



Commissions Current and Proposed Future Agenda Items

Finance Commission Meeting
March 26, 2025

Finance Commission

Current & Proposed Future Agenda Items

March –

- Elan & Breakwater Apartments
- City - Reserve Policy Review
- City - Mid-year Budget Update
- Report out on Meadowlark Golf Course Task Force February 2025 meeting
- Ad Hoc Committee Financial Reporting
- Other Commission Items:
 - Arcis – Update / Request for another audit

• April –

- City - Proposed Budget Review
- City - PAFR Review
- City – Citywide Lease Overview
- City – Visit HB Discussion



Finance Commission – City Items Updated 2025 Calendar

1. **January** – Fiscal Year End Audit / Review of ACFR
2. **February** - Mid-Year Budget Adjustments / LRFP Overview
3. **March** – Mid-year Budget Review / Reserve Policy Review
4. **April** - Proposed Budget Review / PAFR Review
5. **May** – Proposed CIP and Infrastructure Projects and Report Card
6. **June** - Single Audit, and overview of new GASB Standard Requirements
7. **July** - Adopted Budget Review / Long Range Plan Review
8. **August** – Investment Review
9. **September** - Economic Development Review
10. **October** – Pension Update / Debt and Refinancing Opportunities
11. **November** - Finance / Budget Policy Review / Reserves
12. **December** – Legislative Update / Review and Update on CIP Projects



BUDGET CALENDAR

Date	Event
January 31, 2025	All Budget Forms Due back from Departments
February 2025	Department Meetings with the CFO / Budget Team
February 2025	Mid-Year Budget Review by Finance Commission
March 2025	Department Meetings with the City Manager
April 2025	Proposed Budget Review by Finance Commission
May 20, 2025	FY 2025/26 Proposed Budget Study Session
May 2025	Proposed CIP / Infrastructure Projects review by Finance Commission
June 3, 2025	FY 2025/26 Budget City Council Public Hearing
June 17, 2025	FY 2025/26 Budget Adoption (Tentative)
July 1, 2025	Fiscal Year Begins
July 2025	Adopted Budget Review by Finance Commission



Finance Commission Recurring / Requested / Parking Lot

Recurring

- Friends of the Library – Sub Committee Update
- Meadowlark Golf – Task Force Update (Meets Quarterly)

Requested Items for Future Agenda

- Citywide Leases – Presentation by City Staff
- Visit HB – Presentation and Review

Parking Lot Items – Future Meeting Items

- Pension Overview
- PAFR Review - March



CMFA SPECIAL FINANCE AGENCY VIII
SENIOR ESSENTIAL HOUSING REVENUE BONDS, SERIES 2021A-1
JUNIOR ESSENTIAL HOUSING REVENUE BONDS, SERIES 2021A-2
(ELAN HUNTINGTON BEACH)

CONTINUING DISCLOSURE ANNUAL REPORT
FOR THE
FISCAL YEAR ENDING JUNE 30, 2024

TABLE OF CONTENTS

I. INTRODUCTION

**APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE FACILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

APPENDIX C – OCCUPANCY REPORT

APPENDIX D – CERTIFICATE OF THE DISCLOSURE REPRESENTATIVE

I. INTRODUCTION

Pursuant to the Continuing Disclosure Agreement, dated August 31, 2021 (the “Disclosure Agreement”), the CMFA Special Finance Agency VIII (the “Agency”) hereby provides its continuing disclosure annual report for the fiscal year ending June 30, 2024 (the “Continuing Disclosure Annual Report”) in connection with the Agency’s Senior Essential Housing Revenue Bonds, Series 2021A-1 and Junior Essential Housing Revenue Bonds, Series 2021A-2 (Elan Huntington Beach) (collectively, the “Bonds”).

Each maturity of the Bonds is identified by the corresponding CUSIP Number set forth below. The CUSIP numbers below are provided for the convenience of Bondholders. The Agency is not responsible for the accuracy or completeness of such numbers.

<u>Series</u>	<u>Maturity Date</u>	<u>CUSIP</u>
2021A-1	August 1, 2056	12574VAA0
2021A-2	August 1, 2047	12574VAB8

Other Matters: This Continuing Disclosure Annual Report is provided solely pursuant to the Disclosure Agreement. The filing of this Continuing Disclosure Annual Report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the Agency, the Facilities, or the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the fiscal year to which this Continuing Disclosure Annual Report relates (other than as contained in this Continuing Disclosure Annual Report), or any other date specified with respect to any of the information contained in this Continuing Disclosure Annual Report, or that no other information exists, which may have a bearing on the security for the Bonds, or an investor’s decision to buy, sell, or hold the Bonds. The information contained in this Continuing Disclosure Annual Report has been delivered by the Program Administrator. No statement in this Continuing Disclosure Annual Report should be construed as a prediction or representation about future financial performance of the Agency or the Facilities.

Dated: January 15, 2025

CMFA Special Finance Agency VIII

Pursuant to the Disclosure Agreement, the Continuing Disclosure Annual Report of the Agency shall include the following information:

- (a) (1) audited financial statements for the Agency, on a consolidated basis, and (2) audited financial statements for the Facilities, supplied by the Project Administrator pursuant to the Project Administration Agreement in each case including a balance sheet and related statements of income and changes in financial position as of the end of such fiscal year and for such fiscal year, which shall be prepared and reported on without qualification by an independent certified public accountant in accordance with GAAP, and shall fairly present the financial condition of the Agency and the Facilities, as applicable, as of the end of such fiscal year;
- (b) a certificate signed by the Disclosure Representative stating that (1) during such fiscal year to the best of the Agency's actual knowledge, the Agency has observed and performed all of its covenants and agreements set forth in the Indenture and the other Bond Documents, except as disclosed in such certificate, and (2) no Event of Default has occurred or exists, except as disclosed in such certificate; and
- (c) an occupancy report provided by the Project Administrator pursuant to the Project Administration Agreement stating each lease of all or any part of the Facilities in effect as of the last day of the month prior to the date of delivery thereof, and including the breakdown of (1) units by each income restriction category pursuant to the Regulatory Agreement, (2) market rate units, and (3) other units to the extent tenant income is unknown at the time.

As described above, the audited financial statements of the Agency and the Facilities for the fiscal year ended June 30, 2024 are set forth in Appendices A and B hereto, respectively. The occupancy report and the Disclosure Representative certificate are set forth in Appendices C and D hereto, respectively.

APPENDIX A
AUDITED FINANCIAL STATEMENTS OF THE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

CMFA Special Finance Agency VIII

Consolidated Financial Statements

Year Ended June 30, 2024



Independent Auditor's Report

To the Board of Directors
CMFA Special Finance Agency VIII
Carlsbad, California

Opinion

We have audited the consolidated financial statements of CMFA Special Finance Agency VIII (the "Agency"), which comprise the consolidated statement of net position as of June 30, 2024, and the related consolidated statements of revenues, expenses and change in net position, 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 consolidated financial position of the Agency as of June 30, 2024, and the change in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States ("GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of CMFA Special Finance Agency VIII 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, 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 Agency's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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

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

In performing an audit in accordance with GAAS, we:

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that a management's discussion and analysis and the budgetary comparison information, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of net position, consolidating statement of revenues, expenses, and change in net position, and consolidating statement of cash flows, are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, change in net position, and cash flows of the individual companies and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating 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.

A handwritten signature in black ink that reads "Wipfli LLP". The script is cursive and fluid, with the letters "W", "i", "p", "f", and "l" being particularly prominent and stylized.

Wipfli LLP
Radnor, Pennsylvania

January 15, 2025

CMFA Special Finance Agency VIII
Management's Discussion and Analysis
For the Year Ended June 30, 2024

This section of the CMFA Special Finance Agency VIII's (the Agency) annual financial report presents the Management's Discussion and Analysis (MD&A) of its financial performance during the year ended June 30, 2024. The information in this section should be read in conjunction with the consolidated financial statements and the notes following this section.

GENERAL BACKGROUND, OVERVIEW AND PROGRAMS

The Agency was organized on July 1, 2021, under the provisions of the Joint Exercise of Powers Act of the Government Code of the State of California. The Agency is a joint exercise of powers authority and public entity formed pursuant to a Joint Exercise of Powers Agreement (Agreement) between the California Municipal Finance Authority (the Authority) and the City of Huntington Beach, California (City) as charter members, to which certain other cities and counties may in the future join as additional members. The Agency is authorized and empowered under the Act and the Agreement to issue bonds to undertake the financing and/or refinancing of any purpose or activity permitted under the Act or any other law, including projects that provide affordable local housing for low-income, median-income and moderate-income families and individuals.

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED JUNE 30, 2024

- Restricted cash and investment balances for FY2024 are \$3,240,247 below the prior year due to DSCR releases of capitalized interest and coverage reserve funds.
- FY2024 operating revenues are \$273,770 above the prior year due to rent increases and sustained high occupancy rates.
- Bonds payable have decreased \$1,961,186 from the prior year due to debt principal payments and amortization of the bond premium.

OVERVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Agency's consolidated financial statements include the MD&A, consolidated financial statements, and accompanying notes to the consolidated financial statements. This report also includes other information intended to furnish additional detail to the intended users.

The transactions of the Agency are accounted for utilizing the accrual basis of accounting.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Agency report information using accounting principles generally accepted in the United States of America (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. These statements offer both short-term and long-term financial information about the Agency's activities.

- The ***Consolidated Statement of Net Position*** includes all the Agency's assets and liabilities as of June 30, 2024 and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Agency's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Agency and assessing the liquidity and financial flexibility of the Agency.

CMFA Special Finance Agency VIII
Management's Discussion and Analysis
For the Year Ended June 30, 2024

- The ***Consolidated Statement of Revenues, Expenses and Change in Net Position*** accounts for all the Agency's revenues and expenses for the year ended June 30, 2024. This Statement reflects the results of the Agency's operations over the year and can be used to determine the Agency's creditworthiness and its ability to successfully recover all its costs through user fees and other income.
- The ***Consolidated Statement of Cash Flows*** provides information about the Agency's cash receipts and cash payments during the year ended June 30, 2024. This Statement reports cash receipts, cash payments, and net changes in cash resulting from operating and investing activities. The Statement provides answers to questions about where cash came from, what cash was used for and what caused changes in cash for the reporting period covered.

The accompanying ***Notes to the Consolidated Financial Statements*** provide additional information that is essential to a full understanding of the data provided in the consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF NET POSITION

The assets, liabilities, and net position as of June 30, 2024, and 2023 and changes from the prior year are shown in the table below.

	2024	2023	Change
Assets:			
Cash and cash equivalents	715,632	664,433	51,199
Restricted cash and investments	14,192,086	17,432,333	(3,240,247)
Other current assets	292,692	209,203	83,489
Other assets	<u>135,670,512</u>	<u>137,815,692</u>	<u>(2,145,180)</u>
Total assets	150,870,922	156,121,661	(5,250,739)
Liabilities:			
Current liabilities	2,948,491	3,377,237	(428,746)
Long-term bonds payable	<u>160,240,752</u>	<u>162,206,938</u>	<u>(1,966,186)</u>
Total liabilities	163,189,243	165,584,175	(2,394,932)
Deferred inflow of resources	282,024	-	282,024
Net position (deficit)	<u>(12,600,345)</u>	<u>(9,462,514)</u>	<u>(3,137,831)</u>

ASSETS

Restricted Cash and Investments

Restricted cash and investments are set aside for specified purposes, such as refundable deposits to tenants, servicing of the Project's outstanding debt obligations and the construction of capital assets. Such assets have been restricted by either bond indenture, law or through contractual obligations.

The reduction in restricted cash was due to releases of certain reserve funds upon meeting debt service coverage thresholds.

CMFA Special Finance Agency VIII
Management's Discussion and Analysis
For the Year Ended June 30, 2024

NET POSITION

The following table presents a condensed consolidated statement of revenues, expenses and change in net position for the years ended June 30, 2024, and 2023.

Condensed Consolidated Statement of Revenues, Expenses and Change in Net Position

	2024	2023	Change
Operating revenues	8,259,976	7,986,206	273,770
Operating expenses	6,618,297	6,744,975	(126,678)
Nonoperating expenses	<u>4,779,511</u>	<u>5,087,439</u>	<u>(307,928)</u>
Change in net position	(3,137,832)	(3,846,208)	708,376
 Net position - beginning of year	 <u>(9,462,513)</u>	 <u>(5,616,306)</u>	 <u>(3,846,207)</u>
Net Position - end of year	<u>(12,600,345)</u>	<u>(9,462,513)</u>	<u>(3,137,831)</u>

LIABILITIES

Bonds Payable

Bonds payable decreased in FY2024 by \$1,961,186. This comprises a principal payment on the Series 2021A Bonds of \$1,810,000 as well as \$151,186 amortization of the bond premium.

OPERATING REVENUES

Operating revenues increased over the previous year by \$273,770. This was mainly due to the increase in rental rates and sustainment of occupancy rates for the period. The increase in residential income was due to rental rate increases.

Operating revenues:	2024	2023	Change
Rental income	7,670,846	7,066,434	604,412
Other income	<u>589,130</u>	<u>919,772</u>	<u>(330,642)</u>
Total operating revenues	8,259,976	7,986,206	273,770

OPERATING EXPENSES

Operating expenses decreased from \$6,744,975 in FY2023 to \$6,618,297 in FY2024 – a decrease of \$126,678. This is due to a decrease in repair and maintenance costs for the fiscal year.

