200	Prepaid expenses	58,487
	Total other current assets	78,129
1100T	Total current assets	2,318,300
1191	Tenant deposits held in trust	53,890
Deposits:		
1310	Escrow deposits	34,200
1320	Replacement reserve	584,238
1330	Other reserves	-
1340	Residual receipts reserve	-
1355	Bond reserves	-
1381	Management improvement and operating plan	-
1300T	Total deposits	618,438

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	Fixed assets:	
1410	Land	94,500
1420	Buildings	17,832,759
1440	Building equipment (portable)	-
1450	Furniture for project/tenant use	291,352
1460	Furnishings	-
1465	Office furniture and equipment	54,044
1470	Maintenance equipment	5,092
1480	Motor vehicles	13,463
1490	Miscellaneous fixed assets – development in progress	35,000
1400T	Total fixed assets	<u>18,326,210</u>
1495	Accumulated depreciation	<u>(10,329,614)</u>
1400N	Net fixed assets	<u>7,996,596</u>
	Other assets:	
1510	Investments – operations	-
1515	Investments – entity	-
1520	Deferred financing costs	-
1525	Cash restricted for long-term investment	-
1590	Miscellaneous other assets	-
1500T	Total other assets	<u>-</u>
1000T	Total assets	<u><u>\$ 10,987,224</u></u>

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LIABILITIES

Current liabilities:

2105	Bank overdraft – operations	\$ -
2110	Accounts payable – operations	103,565
2111	Accounts payable – construction/development	-
2112	Accounts payable – project improvement items	-
2113	Accounts payable – entity	-
2115	Accounts payable – 236 excess income due HUD	-
2116	Accounts payable – section 8 and other	-
2120	Accrued wages payable	86,524
2121	Accrued payroll taxes payable	2,341
2123	Accrued management fee payable	10,395
2130	Accrued interest payable – section 236	-
2131	Accrued interest payable – first mortgage (or bonds)	8,112
2132	Accrued interest payable – second mortgage	-
2133	Accrued interest payable – other loans and notes (surplus cash)	-
2134	Accrued interest payable – other loans and notes	-
2135	Accrued interest payable – flexible subsidy loan	-
2136	Accrued interest payable – capital improvements loan	-
2137	Accrued interest payable – operating loss loan	-
2150	Accrued property taxes	-
2160	Notes payable (short term)	-
2170	Mortgage (or bonds) payable – first mortgage (bonds) (short term)	96,430
2172	Mortgage payable – second mortgage (short term)	-
2173	Other loans and notes payable – surplus cash (short term)	-
2174	Other loans and notes (short term)	-
2175	Flexible subsidy loan payable (short term)	-
2176	Capital improvement loan payable (short term)	-
2177	Operating loss loan payable (short term)	-
2180	Utility allowances	-
2190	Miscellaneous current liabilities	-
2210	Prepaid revenue	484
2122T	Total current liabilities	<u>307,851</u>
2191	Tenant deposits held in trust (contra)	<u>53,890</u>

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	Long-term liabilities:	
2310	Notes payable (long term)	-
2311	Notes payable – surplus cash	-
2320	Mortgage (or bonds) payable – first mortgage (or bonds)	3,633,405
2322	Mortgage payable – second mortgage	-
2323	Other loans and notes payable – surplus cash	-
2324	Other loans and notes payable	-
2325	Flexible subsidy loan payable	-
2326	Capital improvement loan payable	-
2327	Operating loss loan payable	-
2330	Interest on loans or notes payable (long term)	-
2340	Debt issuance costs	(177,653)
2390	Miscellaneous long-term liabilities	-
2300T	Total long-term liabilities	<u>3,455,752</u>
2000T	Total liabilities	<u>3,817,493</u>
	NET ASSETS	
3131	Net assets without donor restrictions	7,169,731
3133	Net assets with donor restrictions	-
3130	Total net assets	<u>7,169,731</u>
2033T	Total liabilities and net assets	<u>\$ 10,987,224</u>

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Profit and Loss Data, Including Account Numbers