CMFA Special Finance Agency VIII

Consolidated Statement of Net Position

<i>As of June 30,</i>	2024
Assets	
Current assets:	
Cash and cash equivalents	\$ 715,632
Restricted cash	288,348
Restricted investments	13,903,738
Tenants accounts receivable	14,525
Lease receivables, current portion	244,989
Prepaid expenses and other assets	33,178
Total current assets	15,200,410
Lease receivables, net of current portion	1,721
Capital assets, net	135,618,647
Leasing commissions, net	50,144
Total assets	\$ 150,870,922
Liabilities, Deferred Inflow of Resources, and Net Position	
Current liabilities:	
Accounts payable	\$ 360,585
Accrued expenses	72,372
Accrued interest	2,222,667
Security deposits	287,867
Current portion of bonds payable	5,000
Total current liabilities	2,948,491
Long-term bonds payable, net	160,240,752
Total liabilities	163,189,243
Deferred inflow of resources	282,024
Net position:	
Net investment in capital assets	(26,849,772)
Restricted for debt service and other purposes	14,191,605
Unrestricted	57,822
Total net position (deficit)	(12,600,345)
Total liabilities, deferred inflow of resources, and net position	\$ 150,870,922

See accompanying notes to the consolidated financial statements.

CMFA Special Finance Agency VIII

Consolidated Statement of Revenues, Expenses and Change in Net Position

<i>Year Ended June 30,</i>	2024
Operating revenues:	
Rental income	\$ 7,670,846
Other income	589,130
Total operating revenues	8,259,976
Operating expenses:	
Advertising	36,820
Depreciation and amortization	4,119,352
General and administrative	168,694
Insurance	188,254
Other	207,760
Property management fees	207,493
Project administration fees	250,000
Repairs and maintenance	458,100
Salaries and benefits	451,936
Utilities	529,888
Total operating expenses	6,618,297
Net operating income	1,641,679
Nonoperating income (expense):	
Interest expense	(5,193,648)
Interest income	414,137
Total nonoperating expense	(4,779,511)
Change in net position	(3,137,832)
Net deficit at June 30, 2023	(9,462,513)
Net deficit at June 30, 2024	\$ (12,600,345)

See accompanying notes to the consolidated financial statements.

CMFA Special Finance Agency VIII

Consolidated Statement of Cash Flows

<i>Year Ended June 30,</i>	2024
Cash flows from operating activities:	
Cash received from customers	\$ 8,504,966
Cash paid to suppliers and service providers	(2,950,701)
Net cash flows from operating activities	5,554,265
Cash flows from capital and related financing activities:	
Purchases of capital assets	(1,922,045)
Payments for leasing commissions	(50,406)
Principal payments on bonds	(1,810,000)
Interest payments on bond	(5,375,000)
Net cash flows from financing activities	(9,157,451)
Cash flows from investing activities:	
Net change in restricted investments	3,068,094
Interest income	414,137
Net cash flows from investing activities	3,482,231
Net change in cash, cash equivalents, and restricted cash	(120,955)
Cash, cash equivalents, and restricted cash - beginning of year	1,124,935
Cash, cash equivalents, and restricted cash - end of year	\$ 1,003,980

CMFA Special Finance Agency VIII

Consolidated Statement of Cash Flows (Continued)

<i>Year Ended June 30,</i>	2024
Net operating income	\$ 1,641,679
Adjustments to reconcile net operating income to net cash flows from operating activities:	
Depreciation and amortization	4,119,352
Changes in operating assets and liabilities:	
Tenant accounts receivable	53,248
Prepaid expenses and other assets	108,252
Lease receivables	(246,710)
Accounts payable	81,739
Accrued expenses	(491,747)
Deferred inflow of resources	265,994
Security deposits	22,458
Total adjustments	3,912,586
Net cash flows from operating activities	\$ 5,554,265
Cash, cash equivalents, and restricted cash:	
Cash and cash equivalents	\$ 715,632
Restricted cash and cash equivalents	
Tenant security deposits	287,867
Restricted cash equivalents in accordance with bond indenture	481
Total cash, cash equivalents, and restricted cash	\$ 1,003,980
Supplemental cash flow information:	
Noncash financing activities:	
Amortization of bond premium	\$ (151,186)
Accrued interest	30,166

See accompanying notes to the consolidated financial statements.

CMFA Special Finance Agency VIII

Notes to the Consolidated Financial Statements

Note 1: Organization, Operations and Reporting Entity

The CMFA Special Finance Agency VIII (the "Agency") was organized on July 1, 2021 under the provisions of the Joint Exercise of Powers Act (Act) of the Government Code of the State of California. The Agency is a joint exercise of powers authority and public entity formed pursuant to a Joint Exercise of Powers Agreement (Agreement) between the California Municipal Finance Authority (the Authority) and the City of Huntington Beach, California (City) as charter members, to which certain cities and counties may in the future join as additional members. The Agency is authorized and empowered under the Act and the Agreement to issue bonds to undertake the financing and/or refinancing of any purpose or activity permitted under the Act or any other law, including projects that provide affordable local housing for low-income, median-income and moderate-income families and individuals. The Agency is governed by the Board of Directors consisting of, ex officio, the board of directors of the Authority.

Elan Huntington Beach, Huntington Beach, California (Elan)

On August 31, 2021, the Agency issued Essential Housing Revenue Bonds Series 2021A-1 (Senior Bonds), Essential Housing Revenue Bonds Series 2021A-2 (Junior Bonds) and Subordinate Essential Housing Revenue Bonds Series 2021B (Series 2021-B Bonds). The Series 2021B Bonds were directly issued to, or at the direction of, Catalyst Housing Group LLC, a California limited liability company (Catalyst) in exchange for the sale and assignment of certain assets to the Agency, including its purchase rights to the project, a business plan for the Agency, and certain intellectual property created by Catalyst for the Agency. The bonds, with an aggregate principal amount of \$155,295,000 were issued pursuant to a Trust Indenture (the "Indenture") by and between the Agency and Wilmington Trust, National Association, (the "Trustee") to finance the acquisition of a 274-unit multifamily residential community that also contains approximately 7,923 square feet of ground floor retail space and related improvements, personal property and equipment known as Elan Huntington Beach located at 18504 Beach Boulevard, Huntington Beach, California (the "Project").

The accompanying consolidated financial statements include the accounts of the Agency and its subsidiary, Elan Huntington Beach, after elimination of all material intercompany transactions and accounts.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The Agency's consolidated financial statements have been prepared using the accrual basis of accounting in accordance with GAAP as prescribed by the Governmental Accounting Standards Board. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

CMFA Special Finance Agency VIII

Notes to the Consolidated Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments, which are readily convertible to cash and have remaining maturities of three months or less at the date of acquisition.

Restricted Cash and Investments and Investment Income

Restricted cash and investments represent the unspent proceeds of the bonds that are held by the Trustee. These investments are made up of various funds that were required to be funded by the Indenture. Also included in restricted cash are tenant security deposit funds. See Note 3 for a listing of the funds held by the Trustee.

Restricted investments are made up of money market funds and guaranteed investment contracts. The guaranteed investment contracts are considered trading securities, therefore are measured at fair value.

All investment income is reported as nonoperating revenues (expenses) in the accompanying consolidated statement of revenues, expenses, and changes in net position. Realized gains or losses are determined by specific identification.

Tenant Accounts Receivable

Tenant accounts receivable are uncollateralized residential rents, which are due at the beginning of each month. Payments of tenant receivables are allocated to the specific charges identified on the tenant's remittance or, if unspecified, are applied to past due balances first, then the current unpaid charges. Management individually reviews all tenant receivables and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that could be uncollectible. Any amounts that remain outstanding after management has used reasonable collection efforts are deemed uncollectible and written-off through a charge to the valuation allowance and elimination of the tenant accounts receivable. There is \$1,833 of uncollectible allowance recorded as of June 30, 2024.

CMFA Special Finance Agency VIII

Notes to the Consolidated Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Tenant Security Deposit Funds

Tenant security deposits represent tenant deposits held in accordance with the respective tenant's lease agreement which are held in trust for the tenants until they vacate the property. Any amounts not returned to the tenant due to lease violations are transferred to the Project's general operating account.

Capital Assets

Capital assets are defined by the Agency as assets with an initial, individual cost of \$1,000 or more and an estimated useful life of more than one year. Capital assets are recorded at historical cost or estimated historical cost, if actual cost is not available, and when placed in service. Capital assets are depreciated on a straight-line basis over the estimated useful lives of the assets (3 - 30 years). Depreciation of capital assets is recorded as an expense against operations. Repairs and maintenance costs are charged to expense as incurred.

Management reviews the recoverability of its capital assets in accordance with the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. GASB Statement No. 42 requires the recognition of impairment of capital assets in the event an asset's service utility has declined significantly and unexpectedly. Accordingly, management evaluates its assets' utility annually or when an event occurs that may impair recoverability of the asset.

Long-Lived Assets

The Agency reviews its long-lived assets periodically to determine potential impairment by comparing the carrying value of those assets with the estimated future undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future undiscounted cash flows be less than the carrying value, the Agency would recognize an impairment loss at that time. No impairment loss was recognized in the fiscal year 2024.

Leasing Commission Costs

Leasing commissions have been capitalized and are amortized over the related lease term using the straight-line method. Amortization expense for the year ended June 30, 2024 was \$261.

CMFA Special Finance Agency VIII

Notes to the Consolidated Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the consolidated statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. At this time, the Agency has no items that are reported in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents the acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Original Issue Premium

Original issue premium represents the difference between the face value of the bonds and the consideration received. Original issue premium is deferred and amortized over the life of the bonds using the straight-line method. Amortization of the premium is reflected as a decrease to interest expense in the consolidated statement of revenues, expenses, and change in net position.

Net Position

Net position of the Agency is classified in three components:

- *Net investment in capital assets* consists of capital assets, including bond proceeds held for capital assets, net of accumulated depreciation and reduced by any outstanding borrowings used to finance the purchase or construction of those assets.
- *Restricted for debt service and other purposes* is net position that is restricted for the future payment of debt and is required to be held under an agreement with the Trustee, as well as other funds included in restricted investments.
- *Unrestricted net position* is the remaining net position that does not meet the definition of net investment in capital assets or restricted for debt service and other purposes.

Income Taxes

As an essential government function, the Agency and Project are generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

CMFA Special Finance Agency VIII

Notes to the Consolidated Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Advertising Expenses

Advertising costs are expensed as incurred. Advertising costs expensed during the year ended June 30, 2024 were \$36,820.

Revenue Recognition

Housing units are rented under operating lease agreements with terms that vary, but a majority of lease terms are one year or less. Rent income from tenants is recognized in the month in which it is earned rather than received. Other income consists of income from pet rent, parking, laundry, and utility reimbursements from tenants.

GASB 87 Lease Accounting

The Project is a lessor in multiple housing units lease agreements. The Project accounts for its leases in accordance with the Governmental Accounting Standards Board ("GASB"), Statement No. 87, *Leases*. If the contract provides the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Lease receivable and deferred inflow of resources are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The deferred inflow of resources is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred. See Note 9 for leases.

The Project uses its incremental borrowing rate as the discount rate.

The Project has elected to not recognize lease receivable and deferred inflow of resources for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to renew the lease agreement. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases. The Project recognizes short-term lease income on a straight-line basis over the lease term.

Subsequent Events

The Agency has evaluated subsequent events through January 15, 2025, which is the date the consolidated financial statements were available to be issued.

CMFA Special Finance Agency VIII

Notes to the Consolidated Financial Statements

Note 3: Deposits and Investments

The Agency's restricted cash and investments are subject to several types of risk:

Interest Rate Risk – Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. The Agency does have a formal investment policy for interest rate risk.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2024, the Agency's investments were not rated.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency does have a deposit policy for custodial credit risk. The Project's deposits are held with the Trustee and are fully insured. The Agency's deposits are collateralized.

Although not part of the Indenture, included in restricted cash and cash equivalents are tenant security deposits of \$287,867 as of June 30, 2024. As such, this amount is not included in the table below summarizing restricted cash and investments by fund.

Pursuant to the Indenture, the Agency was required to establish certain restricted reserves with bond proceeds that were funded at closing for the bond issuance. All reserve accounts are restricted for specific use and withdrawals from the restricted accounts are subject to approval by the Trustee.

The following table provides a summary of restricted investments by fund as required by the Indenture:

<i>Fund/Account Name</i>	2024
Revenue fund	\$ 696,828
Operating Reserve fund	448,493
Administrative Expenses fund	163,637
Excess Revenue fund	3,002
Extraordinary Expense fund	500,000
Project Acquisition fund	41,924
Environmental Assurance fund	44,009
Capital Reserve fund	1,186,580
Senior Debt Service account	1,210,997
Senior Debt Service Reserve fund	3,015,000
Junior Debt Service account	770,941
Junior Debt Service Reserve fund	1,991,800
Subordinate Debt Service account	3,830,527
Total	\$ 13,903,738

CMFA Special Finance Agency VIII

Notes to the Consolidated Financial Statements

Note 3: Deposits and Investments (Continued)

Revenue Fund

Pursuant to the Project Administration Agreement (Note 7), at the end of each month, the operator is required to transfer all monies into the revenue fund held by the Trustee as soon as practicable as long as any bonds remain outstanding.

Operating Reserve Fund

The operating reserve fund is used to cure any deficiency in the senior debt service account. If at any time the amount on deposit in the operating reserve fund exceeds the operating reserve requirement, amounts in excess of the operating reserve requirement shall be deposited into the revenue fund. As of June 30, 2024, the deposits on hand in the operating reserve fund met the operating reserve requirement of \$448,493.

Administrative Expenses Fund

The administrative expenses fund shall be used only for the purpose of paying administrative expenses. In the event the amount in the administrative expenses fund is insufficient to pay the administrative expenses, the Trustee shall apply amounts in the operating reserve fund for the payment of administrative expenses.

Excess Revenue Fund

Excess revenue fund shall be applied first to the revenue fund to satisfy any insufficiency of payments required pursuant to flow of funds, and then to the redemption of bonds. On the first date upon which no bonds remain outstanding, any and all moneys in the excess revenue fund shall be transferred by the Trustee to the project jurisdiction.

Extraordinary Expense Fund

The extraordinary expense fund is used to pay for extraordinary expenses, as approved by the Agency and processed by the Trustee. The Trustee will disburse monies from the extraordinary expense fund to the Agency for certain expenses meeting the extraordinary definition in the Indenture. After discharge of the Indenture, the Agency shall retain any monies in the extraordinary expense fund, unless a different arrangement is agreed to at the Agency's discretion. As of June 30, 2024, the deposits on hand in the coverage reserve fund met the coverage reserve deposit requirement of \$500,000.

Project Acquisition Fund

The project acquisition fund is used to pay the amounts required by the provision of the Indenture Agreement and make disbursements of amounts in accordance with a request of the project administrator for the purposes of paying a portion of the purchase price of the Project.

CMFA Special Finance Agency VIII

Notes to the Consolidated Financial Statements

Note 3: Deposits and Investments (Continued)

Environmental Financial Assurance Fund

The environment financial assurance fund shall be used solely for the purposes of satisfying the financial assurance mechanism pursuant to the Indenture.

Capital Reserve Fund

The capital reserve fund is used to cure any deficiency in the senior debt service account. The monies in this account shall be used for the purposes of paying for capital expenses included in the capital budget or otherwise expressly authorized by the project administration agreement and capital expenses not included in the capital budget with the prior written consent of the Agency.

Senior Debt Service Account

The senior debt service account is used to pay out on or before each interest payment date, for the Senior Bonds, the amount required for the interest payment on such interest payment date and pay out on or before each principal payment date, the amount required for the principal payment due on such due date.

Senior Debt Service Reserve Fund

The senior debt service reserve fund is used to cure any deficiency in the senior debt service subaccount of the debt service fund. As of June 30, 2024, the balance on deposit in the senior debt service reserve fund met the requirement outlined in the trust indenture.

Junior Debt Service Account

The junior debt service account is used to pay out on or before each interest payment date, for the Junior Bonds, the amount required for the interest payment on such interest payment date and pay out on or before each principal payment date, the amount required for the principal payment due on such due date.

Junior Debt Service Reserve Fund

The junior debt service reserve fund is used to cure any deficiency in the junior debt service subaccount of the debt service fund. As of June 30, 2024, the balance on deposit in the junior debt service reserve fund met the requirement outlined in the Indenture.

Subordinate Debt Service Account

The subordinate debt service account is used to fund any interest that is due and payable on the next ensuing interest payment on each series of outstanding subordinate bonds.

CMFA Special Finance Agency VIII

Notes to the Consolidated Financial Statements

Note 4: Fair Value Measurements

The following is a description of the valuation methodologies used for assets measured at fair value.

Quoted market prices are used to determine the fair value of investments in publicly traded equity securities and exchange traded funds. Certificates of deposit, corporate bonds, and government obligations are valued using quotes from pricing vendors based on recent trading activity and other observable market data.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Agency believes their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different fair value measurement at the reporting date.

Information regarding assets at fair value on a recurring basis as of June 30, 2024, is as follows:

Investment Type	Total Assets at Fair Value	Recurring Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market mutual funds	\$ 7,948,444	\$ 7,948,444	\$ -	\$ -
Guaranteed investment contracts	5,955,294	-	5,955,294	-
Totals	\$ 13,903,738	\$ 7,948,444	\$ 5,955,294	\$ -

Following is a description of the valuation methodology and significant inputs used for each asset and liability measured at fair value on a recurring or nonrecurring basis, as well as the classification of the asset or liability within the fair value hierarchy.

Money market funds - The fair value of money market funds are based on inputs that are observable, such as quoted prices for similar assets in active markets, interest rates, yield curve volatilities and credit risk.

Guaranteed investment contracts - The fair value of guaranteed investment contracts are based on inputs that are observable, such as quoted prices for similar assets in active markets, interest rates, yield curve volatilities and credit risk. Interest rate is 1.63%. The contract issuer is contractually obligated to repay the principal and interest at the specified interest rate that is guaranteed to the investment holder. The investment holder may withdraw the full principal balance on deposit, terminating the contract, at any time.

CMFA Special Finance Agency VIII

Notes to the Consolidated Financial Statements

Note 5: Capital Assets

The capital assets balance at June 30, 2024, consists of the following activity:

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets not depreciated:				
Land	\$ 27,705,748	\$ -	\$ -	\$ 27,705,748
Capital assets depreciable:				
Building and improvements	117,093,895	1,869,988	-	118,963,883
Furniture, fixtures and equipment	507,725	52,057	-	559,782
Total depreciable capital assets	117,601,620	1,922,045	-	119,523,665
Less accumulated depreciation:				
Building and improvements	(7,466,091)	(4,011,135)	-	(11,477,226)
Furniture, fixtures and equipment	(25,584)	(107,956)	-	(133,540)
Total accumulated depreciation	(7,491,675)	(4,119,091)	-	(11,610,766)
Total capital assets, depreciable (net)	110,109,945	(2,197,046)	-	107,912,899
Capital assets, net	\$ 137,815,693	\$ (2,197,046)	\$ -	\$ 135,618,647

Depreciation expense for the year ended June 30, 2024 was \$4,119,091.

Note 6: Bonds Payable

On August 31, 2021, the Agency issued Essential Housing Revenue Bonds Series 2021 A-1 (Senior Bonds) (Series 2021A-1 Bonds) in the amount of \$100,500,000 and Essential Housing Revenue Bonds Series 2021 A-2 (Junior Bonds) (Series 2021A-2 Bonds) in the amount of \$49,795,000, collectively, the Series 2021A Bonds. The proceeds of the Series 2021A Bonds were used for financing the cost of the acquisition of a multifamily rental housing facility and related improvements known as Elan Huntington Beach and the costs of issuance of the Series 2021A Bonds.

Concurrently with the issuance of the Series 2021A Bonds, the Agency directly issued Subordinate Essential Housing Revenue Bonds Series 2021B (Series 2021B Bonds) in the amount of \$5,000,000 to Catalyst Housing Group LLC, a California limited liability company (Catalyst) in exchange for the sale and assignment of certain assets to the Agency, including its purchase rights to Elan Huntington Beach, a business plan and certain intellectual property created by Catalyst.

CMFA Special Finance Agency VIII

Notes to the Consolidated Financial Statements

Note 6: Bonds Payable (Continued)

The bonds are summarized as follows:

Obligations	Original Amount	Interest Rate	Final Maturity Date	Balance Outstanding June 30, 2024
Essential Housing Revenue Bonds, Series 2021A-1	\$ 100,500,000	3.00 %	August 1, 2056	\$ 100,500,000
Essential Housing Revenue Bonds, Series 2021A-2	49,795,000	4.00 %	August 1, 2047	47,985,000
Essential Housing Revenue Bonds, Series 2021B	5,000,000	8.00 %	August 1, 2061	5,000,000

Activity for the bonds was as follows for the year ended June 30, 2024:

Obligations	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024
Essential Housing Revenue Bonds Series 2021A-1	\$ 100,500,000	\$ -	\$ -	\$ 100,500,000
Essential Housing Revenue Bonds Series 2021A-2	49,795,000	-	(1,810,000)	47,985,000
Subordinate Essential Housing Revenue Bonds, Series 2021B	5,000,000	-	-	5,000,000
Unamortized Bond Premium	6,911,938	-	(151,186)	6,760,752
Totals	\$ 162,206,938	\$ -	\$ (1,961,186)	\$ 160,245,752

CMFA Special Finance Agency VIII

Notes to the Consolidated Financial Statements

Note 6: Bonds Payable (Continued)

Interest payments on the bonds are due semi-annually (February 1st and August 1st) commencing February 1, 2022. Principal payments are not to be made on any bond unless and until such bond is tendered to the Trustee for cancellation; however partial payments may be made from time to time at the election of ownership. \$5,000 of the outstanding principal balance is classified as a current liability and the remaining \$160,240,752 is classified as a long-term liability as of June 30, 2024.

The bonds require the Project to maintain a DSCR, as defined in the agreement, of 1.10:1.00, measured on an annual basis. If the DSCR calculated is not equal to or greater than 1.10:1.00, the Agency will cause the Project Administrator to select and appoint, a Housing Consultant to make written recommendations regarding the fees, rentals, rates and charges imposed and collected by or on behalf of the Project Administrator and transferred to the Trustee, in connection with the operation of the Project, and regarding improvements or changes in the operations or management of or the services rendered by the Project Administrator; provided, however, that in the event that a Housing Consultant shall deliver a report to the Project Administrator, the Agency and the Trustee stating that state or federal laws or regulations or administrative interpretations of such laws or regulations then in existence do not permit, or by their application make it impracticable for the Project Administrator to conduct its business so as to maintain the DSCR at a level sufficient to meet the debt service coverage requirement, then the debt service coverage requirement shall be reduced to the highest practicable ratio permitted by the laws or regulations then in effect but in no event less than 1.00:1.00.

The Project's principal and interest payments are flexible based on cash flows from the Project. Based on management projections at the time of underwriting, the amortization schedule is as follows:

Year Ending June 30	Principal	Interest	Total
2025	\$ 5,000	\$ 5,375,800	\$ 5,380,800
2026	140,000	5,374,600	5,514,600
2027	315,000	5,367,300	5,682,300
2028	220,000	5,353,000	5,573,000
2029	675,000	5,342,800	6,017,800
2030-2034	10,800,000	25,481,100	36,281,100
2035-2039	14,740,000	23,210,500	37,950,500
2040-2044	26,005,000	19,405,000	45,410,000
2045-2049	37,395,000	14,010,275	51,405,275
2050-2054	52,380,000	7,440,800	59,820,800
2055-2059	5,810,000	2,087,150	7,897,150
2060-2061	5,000,000	1,000,000	6,000,000
Totals	\$ 153,485,000	\$ 119,448,325	\$ 272,933,325

CMFA Special Finance Agency VIII

Notes to the Consolidated Financial Statements

Note 6: Bonds Payable (Continued)

Long-term pledged revenues as of June 30, 2024 is as follows:

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Expense for the Year Ended 2024	2024 Pledged Revenue Available
Net Rental Revenue:				
Essential Housing Revenue Bonds, Series 2021 A	2056	\$ 252,933,325	\$ 6,603,648	\$ 678,040
Essential Housing Revenue Bonds, Series 2021 B	2061	20,000,000	400,000	400,000
Totals		\$ 272,933,325	\$ 7,003,648	\$ 1,078,040

Note 7: Related Party Transactions

The Agency signed a Project Administration Agreement (PAA) with a third-party Administrator, Catalyst, on August 1, 2021, for the Project that establishes the terms and conditions upon which the third-party Administrator shall, as an independent contractor, monitor, supervise, coordinate, analyze and report to the Agency with respect to the project and the project Manager's performance under the PAA. The PAA renews automatically on its anniversary date unless terminated as a result of circumstances as defined by the PAA. Project administration fees incurred and paid to the project Administrator under the PAA during the year ended through June 30, 2024, were \$250,000. All project administration fees were paid by June 30, 2024, as such, there was no accrued expense at June 30, 2024.

The Agency also signed a Property Management Agreement (PMA) with a third-party property Manager, Greystar, on August 1, 2021, for the project that establishes the terms and conditions for the operation and maintenance of the project including preparing annual operating budgets, marketing and leasing the project, collecting rents, managing the payment of operating expenses for the project, maintenance and repair of the project and management of on-site employees. The PMA renews automatically on its anniversary date unless terminated as a result of circumstances as defined by the PMA. The property management fees are the greater of 2.50% of gross operating revenue or \$12,600 per month. Property management fees and reimbursable expenses incurred for the year ended June 30, 2024, were \$207,493 and \$613,565. Accrued property management fees at June 30, 2024, were \$17,648.

Under terms of the Indenture, the Project must pay the Agency an annual administrative fee of \$150,000 payable each August 1, commencing August 1, 2022. Annual administrative fees prepaid as of June 30, 2024, were \$26,667.

CMFA Special Finance Agency VIII

Notes to the Consolidated Financial Statements

Note 7: Related Party Transactions (Continued)

The Project is subject to a Public Benefit Agreement, which the Agency signed with the City of Huntington Beach (City), and is dated as of August 1, 2021. Pursuant to the Public Benefit Agreement, commencing 15 years after the date of issuance of the Series 2021A Bonds (the sale right exercise date or August 1, 2036), and for a period of time thereafter terminating on the date that is the earlier of 14 years from the sale right exercise date, or the date on which there is no debt outstanding, the City shall have the right to cause the Agency to sell all of the Agency's right, title and interest, including the fee simple title to the real property, in and to all property and assets used in or related to the project to the City or the City's designee, at a sales price at least equal to the sum of an amount sufficient to prepay any debt secured by the project and any expenses associated with effecting the sale.

Note 8: Commitments and Contingencies

In the ordinary course of business, the Agency occasionally becomes involved in legal proceedings relating to contracts, environmental issues, or other matters. While any proceeding or litigation has an element of uncertainty, management of the Agency believes that the outcome of any pending or threatened actions, will not have a material adverse effect on the business or financial condition of the Agency. It is at least reasonably possible that within the near term an outcome pertaining to these matters could differ from management's estimates, and the resulting change could be material to the consolidated financial statements.

Note 9: Leases

The Project enters into lease agreements for each housing unit with terms that vary, but a majority of lease terms are one year or less. Occasionally, a few lease agreements are leased with terms exceeding twelve months. Each lease agreement entered does not grant lease renewal options.

The lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments.

The lease receivable is initially measured at the present value of the remaining lease fixed payments over twelve months, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Project's incremental borrowing rate.

Lease payments included in the measurement of the lease receivable associated to these lease agreements comprise of only fixed payments.

The deferred inflow of resources is initially measured at the commencement of the lease term. This is equal to the amount of the lease receivable plus any lease payments related to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. As of June 30, 2024, the deferred inflow of resources was \$282,024, which includes \$35,314 of deferred revenue.

As lease payments are received, the lease receivable will be reduced, and the deferred inflow of resources will be recognized as revenue.