REVENUE		
Gross rent:		
5120	Rent revenue – gross potential	\$ 846,034
5121	Tenant assistance payments	3,684,447
5140	Rent revenue – stores and commercial	43,200
5170	Garage and parking spaces	-
5180	Flexible subsidy revenue	-
5190	Miscellaneous rent revenue	-
5191	Excess rent	-
5192	Rent revenue/insurance	-
5193	Special claims revenue	-
5194	Retained excess income	-
5195	Lease revenue (nursing homes)	-
5100T	Total rent revenue	<u>4,573,681</u>
Vacancies:		
5220	Apartments	146,090
5240	Stores and commercial	-
5250	Rental concessions	240
5270	Garage and parking space	-
5290	Miscellaneous	-
5200T	Total vacancies	<u>146,330</u>
5152N	Net rental revenue (rent revenue less vacancies)	<u>4,427,351</u>
5300	Nursing homes/assisted living/board and care/other elderly care/co-op/ and other revenues	<u>-</u>
Financial revenue:		
5410	Financial revenue – project operations	11
5430	Revenue from investments – residual receipts	-
5440	Revenue from investments – replacement reserve	588
5490	Revenue from investments – minimum capital investment reserve	-
5400T	Total financial revenue	<u>599</u>

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Other revenue:		
5910	Laundry and vending revenue	11,460
5920	Tenant charges	1,770
5945	Interest reduction payments revenue	-
5960	Expiration of gift donor restrictions	-
5990	Miscellaneous revenue	369
5900T	Total other revenue	<u>13,599</u>
5000T	Total revenue	<u>4,441,549</u>

OPERATING EXPENSES

Administrative expenses:		
6203	Conventions and meetings	-
6204	Management consultants	14,269
6210	Advertising and marketing	253
6250	Other renting expenses	-
6310	Office salaries	202,868
6311	Office expenses	183,453
6312	Office or model apartment rent	-
6320	Management fee	124,740
6330	Manager or superintendent salaries	103,059
6331	Administrative rent-free unit	31,524
6340	Legal expense – project	-
6350	Audit expense	15,275
6351	Bookkeeping fees/accounting services	-
6370	Bad debts	589
6390	Miscellaneous administrative expenses	4,925
6263T	Total administrative expenses	<u>680,955</u>

Utilities expenses:		
6420	Fuel oil/coal	-
6450	Electricity	41,514
6451	Water	76,090
6452	Gas	85,666
6453	Sewer	107,115
6400T	Total utilities expenses	<u>310,385</u>

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	Operating and maintenance expenses:	
6510	Payroll	229,252
6515	Supplies	54,337
6520	Contracts	210,860
6521	Operating and maintenance rent-free unit	-
6525	Garbage and trash removal	65,160
6530	Security payroll/contract	47,014
6531	Security rent-free unit	-
6546	Heating/cooling repairs and maintenance	11,750
6548	Snow removal	-
6570	Vehicle and maintenance equipment operation and repairs	1,486
6590	Miscellaneous operating and maintenance expenses	39,924
6500T	Total operating and maintenance expenses	<u>659,783</u>
	Taxes and insurance:	
6710	Real estate taxes	7,154
6711	Payroll taxes (project's share)	47,750
6720	Property and liability insurance (hazard)	84,504
6721	Fidelity bond insurance	512
6722	Workers' compensation	17,985
6723	Health insurance and other employee benefits	95,688
6790	Miscellaneous taxes, licenses, permits and insurance	2,057
6700T	Total taxes and insurance	<u>255,650</u>
	Financial expenses:	
6820	Interest on first mortgage (or bonds) payable	105,078
6825	Interest on other mortgages	-
6830	Interest on notes payable (long term)	-
6840	Interest on notes payable (short term)	-
6850	Mortgage insurance premium/service charge	16,979
6890	Miscellaneous financial expenses	-
6800T	Total financial expenses	<u>122,057</u>
6900	Nursing homes/assisted living/board and care/other elderly care expenses	<u>373,428</u>
6000T	Total cost of operations before depreciation	<u>2,402,258</u>

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5060T	Profit (loss) before depreciation	2,039,291
6600	Depreciation expense	376,472
6610	Amortization expense	<u>-</u>
5060N	Operating profit or (loss)	<u>1,662,819</u>
	Entity revenue and expenses:	
7105	Entity revenue – in-kind donation – food for tenants	473,203
7105	Entity revenue – refund from TODCO for meal reimbursement	127,097
7110	Officer’s salaries	-
7120	Legal expenses	-
7130	Federal, state and other income taxes	-
7141	Interest on notes payable	-
7142	Interest on mortgage payable	-
7190	Other expenses – in-kind donation – food for tenants	(473,203)
7190	Other expenses – contribution to TODCO from prior year surplus cash	(2,031,346)
7190	Other expenses – meal reimbursement	<u>(13,565)</u>
7100T	Net entity expenses	<u>(1,917,814)</u>
3247	Change in net assets without donor restrictions	(254,995)
3248	Change in net assets with donor restrictions	<u>-</u>
3250	Change in total net assets from operations	<u>\$ (254,995)</u>
S1000-010	Total mortgage (or bond) principal payments required during the audit year [12 monthly payments]. This applies to all direct loans and HUD-held and fully insured mortgages. Any HUD-approved second mortgages should be included in this figure.	<u>\$ 93,948</u>
S1000-020	Total of 12 monthly deposits in the audit year into the replacement reserve account, as required by the regulatory agreement even if payments may be temporarily suspended or reduced.	<u>\$ 75,600</u>
S1000-030	Replacement reserves, or residual receipts and releases which are included as expense items on this profit and loss statement.	<u>\$ -</u>
S1000-040	Project improvement reserve releases under the flexible subsidy program that are included as expense items on this profit and loss statement.	<u>\$ -</u>