CMFA Special Finance Agency VIII

Notes to the Consolidated Financial Statements

Note 9: Leases (Continued)

Maturities of lease receivables are as follows as of June 30, 2024:

	Total Lease Payments	Amounts Representing Interest	Present Value of Lease Payments
2025	\$ 257,481	\$ 12,492	\$ 244,989
2026	1,809	88	1,721
Totals	\$ 259,290	\$ 12,580	\$ 246,710

Supplementary Information

CMFA Special Finance Agency VIII

Consolidating Statement of Net Position

As of June 30, 2024

	Agency	Elan Huntington Beach	Eliminations	Consolidated
Assets				
Current assets:				
Cash and cash equivalents	\$ 169,900	\$ 545,732	\$ -	\$ 715,632
Restricted cash	-	288,348	-	288,348
Restricted investments	-	13,903,738	-	13,903,738
Tenant accounts receivable, net	-	14,525	-	14,525
Lease receivables, current portion	-	244,989	-	244,989
Prepaid expenses and other assets	-	59,845	(26,667)	33,178
Total current assets	169,900	15,057,177	(26,667)	15,200,410
Lease receivables, net of current portion	-	1,721	-	1,721
Capital assets, net	-	135,618,647	-	135,618,647
Leasing commissions, net	-	50,144	-	50,144
Total assets	\$ 169,900	\$ 150,727,689	\$ (26,667)	\$ 150,870,922
Liabilities, Deferred Inflow of Resources, and Net Position				
Current liabilities:				
Accounts payable	\$ -	\$ 360,585	\$ -	\$ 360,585
Accrued expenses	-	72,372	-	72,372
Accrued interest	-	2,222,667	-	2,222,667
Security deposits	-	287,867	-	287,867
Current portion of bonds payable	-	5,000	-	5,000
Total current liabilities	-	2,948,491	-	2,948,491
Long-term bonds payable, net	-	160,240,752	-	160,240,752
Total liabilities	-	163,189,243	-	163,189,243
Deferred inflow of resources	26,667	282,024	(26,667)	282,024
Net position:				
Net investment in capital assets	-	(26,849,772)	-	(26,849,772)
Restricted for debt service and other purposes	-	14,191,605	-	14,191,605
Unrestricted	143,233	(85,411)	-	57,822
Total net position (deficit)	143,233	(12,743,578)	-	(12,600,345)
Total liabilities, deferred inflow of resources, and net position	\$ 169,900	\$ 150,727,689	\$ (26,667)	\$ 150,870,922

See Independent Auditor's Report.

CMFA Special Finance Agency VIII
Consolidating Statement of Revenues, Expenses, and Change in Net Position
Year Ended June 30, 2024

	Agency	Elan Huntington Beach	Eliminations	Consolidated
Operating revenues:				
Rental income	\$ -	\$ 7,670,846	\$ -	\$ 7,670,846
Other income	123,333	589,130	(123,333)	589,130
Total operating revenues	123,333	8,259,976	(123,333)	8,259,976
Operating expenses:				
Advertising	-	36,820	-	36,820
Depreciation and amortization	-	4,119,352	-	4,119,352
General and administrative	101,329	190,698	(123,333)	168,694
Insurance	100	188,154	-	188,254
Other	-	207,760	-	207,760
Property management fees	-	207,493	-	207,493
Project administration fees	-	250,000	-	250,000
Repairs and maintenance	-	458,100	-	458,100
Salaries and benefits	-	451,936	-	451,936
Utilities	-	529,888	-	529,888
Total operating expenses	101,429	6,640,201	(123,333)	6,618,297
Net operating income	21,904	1,619,775	-	1,641,679
Nonoperating revenues (expenses):				
Interest expense	-	(5,193,648)	-	(5,193,648)
Interest income	-	414,137	-	414,137
Total nonoperating expense	-	(4,779,511)	-	(4,779,511)
Change in net position (deficit)	21,904	(3,159,736)	-	(3,137,832)
Net position (deficit) at June 30, 2023	121,329	(9,583,842)	-	(9,462,513)
Net position (deficit) at June 30, 2024	\$ 143,233	\$ (12,743,578)	\$ -	\$ (12,600,345)

See Independent Auditor's Report.

CMFA Special Finance Agency VIII

Consolidating Statement of Cash Flows

Year Ended June 30, 2024

	Agency	Elan Huntington Beach	Eliminations	Consolidated
Cash flows from operating activities:				
Cash received from customers	\$ 150,000	\$ 8,354,966	\$ -	\$ 8,504,966
Cash paid to suppliers and service providers	(101,429)	(2,849,272)	-	(2,950,701)
Net cash flows from operating activities	48,571	5,505,694	-	5,554,265
Cash flows from capital and related financing activities:				
Purchases of capital assets	-	(1,922,045)	-	(1,922,045)
Payments for lease commissions	-	(50,406)	-	(50,406)
Principal payments on bonds	-	(1,810,000)	-	(1,810,000)
Interest payments on bonds	-	(5,375,000)	-	(5,375,000)
Net cash flows from financing activities	-	(9,157,451)	-	(9,157,451)
Cash flows from investing activities:				
Net change in restricted investments	-	3,068,094	-	3,068,094
Interest income	-	414,137	-	414,137
Net cash flows from investing activities	-	3,482,231	-	3,482,231
Net change in cash and cash equivalents	48,571	(169,526)	-	(120,955)
Cash, cash equivalents, and restricted cash - beginning of year	121,329	1,003,606	-	1,124,935
Cash, cash equivalents, and restricted cash - end of year	\$ 169,900	\$ 834,080	\$ -	\$ 1,003,980

See Independent Auditor's Report.

CMFA Special Finance Agency VIII
Consolidating Statement of Cash Flows (Continued)
Year Ended June 30, 2024

	Agency	Elan Huntington Beach	Eliminations	Consolidated
Net operating income	\$ 21,904	\$ 1,619,775	\$ -	\$ 1,641,679
Adjustments to reconcile net operating income to net cash flows from operating activities:				
Depreciation and amortization	-	4,119,352	-	4,119,352
Changes in operating assets and liabilities:				
Tenant accounts receivable	-	53,248	-	53,248
Prepaid expenses and other assets	-	81,585	26,667	108,252
Lease receivable	-	(246,710)	-	(246,710)
Accounts payable	-	81,739	-	81,739
Accrued expenses	-	(491,747)	-	(491,747)
Deferred inflow of resources	26,667	265,994	(26,667)	265,994
Security deposits	-	22,458	-	22,458
Total adjustments	26,667	3,885,919	-	3,912,586
Net cash flows from operating activities	\$ 48,571	\$ 5,505,694	\$ -	\$ 5,554,265
Cash, cash equivalents, and restricted cash:				
Cash and cash equivalents	\$ 169,900	\$ 545,732	\$ -	\$ 715,632
Restricted cash and cash equivalents:				
Tenant security deposit funds	-	287,867	-	287,867
Restricted cash and cash equivalents in accordance with bond indenture	-	481	-	481
Total cash, cash equivalents, and restricted cash	\$ 169,900	\$ 834,080	\$ -	\$ 1,003,980
Supplemental cash flow information:				
Noncash financing activities:				
Amortization of bond premium	\$ -	\$ (151,186)	\$ -	\$ (151,186)
Accrued interest	-	30,166	-	30,166

See Independent Auditor's Report.

APPENDIX B
AUDITED FINANCIAL STATEMENTS OF THE FACILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Elan Huntington Beach

Financial Statements

Year Ended June 30, 2024



Independent Auditor's Report

Board of Directors
CMFA Special Finance Agency VIII
Carlsbad, California

Opinion

We have audited the accompanying financial statements of Elan Huntington Beach, a division of the CMFA Special Finance Agency VIII, which comprise the statement of net position as of June 30, 2024, and the related statements of revenues, expenses, and change in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Elan Huntington Beach as of June 30, 2024, and the changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States ("GAAP").

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

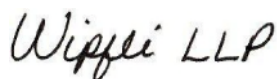
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 Elan Huntington Beach'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Elan Huntington Beach'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that a management's discussion and analysis and the budgetary comparison information presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Wipfli LLP
Radnor, Pennsylvania

October 23, 2024

Elan Huntington Beach
(A division of the CMFA Special Finance Agency VIII)
Management's Discussion and Analysis

This section of Elan Huntington Beach (the Project), a division of the CMFA Special Finance Agency VIII's (the Agency) annual financial report presents the Management's Discussion and Analysis (MD&A) of its financial performance during the year ended June 30, 2024. The information in this section should be read in conjunction with the financial statements and the notes following this section.

GENERAL BACKGROUND, OVERVIEW AND PROGRAMS

The Agency was organized on July 1, 2021, under the provision of the Joint Exercise of Powers Act of the Government Code of the State of California. The Agency is a joint exercise of powers authority and public entity formed pursuant to a Joint Exercise of Powers Agreement (Agreement) between the California Municipal Finance Authority (the Authority) and the City of Huntington Beach, California (City) as charter members, to which certain other cities and counties may in the future join as additional members. The Agency is authorized and empowered under the Act and the Agreement to issue bonds to undertake the financing and/or refinancing of any purpose or activity permitted under the Act or any other law, including projects that provide affordable local housing for low-income, median-income and moderate-income families and individuals.

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED JUNE 30, 2024

- Restricted cash balances for FY2024 are \$3,240,247 below the prior year due to DSCR releases of capitalized interest and coverage reserve funds.
- FY2024 operating revenues are \$273,770 above the prior year due to rent increases and sustained high occupancy.
- Bonds payable have decreased \$1,961,186 from the prior year due to debt principal repayment and amortization of the bond premium.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Agency's financial statements include the MD&A, financial statements, and accompanying notes to the basic financial statements. This report also includes other information intended to furnish additional detail to the intended users.

Basis of Presentation: The transactions of the Project are accounted for as an enterprise fund utilizing the accrual basis of accounting.

FINANCIAL STATEMENTS

The financial statements of the Project report information using accounting principles generally accepted in the United States of America (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental

Elan Huntington Beach
(A division of the CMFA Special Finance Agency VIII)
Management's Discussion and Analysis

accounting and financial reporting principles. These statements offer both short-term and long-term financial information about the Project's activities.

- The **Statement of Net Position** includes all the Project's assets and liabilities as of June 30, 2024, and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Project's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Project and assessing the liquidity and financial flexibility of the Project.
- The **Statement of Revenues, Expenses and Change in Net Position** accounts for all the Project's revenues and expenses for the year ended June 30, 2024. This Statement reflects the results of the Project's operations over the year and can be used to determine the Project's creditworthiness and its ability to successfully recover all its costs through user fees and other income.
- The **Statement of Cash Flows** provides information about the Project's cash receipts and cash payments during the year ended June 30, 2024. This Statement reports cash receipts, cash payments, and net changes in cash resulting from operating and investing activities. The Statement provides answers to questions about where cash came from, what cash was used for and what caused changes in cash for the reporting period covered.

The accompanying **Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements.

CONDENSED STATEMENTS OF FINANCIAL POSITION

The assets, liabilities, and net position as of June 30, 2024, and 2023 and changes from the prior year are shown in the table below.

	2024	2023	Change
Asset:			
Cash	545,732	543,105	2,627
Restricted cash	14,192,086	17,432,333	(3,240,247)
Other current assets	319,359	209,203	110,156
Other assets	<u>135,670,512</u>	<u>137,815,692</u>	<u>(2,145,180)</u>
Total assets	150,727,689	156,000,333	(5,272,644)
Liabilities:			
Current liabilities	2,948,491	3,377,237	(428,746)
Long-term debt	<u>160,240,752</u>	<u>162,206,938</u>	<u>(1,966,186)</u>
Total liabilities	163,189,243	165,584,175	(2,394,932)
Deferred inflow of resources	282,024	-	282,024
Net position (deficit)	<u>(12,743,578)</u>	<u>(9,583,842)</u>	<u>(3,159,736)</u>

Elan Huntington Beach
(A division of the CMFA Special Finance Agency VIII)
Management's Discussion and Analysis

ASSETS

Restricted Cash and Investments

Restricted cash and investments are set aside for specified purposes, such as refundable deposits to tenants, servicing of the Project's outstanding debt obligations and the construction of capital assets. Such assets have been restricted by either bond indenture, law or through contractual obligations.

The reduction in restricted cash was due to releases of certain reserve funds upon meeting debt service coverage thresholds.

NET POSITION

The following table presents a condensed statement of revenues, expenses and change in net position for the years ended June 30, 2024, and 2023.

Condensed Statement of Revenues, Expenses and Change in Net Position			
	2024	2023	Change
Revenues	8,259,976	7,986,206	273,770
Operating expenses	6,640,201	6,792,535	(152,334)
Non-Operating expenses	<u>4,779,511</u>	<u>5,087,439</u>	<u>(307,928)</u>
Change in net position	(3,159,736)	(3,893,768)	734,032
Net position - beginning of year	<u>(9,583,842)</u>	<u>(5,690,074)</u>	<u>(3,893,768)</u>
Net Position - end of year	<u>(12,743,578)</u>	<u>(9,583,842)</u>	<u>(3,159,736)</u>

LIABILITIES

Long-Term Debt

Bonds payable decreased in FY2024 by \$1,961,186. This comprises a principal payment on the series 2021A bonds of \$1,810,000 as well as \$151,186 amortization of the bond premium.

OPERATING REVENUES

Operating revenues increased over the previous year by \$273,770. This was mainly due to the increase in rental rate and sustainment of occupancy for the period. The increase in residential income was due to rent increases.

Elan Huntington Beach
(A division of the CMFA Special Finance Agency VIII)
Management's Discussion and Analysis

Operating Revenues:	2024	2023	Change
Rental income	7,670,846	7,066,434	604,412
Other income	<u>589,130</u>	<u>919,772</u>	<u>(330,642)</u>
Total operating revenues	8,259,976	7,986,206	273,770

OPERATING EXPENSES

Operating expenses decreased from \$6,792,535 in FY2023 to \$6,640,201 in FY2024 – a decrease of \$152,334. This is due to a decrease in repair and maintenance costs for the period.