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Equity Data, Including Account Numbers

	Net assets without donor restrictions:	
S1100-060	Previous year net assets without donor restrictions	\$ 7,424,726
3247	Change in net assets without donor restrictions from operations	(254,995)
S1100-065	Other changes in net assets without donor restrictions	<u>-</u>
3131	Net assets without donor restrictions	<u><u>\$ 7,169,731</u></u>
	Net assets with donor restrictions:	
S1100-080	Previous year net assets with donor restrictions	\$ -
3248	Change in net assets with donor restrictions from operations	-
S1100-085	Other changes in net assets with donor restrictions	<u>-</u>
3133	Net assets with donor restrictions	<u><u>\$ -</u></u>
	Total net assets:	
S1100-050	Previous year total net assets	\$ 7,424,726
3250	Change in total net assets from operations	(254,995)
S1100-055	Other changes in total net assets	<u>-</u>
3130	Total net assets	<u><u>\$ 7,169,731</u></u>

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Cash Flow Data, Including Account Numbers

	Cash flows from operating activities:	
S1200-010	Rental receipts	\$ 4,415,714
S1200-020	Interest receipts	599
S1200-030	Other operating receipts	13,599
S1200-040	Total receipts	<u>4,429,912</u>
S1200-050	Administrative	(244,477)
S1200-070	Management fee	(124,740)
S1200-090	Utilities	(309,084)
S1200-100	Salaries and wages	(559,686)
S1200-110	Operating and maintenance	(398,096)
S1200-115	Lease payments	-
S1200-120	Real estate taxes	(7,154)
S1200-140	Property insurance	(88,153)
S1200-150	Miscellaneous taxes and insurance	(163,161)
S1200-160	Tenant security deposits	-
S1200-170	Other operating expenses	(409,032)
S1200-180	Interest on first mortgage	(98,683)
S1200-181	Interest payments – second mortgage	-
S1200-190	Interest on notes payable	-
S1200-210	Mortgage insurance premium (MIP)	(16,979)
S1200-220	Miscellaneous financial	-
S1200-230	Total disbursements	<u>(2,419,245)</u>
S1200-240	Net cash provided by operating activities	<u>2,010,667</u>
	Cash flows from investing activities:	
S1200-245	Net deposits to the mortgage escrow account	8,917
S1200-250	Net deposits to the reserve for replacement account	(14,330)
S1200-255	Net deposits to other reserves	-
S1200-260	Net deposits to the residual receipts account	-
S1200-330	Net purchase of fixed assets	(25,353)
S1200-340	Other investing activities	-
S1200-350	Net cash used in investing activities	<u>(30,766)</u>

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	Cash flows from financing activities:	
S1200-360	Principal payments – first mortgage	(93,948)
S1200-361	Principal payments – second mortgage	-
S1200-365	Proceeds from mortgages, loans, or notes payable	-
S1200-370	Principal payments on loans or notes payable	-
S1200-420	Entity disbursements – contribution to TODCO	(2,031,346)
S1200-450	Other financing activities	<u>-</u>
S1200-460	Net cash used in financing activities	<u>(2,125,294)</u>
S1200-470	Net decrease in cash	(145,393)
S1200-480	Cash and cash equivalents, beginning of year	<u>2,378,631</u>
S1200T	Cash and cash equivalents, end of year	<u><u>\$ 2,233,238</u></u>
	Reconciliation of change in net assets to net cash provided by operating activities:	
3250	Change in net assets	\$ (254,995)
	Adjustments to reconcile change in net assets to net cash provided by operating activities:	
S1200-605	Entity disbursements – contribution to TODCO	2,031,346
6600	Depreciation	376,472
6610	Amortization	-
S1200-486	Amortization of debt issuance costs	6,600
S1200-490	Decrease (increase) in tenant/member accounts receivable	(769)
S1200-500	Decrease (increase) in accounts receivable – other	(8,308)
S1200-520	Decrease (increase) in prepaid expense	(3,815)
S1200-530	Decrease (increase) in cash restricted for tenant security deposits	1,615
S1200-540	Increase (decrease) in accounts payable	(144,303)
S1200-560	Increase (decrease) in accrued liabilities	9,035
S1200-570	Increase (decrease) in accrued interest payable	(205)
S1200-580	Increase (decrease) in tenant security deposits	(1,615)
S1200-590	Increase (decrease) in prepaid revenue	(391)
S1200-600	Other adjustments to reconcile net loss to cash provided by operating activities	<u>-</u>
S1200-610	Net cash provided by operating activities	<u><u>\$ 2,010,667</u></u>