Elan Huntington Beach

Statement of Net Position

<i>As of June 30,</i>	2024
Assets	
Current assets:	
Cash and cash equivalents	\$ 545,732
Restricted cash	288,348
Restricted investments	13,903,738
Tenants accounts receivable, net	14,525
Lease receivable, current portion	244,989
Prepaid expenses and other assets	59,845
Total current assets	15,057,177
Lease receivable, net of current portion	1,721
Capital assets, net	135,618,647
Leasing commissions, net	50,144
Total assets	\$ 150,727,689
Liabilities, Deferred Inflow of Resources, and Net Position	
Current liabilities:	
Accounts payable	\$ 360,585
Accrued expenses	72,372
Accrued interest	2,222,667
Security deposits	287,867
Current portion of bonds payable	5,000
Total current liabilities	2,948,491
Bonds payable	160,240,752
Total liabilities	163,189,243
Deferred inflow of resources	282,024
Net position:	
Net investment in capital assets	(26,849,772)
Restricted for debt service and other purposes	14,191,605
Unrestricted	(85,411)
Total net position (deficit)	(12,743,578)
Total liabilities, deferred inflow of resources, and net position	\$ 150,727,689

See accompanying notes to financial statements.

Elan Huntington Beach

Statement of Revenues, Expenses, and Change in Net Position

<i>Year Ended June 30,</i>	2024
Operating revenues:	
Rental income	\$ 7,670,846
Other income	589,130
Total operating revenues	8,259,976
Operating expenses	
Advertising	36,820
Depreciation and amortization	4,119,352
General and administrative	190,698
Insurance	188,154
Other	207,760
Property management fees	207,493
Project administration fees	250,000
Repairs and maintenance	458,100
Salaries and benefits	451,936
Utilities	529,888
Total operating expenses	6,640,201
Income from operations	1,619,775
Nonoperating income (expense):	
Interest expense	(5,193,648)
Interest income	414,137
Change in net position	(3,159,736)
Net deficit at June 30, 2023	(9,583,842)
Net deficit at June 30, 2024	\$ (12,743,578)

See accompanying notes to financial statements.

Elan Huntington Beach

Statement of Cash Flows

Year Ended June 30,	2024
Cash flows from operating activities:	
Cash received from customers	\$ 8,354,966
Cash paid to suppliers and service providers	(2,849,272)
Net cash flows from operating activities	5,505,694
Cash flows from capital and related financing activities:	
Purchases of capital assets	(1,922,045)
Payments for lease commissions	(50,406)
Principal payments on bonds	(1,810,000)
Interest payments on bonds	(5,375,000)
Net cash flows from capital and financing activities	(9,157,451)
Cash flows from investing activities:	
Net change in restricted investments	3,068,094
Interest income	414,137
Net cash flows from investing activities	3,482,231
Net change in cash, cash equivalents, and restricted cash	(169,526)
Cash, cash equivalents, and restricted cash - beginning of year	1,003,606
Cash, cash equivalents, and restricted cash - end of year	\$ 834,080
Net operating income	\$ 1,619,775
Adjustments to reconcile net operating income to net cash, cash equivalents, and restricted cash from operating activities:	
Depreciation and amortization	4,119,352
Changes in operating assets and liabilities:	
Tenant accounts receivable	53,248
Prepaid expenses	81,585
Lease receivables	(246,710)
Accounts payable	81,739
Accrued expenses	(491,747)
Deferred inflow of resources	265,994
Security deposits	22,458
Total adjustments	3,885,919
Net cash flows from operating activities	\$ 5,505,694
Cash, cash equivalents, and restricted cash:	
Cash and cash equivalents	\$ 545,732
Restricted cash and cash equivalents	
Tenant security deposits	287,867
Deposits with a fiscal agent	481
Total cash, cash equivalents, and restricted cash	\$ 834,080
Supplemental cash flow information:	
Noncash financing activities:	
Amortization of bond premium	\$ (151,186)
Accrued interest	30,166

See accompanying notes to financial statements.

Elan Huntington Beach

Notes to the Financial Statements

Note 1: Organization, Operations and Reporting Entity

The CMFA Special Finance Agency VIII (the Agency) was organized on July 1, 2021, under the provisions of the Joint Exercise of Powers Act (Act) of the Government Code of the State of California. The Agency is a joint exercise of powers authority and public entity formed pursuant to a Joint Exercise of Powers Agreement (Agreement) between the California Municipal Finance Authority (the Authority) and the City of Huntington Beach, California as charter members, to which certain other cities and counties may in the future join as additional members. The Agency is authorized and empowered under the Act and the Agreement to issue bonds to undertake the financing and/or refinancing of any purpose or activity permitted under the Act or any other law, including projects that provide affordable local housing for low-income, median-income and moderate-income families and individuals. The Agency is governed by the Board of Directors consisting of, ex officio, the board of directors of the Authority.

Elan Huntington Beach, Huntington Beach, California (Elan)

On August 31, 2021, the Agency issued Essential Housing Revenue Bonds Series 2021A-1 (Senior Bonds), Essential Housing Revenue Bonds Series 2021A-2 (Junior Bonds) and Subordinate Essential Housing Revenue Bonds Series 2021B (Series 2021B Bonds). The Series 2021B Bonds were directly issued to, or at the direction of, Catalyst Housing Group LLC (Catalyst), a California limited liability company, in exchange for the sale and assignment of certain assets to the Agency, including its purchase rights to the project, a business plan for the Agency, and certain intellectual property created by Catalyst for the Agency. The bonds, with an aggregate principal amount of \$155,295,000, were issued to finance the acquisition of a 274- unit multifamily residential rental community that also contains approximately 7,923 square feet of ground floor retail space and related improvements, personal property and equipment known as Elan Huntington Beach located at 18504 Beach Boulevard, Huntington Beach, California (the Project).

The accompanying financial statements of Elan Huntington Beach are intended to present the financial position, changes in financial position and cash flows, of only that portion of the business-type activities of the Agency that are attributable to the transactions of Elan Huntington Beach. They do not purport to, and do not, present fairly the financial position of the Agency as of June 30, 2024, and the changes in its financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America (GAAP).

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The Project's financial statements have been prepared using the accrual basis of accounting in accordance with GAAP as prescribed by the Governmental Accounting Standards Board. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Elan Huntington Beach

Notes to the Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain 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 reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments, which are readily convertible to cash and have remaining maturities of three months or less at the date of acquisition.

Restricted Cash and Investments and Investment Income

Restricted cash and investments represent the unspent proceeds of the Bonds that are held by the Trustee. These investments are made up of various funds that were required to be funded by the Indenture. Also included in restricted cash are tenant security deposit funds. See Note 3 for a listing of the funds held by the Trustee.

Restricted investments are made up of money market funds and guaranteed investment contracts. The guaranteed investment contracts are considered trading securities, therefore are measured at fair value.

All investment income is reported as nonoperating revenues (expenses) in the accompanying statement of revenues, expenses, and changes in net position. Realized gains or losses are determined by specific identification.

Tenant Accounts Receivable

Tenant accounts receivable are uncollateralized residential rents, which are due at the beginning of each month. Payments of tenant receivables are allocated to the specific charges identified on the tenant's remittance or, if unspecified, are applied to past due balances first, then the current unpaid charges. Management individually reviews all tenant receivables and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that could be uncollectible. Any amounts that remain outstanding after management has used reasonable collection efforts are deemed uncollectible and written-off through a charge to the valuation allowance and elimination of the tenant accounts receivable. Management has recorded an allowance for doubtful accounts of \$1,833 as of June 30, 2024.

Elan Huntington Beach

Notes to the Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Tenant Security Deposit Funds

Tenant security deposits represent tenant deposits held in accordance with the respective tenant's lease agreement which are held in trust for the tenants until they vacate the property. Any amounts not returned to the tenant due to lease violations are transferred to the Project's general operating account.

Capital Assets

Capital assets are defined by the Agency as assets with an initial, individual cost of \$1,000 or more and an estimated useful life of more than one year. Capital assets are recorded at historical cost or estimated historical cost, if actual cost is not available, and when placed in service. Capital assets are depreciated on a straight-line basis over the estimated useful lives of the assets (3 - 30 years). Depreciation of capital assets is recorded as an expense against operations. Repairs and maintenance costs are charged to expense as incurred.

Management reviews the recoverability of its capital assets in accordance with the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. GASB Statement No. 42 requires the recognition of impairment of capital assets in the event an asset's service utility has declined significantly and unexpectedly. Accordingly, management evaluates its assets' utility annually or when an event occurs that may impair recoverability of the asset.

Long-Lived Assets

The Project reviews their long-lived assets periodically to determine potential impairment by comparing the carrying value of those assets with the estimated future undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future undiscounted cash flows be less than the carrying value, the Project would recognize an impairment loss at that time. No impairment loss was recognized in the fiscal year 2024.

Leasing Commissions

Leasing commissions have been capitalized and are amortized over the related lease term using the straight-line method. Amortization expense for the year ended June 30, 2024 was \$261.

Elan Huntington Beach

Notes to the Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. At this time, the Project has no items that are reported in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents the acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Original Issue Premium

Original issue premium represents the difference between the face value of the bonds and the consideration received. Original issue premium is deferred and amortized over the life of the bonds using the straight-line method. Amortization of the premium is reflected as a decrease to interest expense in the statement of revenues, expenses, and change in net position.

Net Position

Net position of the Project is classified in three components:

Net investment in capital assets consists of capital assets, including bond proceeds held for capital assets, net of accumulated depreciation and reduced by any outstanding borrowings used to finance the purchase or construction of those assets.

Restricted for debt service and other purposes is net position that is restricted for the future payment of debt and is required to be held under an agreement with the Trustee, as well as other funds included in restricted investments.

Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted for debt service and other purposes.

Income Taxes

As an essential government function of the Agency, the Project is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs expensed during the year ended June 30, 2024 were \$36,820.

Elan Huntington Beach

Notes to the Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Housing units are rented under operating lease agreements with terms that vary, but a majority of lease terms are one year or less. Rent income is recognized in the month in which it is earned rather than received.

GASB 87 Lease Accounting

The Project is a lessor in multiple housing units lease agreements. The Project accounts for its leases in accordance with the Governmental Accounting Standards Board ("GASB"), Statement No. 87, Leases. If the contract provides the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Lease receivable and deferred inflow of resources are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The deferred inflow of resources is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred. See Note 9 for leases.

The Project uses its incremental borrowing rate as the discount rate.

The Project has elected to not recognize lease receivable and deferred inflow of resources for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to renew the lease agreement. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases. The Project recognizes short-term lease income on a straight-line basis over the lease term.

Subsequent Events

The Project has evaluated subsequent events through October 23, 2024, which is the date the financial statements were available to be issued.

Elan Huntington Beach

Notes to the Financial Statements

Note 3: Deposits and Investments

The Project's restricted cash and investments are subject to several types of risk:

Interest Rate Risk – Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. The Project does not have a formal investment policy for interest rate risk.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2024, the Project's investments were not rated.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Project's deposits may not be returned to it. The Project does not have a deposit policy for custodial credit risk. The Project's deposits are held with the Trustee and are fully insured.

Although not part of the Indenture, included in restricted cash and cash equivalents are tenant security deposits of \$287,867 as of June 30, 2024. As such, this amount is not included in the table below summarizing restricted cash and investments by fund.

Pursuant to the Indenture, the Project was required to establish certain restricted reserves with bond proceeds that were funded at closing for the bond issuance. All reserve accounts are restricted for specific use and withdrawals from the restricted accounts are subject to approval by the Trustee.

The following table provides a summary of restricted investments by fund as required by the Indenture:

<i>Fund/Account Name</i>	2024
Revenue fund	\$ 696,828
Operating Reserve fund	448,493
Administrative Expenses fund	163,637
Excess Revenue fund	3,002
Extraordinary Expense fund	500,000
Project Acquisition fund	41,924
Environmental Assurance fund	44,009
Capital Reserve fund	1,186,580
Senior Debt Service account	1,210,997
Senior Debt Service Reserve fund	3,015,000
Junior Debt Service account	770,941
Junior Debt Service Reserve fund	1,991,800
Subordinate Debt Service fund	3,830,527
Total	\$ 13,903,738

Elan Huntington Beach

Notes to the Financial Statements

Note 3: Deposits and Investments (Continued)

Revenue Fund

Pursuant to the Project Administration Agreement (Note 7), at the end of each month, the operator is required to transfer all monies into the revenue fund held by the Trustee as soon as practicable as long as any bonds remain outstanding.

Operating Reserve Fund

The operating reserve fund is used to cure any deficiency in the senior debt service account. If at any time the amount on deposit in the operating reserve fund exceeds the operating reserve requirement, amounts in excess of the operating reserve requirement shall be deposited into the revenue fund. As of June 30, 2024, the deposits on hand in the operating reserve fund met the operating reserve requirement of \$448,493.

Administrative Expenses Fund

The administrative expenses fund shall be used only for the purpose of paying administrative expenses. In the event the amount in the administrative expenses fund is insufficient to pay the administrative expenses, the trustee shall apply amounts in the operating reserve fund for the payment of administrative expenses.

Excess Revenue Fund

Excess revenue fund shall be applied first to the revenue fund to satisfy any insufficiency of payments required pursuant to flow of funds, and then to the redemption of bonds. On the first date upon which no bonds remain outstanding, any and all monies in the excess revenue fund shall be transferred by the Trustee to the project jurisdiction.

Extraordinary Expense Fund

The extraordinary expense fund is used to pay for extraordinary expenses, as approved by the Agency and processed by the Trustee. The Trustee will disburse monies from the extraordinary expense fund to the Agency for certain expenses meeting the extraordinary definition in the Indenture. After discharge of the Indenture, the Agency shall retain any monies in the extraordinary expense fund, unless a different arrangement is agreed to at the Agency's discretion. As of June 30, 2024, the deposits on hand in the coverage reserve fund met the coverage reserve deposit requirement of \$500,000.

Project Acquisition Fund

The project acquisition fund is used to pay the amounts required by the provision of the Indenture Agreement and make disbursements of amounts in accordance with a request of the project administrator for the purposes of paying a portion of the purchase price of the Project.

Elan Huntington Beach

Notes to the Financial Statements

Note 3: Deposits and Investments (Continued)

Environmental Financial Assurance Fund

The environment financial assurance fund shall be used solely for the purposes of satisfying the financial assurance mechanism pursuant to the bond indenture.

Capital Reserve Fund

The capital reserve fund is used to cure any deficiency in the senior debt service account. The monies in this account shall be used for the purposes of paying for capital expenses included in the capital budget or otherwise expressly authorized by the project administration agreement and capital expenses not included in the capital budget with the prior written consent of the Authority.

Senior Debt Service Account

The senior debt service account is used to pay out on or before each interest payment date, for the series 2021 A1 bonds, the amount required for the interest payment on such interest payment date and pay out on or before each principal payment date, the amount required for the principal payment due on such due date.

Senior Debt Service Reserve Fund

The senior debt service reserve fund is used to cure any deficiency in the senior debt service subaccount of the debt service fund. As of June 30, 2024, the balance on deposit in the senior debt service reserve fund met the requirement outlined in the trust indenture.

Junior Debt Service Account

The junior debt service account is used to pay out on or before each interest payment date, for the series 2021 A2 bonds, the amount required for the interest payment on such interest payment date and pay out on or before each principal payment date, the amount required for the principal payment due on such due date.

Junior Debt Service Reserve Fund

The subordinate debt service reserve fund is used to cure any deficiency in the junior debt service subaccount of the debt service fund. As of June 30, 2024, the balance on deposit in the senior debt service reserve fund met the requirement outlined in the trust indenture.

Subordinate Debt Service Account

The subordinate debt service account is used to fund any interest that is due and payable on the next ensuing interest payment on each series of outstanding subordinate bonds.

Elan Huntington Beach

Notes to the Financial Statements

Note 4: Fair Value Measurements

The following is a description of the valuation methodologies used for assets measured at fair value.

Quoted market prices are used to determine the fair value of investments in publicly traded equity securities and exchange traded funds. Certificates of deposit, corporate bonds, and government obligations are valued using quotes from pricing vendors based on recent trading activity and other observable market data.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Company believes their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different fair value measurement at the reporting date.

Information regarding assets at fair value on a recurring basis as of June 30, 2024, is as follows:

Investment Type	Total Assets at Fair Value	<u>Recurring Fair Value Measurements Using</u>		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Observable Inputs (Level 3)
Money market mutual funds	\$ 7,948,444	\$ 7,948,444	\$ -	\$ -
Guaranteed investment contracts	5,955,294	-	5,955,294	-
Totals	\$ 13,903,738	\$ 7,948,444	\$ 5,955,294	\$ -

Following is a description of the valuation methodology and significant inputs used for each asset and liability measured at fair value on a recurring or nonrecurring basis, as well as the classification of the asset or liability within the fair value hierarchy.

Money market funds - The fair value of money market funds are based on inputs that are observable, such as quoted prices for similar assets in active markets, interest rates, yield curve volatilities and credit risk.

Guaranteed investment contracts - The fair value of guaranteed investment contracts are based on inputs that are observable, such as quoted prices for similar assets in active markets, interest rates, yield curve volatilities and credit risk. The interest rates are 1.63%. The contract issuer is contractually obligated to repay the principal and interest at the specified interest rate that is guaranteed to the investment holder. The investment holder may withdraw the full principal balance on deposit, terminating the contract, at any time.

Elan Huntington Beach

Notes to the Financial Statements

Note 5: Capital Assets

The capital assets balance at June 30, 2024, consists of the following activity:

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets not depreciated:				
Land	\$ 27,705,748	\$ -	\$ -	\$ 27,705,748
Capital assets depreciable:				
Building and improvements	117,093,895	1,869,988	-	118,963,883
Furniture, fixtures and equipment	507,725	52,057	-	559,782
Total depreciable capital assets	117,601,620	1,922,045	-	119,523,665
Less accumulated depreciation:				
Building and improvements	(7,466,091)	(4,011,135)	-	(11,477,226)
Furniture, fixtures and equipment	(25,584)	(107,956)	-	(133,540)
Total accumulated depreciation	(7,491,675)	(4,119,091)	-	(11,610,766)
Total capital assets, depreciable (net)	110,109,945	(2,197,046)	-	107,912,899
Capital assets, net	\$ 137,815,693	\$ (2,197,046)	\$ -	\$ 135,618,647

Depreciation expense for the year ended June 30, 2024 was \$4,119,091.

Note 6: Bonds Payable

On August 31, 2021, the Agency issued Essential Housing Revenue Bonds Series 2021 A-1 (Senior Bonds) (Series 2021A-1 Bonds) in the amount of \$100,500,000 and Essential Housing Revenue Bonds Series 2021 A-2 (Junior Bonds) (Series 2021A-2 Bonds) in the amount of \$49,795,000, collectively, the Series 2021A Bonds. The proceeds of the Series 2021A Bonds were used for financing the cost of the acquisition of a multifamily rental housing facility and related improvements known as Elan Huntington Beach and the costs of issuance of the Series 2021A Bonds.

Elan Huntington Beach

Notes to the Financial Statements

Note 6: Bonds Payable (Continued)

Concurrently with the issuance of the Series 2021A Bonds, the Agency directly issued Subordinate Essential Housing Revenue Bonds Series 2021B (Series 2021B Bonds) in the amount of \$5,000,000 to Catalyst Housing Group LLC (Catalyst), a California limited liability company, in exchange for the sale and assignment of certain assets to the Agency, including its purchase rights to Elan Huntington Beach, a business plan and certain intellectual property created by Catalyst.

The bonds are summarized as follows:

Bonds	Original Amount	Interest Rate	Final Maturity Date	Balance Outstanding June 30, 2024
Essential Housing Revenue Bonds, Series 2021 A-1	\$ 100,500,000	3.00 %	August 1, 2056	\$ 100,500,000
Essential Housing Revenue Bonds, Series 2021 A-2	49,795,000	4.00 %	August 1, 2047	47,985,000
Subordinate Essential Housing Revenue Bonds, Series 2021B	5,000,000	8.00 %	August 1, 2061	5,000,000

Activity for the bonds was as follows for the year ended June 30, 2024:

Bonds	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024
Essential Housing Revenue Bonds Series A-1	\$ 100,500,000	\$ -	\$ -	\$ 100,500,000
Essential Housing Revenue Bonds Series A-2	49,795,000	-	(1,810,000)	47,985,000
Subordinate Essential Housing Revenue Bonds, Series 2021B	5,000,000	-	-	5,000,000
Unamortized Bond Premium	6,911,938	-	(151,186)	6,760,752
Totals	\$ 162,206,938	\$ -	\$ (1,961,186)	\$ 160,245,752

Interest payments on the bonds are due semi-annually (February 1st and August 1st) commencing February 1, 2022. Principal payments are not to be made on either bond unless and until such bond is tendered to the Trustee for cancellation; however partial payments may be made from time to time at the election of ownership. \$5,000 of the outstanding principal balance is classified as a current liability and the remaining \$160,240,752 is classified as a long-term liability as of June 30, 2024.

Elan Huntington Beach

Notes to the Financial Statements

Note 6: Bonds Payable (Continued)

The bonds require the Project to maintain a DSCR, as defined in the agreement, of 1.10:1.00, measured on an annual basis. If the DSCR calculated is not equal to or greater than 1.10:1.00, the Agency will cause the project administrator to select and appoint, a housing consultant to make written recommendations regarding the fees, rentals, rates and charges imposed and collected by or on behalf of the project administrator and transferred to the Trustee, in connection with the operation of the Project, and regarding improvements or changes in the operations or management of or the services rendered by the project administrator; provided, however, that in the event that a housing consultant shall deliver a report to the project administrator, the Agency and the Trustee stating that state or federal laws or regulations or administrative interpretations of such laws or regulations then in existence do not permit, or by their application make it impracticable for the project administrator to conduct its business so as to maintain the DSCR at a level sufficient to meet the debt service coverage requirement, then the debt service coverage requirement shall be reduced to the highest practicable ratio permitted by the laws or regulations then in effect but in no event less than 1.00:1.00.

The Agency's principal and interest payments are flexible based on cash flows from the Project. Based on management projections at the time of underwriting, the amortization schedule is as follows:

<i>Year Ending June 30,</i>	Principal	Interest	Total
2025	\$ 5,000	\$ 5,375,800	\$ 5,380,800
2026	140,000	5,374,600	5,514,600
2027	315,000	5,367,300	5,682,300
2028	220,000	5,353,000	5,573,000
2029	675,000	5,342,800	6,017,800
2030-2034	10,800,000	25,481,100	36,281,100
2035-2039	14,740,000	23,210,500	37,950,500
2040-2044	26,005,000	19,405,000	45,410,000
2045-2049	37,395,000	14,010,275	51,405,275
2050-2054	52,380,000	7,440,800	59,820,800
2055-2059	5,810,000	2,087,150	7,897,150
2060-2061	5,000,000	1,000,000	6,000,000
Totals	\$ 153,485,000	\$ 119,448,325	\$ 272,933,325

Elan Huntington Beach

Notes to the Financial Statements

Note 6: Bonds Payable (Continued)

Long-term pledged revenues as of June 30, 2024 are as follows:

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid During the Year Ended 2024	2024 Pledged Revenue Available
Net Rental Revenue:				
Essential Housing Revenue Bonds, Series 2021 A	2056	\$ 252,933,325	\$ 6,603,648	\$ 678,040
Essential Housing Revenue Bonds, Series 2021 B	2061	20,000,000	400,000	400,000
Totals		\$ 272,933,325	\$ 7,003,648	\$ 1,078,040

Note 7: Related Party Transactions

The Agency signed a Project Administration Agreement (PAA) with a third-party administrator on August 1, 2021, for the Project that establishes the terms and conditions upon which the third-party administrator shall, as an independent contractor, monitor, supervise, coordinate, analyze and report to the Agency with respect to the Project and the project manager's performance under the PAA. The PAA renews automatically on its anniversary date unless terminated as a result of circumstances as defined by the PAA. Project administration fees incurred and paid to the project administrator under the PAA during the year ended through June 30, 2024, were \$250,000. All project administration fees were paid by June 30, 2024, as such, there was no accrued expense at June 30, 2024.

The Agency also signed a Property Management Agreement (PMA) with a third-party property manager on August 1, 2021, for the project that establishes the terms and conditions for the operation and maintenance of the project including preparing annual operating budgets, marketing and leasing the project, collecting rents, managing the payment of operating expenses for the project, maintenance and repair of the project and management of on-site employees. The PMA renews automatically on its anniversary date unless terminated as a result of circumstances as defined by the PMA. The property management fees are the greater of 2.50% of gross operating revenue or \$12,600 per month. Property management fees and reimbursable expenses incurred for the year ended June 30, 2024 were \$207,493 and \$613,565. Accrued property management fees at June 30, 2024, were \$17,648.

Under terms of the bond indenture, the Project must pay the Agency an annual administrative fee of \$150,000 payable each August 1, commencing August 1, 2022. Annual administrative fees prepaid as of June 30, 2024 were \$26,667.

Elan Huntington Beach

Notes to the Financial Statements

Note 7: Related Party Transactions (Continued)

The project is subject to a Public Benefit Agreement, which the Agency signed with the City of Huntington Beach, California (City), and is dated as of August 1, 2021. Pursuant to the Public Benefit Agreement, commencing 15 years after the date of issuance of the Series 2021A Bonds (the sale right exercise date or August 1, 2036), and for a period of time thereafter terminating on the date that is the earlier of 14 years from the sale right exercise date, or the date on which there is no debt outstanding, the City shall have the right to cause the Agency to sell all of the Agency's right, title and interest, including the fee simple title to the real property, in and to all property and assets used in or related to the project to the City or the City's designee, at a sales price at least equal to the sum of an amount sufficient to prepay any debt secured by the project and any expenses associated with effecting the sale.

Note 8: Commitments and Contingencies

In the ordinary course of business, the Agency occasionally becomes involved in legal proceedings relating to contracts, environmental issues, or other matters. While any proceeding or litigation has an element of uncertainty, management of the Agency believes that the outcome of any pending or threatened actions, including the matters referred to below, will not have a material adverse effect on the business or financial condition of the Agency. It is at least reasonably possible that within the near term an outcome pertaining to these matters could differ from management's estimates, and the resulting change could be material to the financial statements.

Note 9: Leases

The Project enters into lease agreements for each housing unit with terms that vary, but a majority of lease terms are one year or less. Occasionally, a few lease agreements are leased with terms exceeding twelve months. Each lease agreement entered does not grant lease renewal options.

The lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments.

The lease receivable is initially measured at the present value of the remaining lease fixed payments over the lease term, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Project's incremental borrowing rate.

Lease payments included in the measurement of the lease receivable associated to these lease agreements comprise of only fixed payments.

The deferred inflow of resources is initially measured at the commencement of the lease term. This is equal to the amount of the lease receivable plus any lease payments related to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. As of June 30, 2024, the deferred inflow of resources was \$282,024.

As lease payments are received, the lease receivable will be reduced, and the deferred inflow of resources will be recognized as revenue.