The statements of cash flows in the Supplementary Information Required by the U.S. Department of Housing and Urban Development are presented using the HUD Financial Data Templates for HUD purposes. HUD has elected not to adopt changes in accounting standards on the statements of cash flows related to restricted cash in the HUD chart of accounts. The basic statements of cash flows does not match the HUD version of the statements of cash flows contained in the supplementary information.

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Computation of Surplus Cash – Annual

Cash:		
Operating cash	\$ 2,233,238	
Tenant security deposits held in trust	53,890	
Total cash	2,287,128	
Current obligations:		
Accounts payable due within 30 days	103,565	
Accrued mortgage interest payable	8,112	
Accrued expenses	99,260	
Deferred revenue	484	
Tenant security deposits liability	53,890	
Total current obligations	265,311	
Surplus cash	\$ 2,021,817	
Available distribution to owner	\$ 2,021,817	

Schedule of Changes in Fixed Asset Accounts

<i>Cost</i>	<i>Beginning Balance</i>	<i>Additions ⁽²⁾</i>	<i>Deletions</i>	<i>Ending Balance</i>
Land	\$ 94,500	\$ -	\$ -	\$ 94,500
Building and improvements	17,820,869	11,890	-	17,832,759
Furniture and equipment	350,488	-	-	350,488
Motor vehicle	-	13,463	-	13,463
Development in progress ⁽¹⁾	35,000	-	-	35,000
Total	18,300,857	\$ 25,353	\$ -	18,326,210
Less: accumulated depreciation	(9,953,142)	\$ (376,472)	\$ -	(10,329,614)
Net book value	\$ 8,347,715			\$ 7,996,596

⁽¹⁾ Development in progress is not depreciated until the development project is placed in service.

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 (A California Nonprofit Public Benefit Corporation)
 HUD PROJECT NO. 121-11144
 SUPPLEMENTARY INFORMATION REQUIRED BY THE
 U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
 YEAR ENDED JUNE 30, 2021

(2) Details of additions to fixed asset accounts are as follows

Building and improvements:		
Plumbing valves replacement	\$	11,890
Motor vehicle		13,463
Total	\$	25,353

Replacement Reserve

Balance at beginning of year	\$	569,908
Total monthly deposits		75,600
Interest earned		588
Withdrawals		(61,858)
Balance at end of year	\$	584,238

TODCO/YBC 3
DBA MENDELSON HOUSE
(A California Nonprofit Public Benefit Corporation)
HUD PROJECT NO. 121-11144
CERTIFICATION OF OFFICERS
YEAR ENDED JUNE 30, 2021

We, as officers of TODCO/YBC3 dba Mendelsohn House, hereby certify that we have examined the accompanying financial statements and accompanying supplementary information of TODCO/YBC3 dba Mendelsohn House, HUD Project No. 121-11144, as of and for the year ended June 30, 2021, and, to the best of our knowledge and belief, these financial statements are complete and accurate.

Name	Title	Date
------	-------	------

Name	Title	Date
------	-------	------

TODCO/YBC 3
dba Mendelsohn House
Employer Identification Number: 94-2901051

TODCO/YBC 3
DBA MENDELSON HOUSE
(A California Nonprofit Public Benefit Corporation)
HUD PROJECT NO. 121-11144
CERTIFICATION OF MANAGEMENT AGENT
YEAR ENDED JUNE 30, 2021

I hereby certify that I have examined the accompanying financial statements and supplemental data of TODCO/YBC3 dba Mendelsohn House for the year ended June 30, 2021 and, to the best of my knowledge and belief, the same is complete and accurate.

Name	Title	Date
------	-------	------

The John Stewart Company
Employer Identification Number: 94-2477073

TODCO/YBC 3
DBA MENDELSON HOUSE
(A California Nonprofit Public Benefit Corporation)
HUD PROJECT NO. 121-11144
LEAD AUDITOR INFORMATION
YEAR ENDED JUNE 30, 2021

Lead Auditor: Scott K. Smith

Firm Name: Lindquist, von Husen & Joyce LLP

Firm Address: 301 Howard Street, Suite 850
San Francisco, California 94105

Telephone Number: (415) 957-9999

Employer Identification Number: 94-1250261

TODCO/YBC 3
 DBA MENDELSON HOUSE
 (A California Nonprofit Public Benefit Corporation)
 HUD PROJECT NO. 121-11144
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2021

<i>Federal Grantor/Program Title/ Passed-Through Grantor</i>	<i>Federal Assistance Listing Number</i>	<i>Agency or Pass-Through Number</i>	<i>Authorized Disbursements/ Expenditures</i>	<i>Expenditures to Subrecipients</i>
<u>U.S. Department of Housing and Urban Development:</u>				
Section 223(f)/207 Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects Loan: Direct award:				
Loan made in prior years for which continuing compliance is required	14.155	N/A	\$ 3,823,783	\$ -
<u>U.S. Department of Agriculture:</u>				
Emergency Food Assistance Program (Food Commodities) Passed through San Francisco Food Bank	10.569	N/A	181,170	-
TOTAL FEDERAL AWARDS			\$ 4,004,953	\$ -

TODCO/YBC 3
DBA MENDELSONH HOUSE
(A California Nonprofit Public Benefit Corporation)
HUD PROJECT NO. 121-11144
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant and loan activity of TODCO/YBC3 dba Mendelsohn House and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The purpose of the Schedule is to present a summary of those activities of TODCO/YBC3 dba Mendelsohn House for the year ended June 30, 2021, which have been financed by the U.S. Government. For purposes of the Schedule, federal awards include all federal assistance entered into directly and indirectly between TODCO/YBC3 dba Mendelsohn House and the federal government. TODCO/YBC3 dba Mendelsohn House did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – PRIOR YEARS' EXPENDITURES

The accompanying schedule includes \$3,823,783 in expenditures from prior years for which continuing compliance is required.

NOTE 4 – YEAR-END LOAN BALANCES

The loan balance outstanding at year-end is summarized as follows:

Section 223(f)/207 Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects Loan	<u>\$ 3,729,835</u>
Total	<u><u>\$ 3,729,835</u></u>

TODCO/YBC 3
 DBA MENDELSON HOUSE
 (A California Nonprofit Public Benefit Corporation)
 HUD PROJECT NO. 121-11144
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2021

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance? _____ Yes X No

Identification of major programs: Name of Federal Program or Cluster

ALN 14.155 Section 223(f)/207 Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects Loan

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.



To the Board of Directors
TODCO/YBC 3
dba Mendelsohn House
San Francisco, California

S. SCOTT SEAMANDS
ALEXIS H. WONG
CHARLOTTE SIEW-KUN TAY
CATHY L. HWANG
RITA B. DELA CRUZ
STANLEY WOO
SCOTT K. SMITH

CRISANTO S. FRANCISCO
JOE F. HUIE

**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**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of TODCO/YBC 3 dba Mendelsohn House, HUD Project No. 121-11144, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered TODCO/YBC 3 dba Mendelsohn House'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 TODCO/YBC 3 dba Mendelsohn House's internal control. Accordingly, we do not express an opinion on the effectiveness of TODCO/YBC 3 dba Mendelsohn House'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TODCO/YBC 3 dba Mendelsohn House's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the 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 TODCO/YBC 3 dba Mendelsohn House's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TODCO/YBC 3 dba Mendelsohn House's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lindquist, von Husen and Joyce LLP

September 30, 2021



S. SCOTT SEAMANDS
ALEXIS H. WONG
CHARLOTTE SIEW-KUN TAY
CATHY L. HWANG
RITA B. DELA CRUZ
STANLEY WOO
SCOTT K. SMITH

CRISANTO S. FRANCISCO
JOE F. HUIE

To the Board of Directors
TODCO/YBC 3
dba Mendelsohn House
San Francisco, California

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Report on Compliance for Each Major Federal Program

We have audited TODCO/YBC 3 dba Mendelsohn House's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of TODCO/YBC 3 dba Mendelsohn House's major federal programs for the year ended June 30, 2021. TODCO/YBC 3 dba Mendelsohn House's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of TODCO/YBC 3 dba Mendelsohn House's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about TODCO/YBC 3 dba Mendelsohn House's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of TODCO/YBC 3 dba Mendelsohn House's compliance.

Opinion on Each Major Federal Program

In our opinion, TODCO/YBC 3 dba Mendelsohn House complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of TODCO/YBC 3 dba Mendelsohn House is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered TODCO/YBC 3 dba Mendelsohn House's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of TODCO/YBC 3 dba Mendelsohn House's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lindquist, von Hoven and Joyce LLP

September 30, 2021