Elan Huntington Beach

Notes to the Financial Statements

Note 9: Leases (Continued)

Maturities of lease receivables are as follows as of June 30, 2024:

	Total Lease Payments	Amounts Representing Interest	Present Value of Lease Payments
2025	\$ 257,481	\$ 12,492	\$ 244,989
2026	1,809	88	1,721
Totals	\$ 259,290	\$ 12,580	\$ 246,710

APPENDIX C
OCCUPANCY REPORT

Income Restriction Category	Units	% of Total
Low Income (80% AMI)	109	40%
Median Income (110% AMI BMR Units)	25	9%
Moderate Income (120% AMI)	53	19%
Non-Program	68	25%
Vacant*	19	7%
Grand Total	274	100%

*includes model units

Unit #	AMI Designation
A-100	Low Income (80% AMI)
A-102	Vacant
A-104	Median Income (110% AMI BMR Units)
A-106	Non-Program
A-108	Moderate Income (120% AMI)
A-110	Low Income (80% AMI)
A-112	Non-Program
A-114	Moderate Income (120% AMI)
A-116	Low Income (80% AMI)
A-118	Non-Program
A-200	Low Income (80% AMI)
A-202	Moderate Income (120% AMI)
A-204	Median Income (110% AMI BMR Units)
A-205	Low Income (80% AMI)
A-207	Median Income (110% AMI BMR Units)
A-209	Non-Program
A-211	Low Income (80% AMI)
A-213	Low Income (80% AMI)
A-215	Low Income (80% AMI)
A-217	Non-Program
A-218	Median Income (110% AMI BMR Units)
A-220	Non-Program
A-222	Non-Program
A-223	Low Income (80% AMI)
A-225	Low Income (80% AMI)
A-226	Low Income (80% AMI)
A-227	Low Income (80% AMI)
A-228	Non-Program
A-229	Non-Program
A-230	Median Income (110% AMI BMR Units)
A-231	Low Income (80% AMI)
A-232	Low Income (80% AMI)

Unit #	AMI Designation
A-234	Median Income (110% AMI BMR Units)
A-235	Non-Program
A-236	Non-Program
A-237	Non-Program
A-238	Low Income (80% AMI)
A-239	Non-Program
A-240	Low Income (80% AMI)
A-241	Vacant
A-242	Non-Program
A-243	Moderate Income (120% AMI)
A-245	Median Income (110% AMI BMR Units)
A-247	Moderate Income (120% AMI)
A-249	Vacant
A-255	Low Income (80% AMI)
A-256	Non-Program
A-257	Non-Program
A-258	Vacant
A-259	Low Income (80% AMI)
A-261	Non-Program
A-262	Low Income (80% AMI)
A-300	Low Income (80% AMI)
A-302	Low Income (80% AMI)
A-304	Low Income (80% AMI)
A-305	Vacant
A-306	Vacant
A-307	Vacant
A-308	Non-Program
A-309	Low Income (80% AMI)
A-310	Low Income (80% AMI)
A-311	Low Income (80% AMI)
A-312	Non-Program
A-313	Low Income (80% AMI)
A-314	Non-Program
A-315	Non-Program
A-316	Non-Program
A-317	Low Income (80% AMI)
A-318	Non-Program
A-320	Moderate Income (120% AMI)
A-322	Median Income (110% AMI BMR Units)
A-323	Moderate Income (120% AMI)
A-325	Median Income (110% AMI BMR Units)
A-326	Moderate Income (120% AMI)
A-327	Low Income (80% AMI)

Unit #	AMI Designation
A-328	Low Income (80% AMI)
A-329	Low Income (80% AMI)
A-330	Low Income (80% AMI)
A-331	Non-Program
A-332	Low Income (80% AMI)
A-334	Non-Program
A-335	Moderate Income (120% AMI)
A-336	Low Income (80% AMI)
A-337	Low Income (80% AMI)
A-338	Moderate Income (120% AMI)
A-339	Moderate Income (120% AMI)
A-340	Non-Program
A-341	Non-Program
A-342	Non-Program
A-343	Low Income (80% AMI)
A-344	Moderate Income (120% AMI)
A-345	Low Income (80% AMI)
A-346	Median Income (110% AMI BMR Units)
A-347	Moderate Income (120% AMI)
A-349	Low Income (80% AMI)
A-351	Low Income (80% AMI)
A-353	Low Income (80% AMI)
A-355	Vacant
A-356	Moderate Income (120% AMI)
A-357	Median Income (110% AMI BMR Units)
A-358	Low Income (80% AMI)
A-359	Low Income (80% AMI)
A-361	Median Income (110% AMI BMR Units)
A-362	Vacant
A-400	Non-Program
A-402	Median Income (110% AMI BMR Units)
A-404	Median Income (110% AMI BMR Units)
A-405	Moderate Income (120% AMI)
A-406	Moderate Income (120% AMI)
A-407	Non-Program
A-408	Moderate Income (120% AMI)
A-409	Median Income (110% AMI BMR Units)
A-410	Non-Program
A-411	Low Income (80% AMI)
A-412	Moderate Income (120% AMI)
A-413	Low Income (80% AMI)
A-414	Median Income (110% AMI BMR Units)
A-415	Low Income (80% AMI)

Unit #	AMI Designation
A-416	Non-Program
A-417	Low Income (80% AMI)
A-418	Moderate Income (120% AMI)
A-420	Low Income (80% AMI)
A-422	Median Income (110% AMI BMR Units)
A-423	Moderate Income (120% AMI)
A-425	Low Income (80% AMI)
A-426	Non-Program
A-427	Non-Program
A-428	Moderate Income (120% AMI)
A-429	Moderate Income (120% AMI)
A-430	Median Income (110% AMI BMR Units)
A-431	Moderate Income (120% AMI)
A-432	Low Income (80% AMI)
A-434	Non-Program
A-435	Low Income (80% AMI)
A-436	Vacant
A-437	Low Income (80% AMI)
A-438	Low Income (80% AMI)
A-439	Low Income (80% AMI)
A-440	Moderate Income (120% AMI)
A-441	Low Income (80% AMI)
A-442	Low Income (80% AMI)
A-443	Moderate Income (120% AMI)
A-444	Low Income (80% AMI)
A-445	Non-Program
A-446	Low Income (80% AMI)
A-447	Moderate Income (120% AMI)
A-449	Low Income (80% AMI)
A-450	Low Income (80% AMI)
A-451	Moderate Income (120% AMI)
A-453	Low Income (80% AMI)
A-454	Non-Program
A-455	Low Income (80% AMI)
A-456	Moderate Income (120% AMI)
A-457	Low Income (80% AMI)
A-458	Low Income (80% AMI)
A-459	Low Income (80% AMI)
A-461	Low Income (80% AMI)
A-462	Moderate Income (120% AMI)
A-500	Moderate Income (120% AMI)
A-502	Low Income (80% AMI)
A-504	Low Income (80% AMI)

Unit #	AMI Designation
A-505	Non-Program
A-506	Non-Program
A-507	Median Income (110% AMI BMR Units)
A-508	Moderate Income (120% AMI)
A-509	Low Income (80% AMI)
A-510	Low Income (80% AMI)
A-511	Moderate Income (120% AMI)
A-512	Median Income (110% AMI BMR Units)
A-513	Low Income (80% AMI)
A-514	Non-Program
A-515	Non-Program
A-516	Non-Program
A-517	Non-Program
A-518	Low Income (80% AMI)
A-523	Low Income (80% AMI)
A-525	Low Income (80% AMI)
A-526	Low Income (80% AMI)
A-527	Non-Program
A-528	Low Income (80% AMI)
A-529	Low Income (80% AMI)
A-530	Non-Program
A-531	Low Income (80% AMI)
A-532	Low Income (80% AMI)
A-534	Median Income (110% AMI BMR Units)
A-535	Low Income (80% AMI)
A-536	Moderate Income (120% AMI)
A-537	Non-Program
A-538	Low Income (80% AMI)
A-539	Low Income (80% AMI)
A-540	Low Income (80% AMI)
A-541	Non-Program
A-542	Moderate Income (120% AMI)
A-543	Moderate Income (120% AMI)
A-544	Moderate Income (120% AMI)
A-545	Median Income (110% AMI BMR Units)
A-546	Non-Program
A-547	Low Income (80% AMI)
A-549	Moderate Income (120% AMI)
A-550	Non-Program
A-551	Low Income (80% AMI)
A-553	Moderate Income (120% AMI)
A-554	Low Income (80% AMI)
A-555	Non-Program

Unit #	AMI Designation
A-556	Non-Program
A-557	Low Income (80% AMI)
A-558	Non-Program
A-559	Low Income (80% AMI)
A-561	Non-Program
A-562	Moderate Income (120% AMI)
A-600	Vacant
A-602	Low Income (80% AMI)
A-604	Moderate Income (120% AMI)
A-605	Vacant
A-606	Low Income (80% AMI)
A-607	Low Income (80% AMI)
A-609	Low Income (80% AMI)
A-611	Moderate Income (120% AMI)
A-613	Moderate Income (120% AMI)
A-615	Low Income (80% AMI)
A-617	Moderate Income (120% AMI)
A-623	Moderate Income (120% AMI)
A-625	Non-Program
A-626	Low Income (80% AMI)
A-627	Non-Program
A-628	Non-Program
A-629	Non-Program
A-630	Vacant
A-631	Vacant
A-632	Low Income (80% AMI)
A-634	Moderate Income (120% AMI)
A-635	Low Income (80% AMI)
A-636	Low Income (80% AMI)
A-637	Non-Program
A-638	Median Income (110% AMI BMR Units)
A-639	Non-Program
A-640	Moderate Income (120% AMI)
A-641	Moderate Income (120% AMI)
A-642	Low Income (80% AMI)
A-643	Low Income (80% AMI)
A-644	Low Income (80% AMI)
A-645	Vacant
A-646	Median Income (110% AMI BMR Units)
A-647	Moderate Income (120% AMI)
A-649	Moderate Income (120% AMI)
A-650	Low Income (80% AMI)
A-651	Low Income (80% AMI)

Unit #	AMI Designation
A-653	Vacant
A-654	Non-Program
A-655	Low Income (80% AMI)
A-656	Non-Program
A-657	Non-Program
A-658	Low Income (80% AMI)
A-659	Low Income (80% AMI)
A-661	Median Income (110% AMI BMR Units)
A-662	Vacant
B-200	Non-Program
B-202	Low Income (80% AMI)
B-204	Non-Program
B-206	Low Income (80% AMI)
B-208	Moderate Income (120% AMI)
B-210	Moderate Income (120% AMI)
B-300	Non-Program
B-302	Low Income (80% AMI)
B-304	Moderate Income (120% AMI)
B-306	Non-Program
B-308	Vacant
B-310	Vacant
B-400	Non-Program
B-402	Low Income (80% AMI)
B-404	Moderate Income (120% AMI)
B-406	Low Income (80% AMI)
B-408	Low Income (80% AMI)
B-410	Non-Program

In 2024, the Project Administrator has been investing in upgraded reporting infrastructure. With our new capabilities, we look forward to working with our stakeholders to implement enhancements in our reporting packages.

APPENDIX D
CERTIFICATE OF THE DISCLOSURE REPRESENTATIVE

I, John Stoecker, of the CMFA Special Finance Agency VIII (the “Disclosure Representative”) hereby certify that the Agency has observed and performed all of its covenants and agreements set forth in the Indenture and the other Bond Documents, and no Event of Default (as defined in the Bond Documents) has occurred or exists.

CMFA Special Finance Agency VIII, as Disclosure Representative

By: John P. Stoecker

CMFA SPECIAL FINANCE AGENCY VII
SENIOR ESSENTIAL HOUSING REVENUE BONDS, SERIES 2021A-1
JUNIOR ESSENTIAL HOUSING REVENUE BONDS, SERIES 2021A-2
(THE BREAKWATER APARTMENTS)

CONTINUING DISCLOSURE ANNUAL REPORT
FOR THE
FISCAL YEAR ENDING JUNE 30, 2024

TABLE OF CONTENTS

I. INTRODUCTION

**APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE FACILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

APPENDIX C – OCCUPANCY REPORT

APPENDIX D – CERTIFICATE OF THE DISCLOSURE REPRESENTATIVE

I. INTRODUCTION

Pursuant to the Continuing Disclosure Agreement, dated August 19, 2021 (the “Disclosure Agreement”), the CMFA Special Finance Agency VII (the “Agency”) hereby provides its continuing disclosure annual report for the fiscal year ending June 30, 2024 (the “Continuing Disclosure Annual Report”) in connection with the Agency’s Senior Essential Housing Revenue Bonds, Series 2021A-1 and Junior Essential Housing Revenue Bonds, Series 2021A-2 (The Breakwater Apartments) (collectively, the “Bonds”).

Each maturity of the Bonds is identified by the corresponding CUSIP Number set forth below. The CUSIP numbers below are provided for the convenience of Bondholders. The Agency is not responsible for the accuracy or completeness of such numbers.

<u>Series</u>	<u>Maturity Date</u>	<u>CUSIP</u>
2021A-1	August 1, 2056	12574UAA2
2021A-2	August 1, 2047	12574UAC8

Other Matters: This Continuing Disclosure Annual Report is provided solely pursuant to the Disclosure Agreement. The filing of this Continuing Disclosure Annual Report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the Agency, the Facilities, or the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the fiscal year to which this Continuing Disclosure Annual Report relates (other than as contained in this Continuing Disclosure Annual Report), or any other date specified with respect to any of the information contained in this Continuing Disclosure Annual Report, or that no other information exists, which may have a bearing on the security for the Bonds, or an investor’s decision to buy, sell, or hold the Bonds. The information contained in this Continuing Disclosure Annual Report has been delivered by the Program Administrator. No statement in this Continuing Disclosure Annual Report should be construed as a prediction or representation about future financial performance of the Agency or the Facilities.

Dated: January 15, 2025

CMFA Special Finance Agency VII

Pursuant to the Disclosure Agreement, the Continuing Disclosure Annual Report of the Agency shall include the following information:

- (a) (1) audited financial statements for the Agency, on a consolidated basis, and (2) audited financial statements for the Facilities, supplied by the Project Administrator pursuant to the Project Administration Agreement in each case including a balance sheet and related statements of income and changes in financial position as of the end of such fiscal year and for such fiscal year, which shall be prepared and reported on without qualification by an independent certified public accountant in accordance with GAAP, and shall fairly present the financial condition of the Agency and the Facilities, as applicable, as of the end of such fiscal year;
- (b) a certificate signed by the Disclosure Representative stating that (1) during such fiscal year to the best of the Agency's actual knowledge, the Agency has observed and performed all of its covenants and agreements set forth in the Indenture and the other Bond Documents, except as disclosed in such certificate, and (2) no Event of Default has occurred or exists, except as disclosed in such certificate; and
- (c) an occupancy report provided by the Project Administrator pursuant to the Project Administration Agreement stating each lease of all or any part of the Facilities in effect as of the last day of the month prior to the date of delivery thereof, and including the breakdown of (1) units by each income restriction category pursuant to the Regulatory Agreement, (2) market rate units, and (3) other units to the extent tenant income is unknown at the time.

As described above, the audited financial statements of the Agency and the Facilities for the fiscal year ended June 30, 2024 are set forth in Appendices A and B hereto, respectively. The occupancy report and the Disclosure Representative certificate are set forth in Appendices C and D hereto, respectively.

APPENDIX A
AUDITED FINANCIAL STATEMENTS OF THE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

CMFA Special Finance Agency VII

Consolidated Financial Statements

Year Ended June 30, 2024



Independent Auditor's Report

To the Board of Directors
CMFA Special Finance Agency VII
Carlsbad, California

Opinion

We have audited the accompanying consolidated financial statements of CMFA Special Finance Agency VII (the "Agency"), which comprise the consolidated statements of net position as of June 30, 2024, and the related consolidated statement of revenues, expenses, and change in net position, 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 consolidated financial position of the Agency as of June 30, 2024, and the change in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States ("GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of CMFA Special Finance Agency VII 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, 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 Agency's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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

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

In performing an audit in accordance with GAAS, we:

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that a management's discussion and analysis be presented to supplement the consolidated financial statements. Such information is the responsibility of management and, although not a part of the consolidated financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of net position, consolidating statement of revenues, expenses, and change in net position, and consolidating statement of cash flows, are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, change in net position, and cash flows of the individual companies, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating 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 financial statements as a whole.

Wipfli LLP

Wipfli LLP
Radnor, Pennsylvania

January 15, 2025

CMFA Special Finance Agency VII
Management's Discussion and Analysis
For the Year Ended June 30, 2024

This section of CMFA Special Finance Agency VII (the Agency) annual financial report presents the Management's Discussion and Analysis (MD&A) of its financial performance during the year ended June 30, 2024. The information in this section should be read in conjunction with the financial statements and the notes following this section.

GENERAL BACKGROUND, OVERVIEW AND PROGRAMS

The Agency was organized on July 1, 2021, under the provisions of the Joint Exercise of Powers Act of the Government Code of the State of California. The Agency is a joint exercise of powers authority and public entity formed pursuant to a Joint Exercise of Powers Agreement (Agreement) between the California Municipal Finance Authority (the Authority) and the City of Huntington Beach, California as charter members, to which certain other cities and counties may in the future join as additional members. The Agency is authorized and empowered under the Act and the Agreement to issue bonds to undertake the financing and/or refinancing of any purpose or activity permitted under the Act or any other law, including projects that provide affordable local housing for low-income, median-income and moderate-income families and individuals.

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED JUNE 30, 2024

- Restricted cash and investment balances for FY2024 are \$6,074,282 below the prior year due to DSCR releases of capitalized interest and coverage reserve funds, as well as withdrawals from the capital expense fund.
- FY2024 operating revenues are \$474,695 above the prior year due to rent increases and sustained high occupancy.
- FY2024 operating expenses are \$404,683 above the prior year due to increased costs of utilities, salaries, insurance and depreciation. This was offset by reduced repair and maintenance costs.
- Bonds payable decreased \$850,263 from the prior year to due to debt principal repayment of \$380,000 along with bond premium amortization of \$470,263 for the fiscal year.

OVERVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Agency's financial statements include the MD&A, consolidated financial statements, and accompanying notes to the consolidated financial statements. This report also includes other information intended to furnish additional detail to the intended users. The transactions of the Agency are accounted for utilizing the accrual basis of accounting.

FINANCIAL STATEMENTS

The consolidated financial statements of the Agency report information using accounting principles generally accepted in the United States of America (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. These statements offer both short-term and long-term financial information about the Agency's activities.

- The ***Consolidated Statement of Net Position*** includes all the Agency's assets and liabilities as of June 30, 2024 and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Agency's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Agency and assessing the liquidity and financial flexibility of the Agency.

CMFA Special Finance Agency VII
Management's Discussion and Analysis
For the Year Ended June 30, 2024

- The ***Consolidated Statement of Revenues, Expenses and Change in Net Position*** accounts for all the Agency's revenues and expenses for the year ended June 30, 2024. This statement reflects the results of the Agency's operations over the year and can be used to determine the Agency's creditworthiness and its ability to successfully recover all its costs through user fees and other income.
- The ***Consolidated Statement of Cash Flows*** provides information about the Agency's cash receipts and cash payments during the year ended June 30, 2024. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating and investing activities. The statement provides answers to questions of where cash came from, what cash was used for and what caused changes in cash for the reporting period covered.

The accompanying ***Notes to the Consolidated Financial Statements*** provide additional information that is essential to a full understanding of the data provided in the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF NET POSITION

The assets, liabilities, and net position as of June 30, 2024, and 2023 and changes from the prior year are shown in the table below.

	2024	2023	Change
Assets:			
Cash and cash equivalents	1,070,512	707,446	363,066
Restricted cash & investments	27,162,927	33,237,209	(6,074,282)
Other current assets	776,877	130,139	646,738
Other assets	<u>193,253,766</u>	<u>192,912,282</u>	341,484
Total assets	<u>222,264,082</u>	<u>226,987,076</u>	<u>(4,722,994)</u>
Liabilities:			
Current liabilities	4,884,191	5,343,826	(459,635)
Long-term bonds payable	<u>233,132,500</u>	<u>234,032,763</u>	<u>(900,263)</u>
Total liabilities	<u>238,016,691</u>	<u>239,376,589</u>	<u>(1,359,898)</u>
Deferred inflow of resources	683,442	0	683,442
Net position (deficit)	<u>(16,436,051)</u>	<u>(12,389,513)</u>	<u>(4,046,538)</u>

ASSETS

Restricted Cash and Investments

Restricted cash and investments are set aside for specified purposes, such as refundable deposits to tenants, servicing of the Project's outstanding debt obligations and the construction of capital assets. Such assets have been restricted by either bond indenture, law or through contractual obligations.

The reduction in restricted cash and investments was due to withdrawals for the purposes of capital assets purchases as well as debt obligations.

CMFA Special Finance Agency VII
Management's Discussion and Analysis
For the Year Ended June 30, 2024

NET POSITION

The following table presents a condensed statement of revenues, expenses, and change in net position for the years ended June 30, 2024, and 2023.

Condensed Consolidated Statement of Revenues, Expenses and Change in Net Position

	2024	2023	Change
Operating revenues	12,090,590	11,615,895	474,695
Operating expenses	9,788,208	9,383,525	404,683
Nonoperating expenses	<u>6,348,920</u>	<u>7,099,040</u>	<u>(750,120)</u>
Change in net position	(4,046,538)	(4,866,670)	820,132
Net position - beginning of year	(12,389,513)	(7,522,843)	(4,866,670)
Net position - end of year	(16,436,051)	(12,389,513)	(4,046,538)

LIABILITIES

Bonds Payable

Bonds payable decreased \$850,263 in FY2024. This comprises principal payments of \$380,000 on the Series 2021A Bonds and amortization of \$470,263 on the bond premium.

OPERATING REVENUES

Operating revenues increased over the previous year by \$474,695. This was due to increases in scheduled rental rates and stable occupancy rates.

Operating Revenues:	2024	2023	Change
Rental income	10,801,249	9,275,348	1,525,901
Other income	<u>1,289,341</u>	<u>2,340,547</u>	<u>(1,051,206)</u>
Total operating revenues	12,090,590	11,615,895	474,695

OPERATING EXPENSES

Operating expenses increased from \$9,383,525 in FY2023 to \$9,788,208 in FY2024 – an increase of \$404,683. This is due to increased costs of utilities, salaries, insurance and depreciation.

CMFA Special Finance Agency VII

Consolidated Statement of Net Position

<i>As of June 30,</i>	2024
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,070,512
Restricted cash	726,484
Restricted investments	26,436,443
Tenants accounts receivable, net	29,899
Lease receivables, current portion	636,615
Prepaid expenses	110,363
Total current assets	29,010,316
Lease receivables, net of current portion	2,537
Capital assets, net	193,251,229
Total assets	\$ 222,264,082
Liabilities, Deferred Inflow of Resources, and Net Position	
Current liabilities:	
Accounts payable	\$ 741,571
Accrued expenses	61,750
Accrued interest	3,368,875
Security deposits	661,995
Current portion of bonds payable	50,000
Total current liabilities	4,884,191
Bonds payable, net of current portion	233,132,500
Total liabilities	238,016,691
Deferred inflow of resources	683,442
Net position:	
Net investment in capital assets	(43,300,146)
Restricted for debt service and other purposes	27,162,927
Unrestricted	(298,832)
Total net position	(16,436,051)
Total liabilities, deferred inflow of resources, and net position	\$ 222,264,082

See accompanying notes to the consolidated financial statements.

CMFA Special Finance Agency VII

Consolidated Statement of Revenues, Expenses, and Change in Net Position

<i>Year Ended June 30,</i>	<i>2024</i>
Operating revenues:	
Rental income	\$ 10,801,249
Other income	1,289,341
Total operating revenues	12,090,590
Operating expenses	
Advertising	33,451
Depreciation	6,128,724
General and administrative	351,301
Insurance	601,952
Other	85,698
Property management fees	247,963
Project administration fees	250,000
Repairs and maintenance	751,475
Salaries and benefits	816,983
Utilities	520,661
Total operating expenses	9,788,208
Operating income	2,302,382
Nonoperating revenues (expense):	
Interest expense	(7,184,303)
Interest income	835,383
Total nonoperating expense	(6,348,920)
Change in net position	(4,046,538)
Net position as of June 30, 2023	(12,389,513)
Net position as of June 30, 2024	\$ (16,436,051)

See accompanying notes to the consolidated financial statements.

CMFA Special Finance Agency VII

Consolidated Statement of Cash Flows

<i>Year Ended June 30,</i>	2024
Cash flows from operating activities:	
Cash received from customers	\$ 12,323,730
Cash paid to suppliers and service providers	(4,361,759)
Net cash flows from operating activities	7,961,971
Cash flows from capital and related financing activities:	
Purchase of capital assets	(6,467,671)
Principal payments on bonds	(380,000)
Interest payment on bonds	(7,660,900)
Net cash flows from capital and related financing activities	(14,508,571)
Cash flows from investing activities:	
Net change in restricted investments	5,755,339
Interest income	835,383
Net cash flows from investing activities	6,590,722
Net change in cash, cash equivalents and restricted cash	44,122
Cash, cash equivalents, and restricted cash - beginning of the year	1,752,874
Cash, cash equivalents, and restricted cash - end of the year	\$ 1,796,996

CMFA Special Finance Agency VII

Consolidated Statement of Cash Flows (Continued)

<i>Year Ended June 30,</i>	<i>2024</i>
Net operating income	\$ 2,302,382
Adjustments to reconcile net operating income to net cash flows from operating activities:	
Depreciation	6,128,724
Changes in operating assets and liabilities:	
Tenants accounts receivable	(1,623)
Prepaid expenses	(8,501)
Lease receivable	(640,205)
Accounts payable	(139,785)
Accrued expenses	(404,239)
Deferred inflow of resources	667,987
Tenant security deposits	57,231
Total adjustments	5,659,589
Net cash flows from operating activities	\$ 7,961,971
Cash, cash equivalents, and restricted cash:	
Cash and cash equivalents	\$ 1,070,512
Restricted cash and cash equivalents	
Tenant security deposits	661,995
Restricted cash equivalents in accordance with bond indenture	64,489
Total cash, cash equivalents, and restricted cash	\$ 1,796,996
Supplemental cash flow information:	
Noncash financing activities:	
Amortization of bond premiums	\$ 470,263
Accrued interest	6,334

See accompanying notes to the consolidated financial statements.

CMFA Special Finance Agency VII

Notes to the Consolidated Financial Statements

Note 1: Organization, Operations, and Reporting Entity

The CMFA Special Finance Agency VII (the Agency) was organized on July 1, 2021, under the provisions of the Joint Exercise of Powers Act (Act) of the Government Code of the State of California. The Agency is a joint exercise of powers authority and public entity formed pursuant to a Joint Exercise of Powers Agreement (Agreement) between the California Municipal Finance Authority (the Authority) and the City of Huntington Beach, California (City) as charter members, to which certain other cities and counties may in the future join as additional members. The Agency is authorized and empowered under the Act and the Agreement to issue bonds to undertake the financing and/or refinancing of any purpose or activity permitted under the Act or any other law, including projects that provide affordable local housing for low-income, median-income and moderate-income families and individuals. The Agency is governed by the Board of Directors consisting of, ex officio, the board of directors of the Authority.

The Breakwater Apartments, Huntington Beach, California (The Breakwater Apartments)

On August 19, 2021, the Agency issued Essential Housing Revenue Bonds Series 2021A-1 (Senior Bonds), Essential Housing Revenue Bonds Series 2021A-2 (Junior Bonds) and Subordinate Essential Housing Revenue Bonds Series 2021B (Series 2021B Bonds). The Series 2021B Bonds were directly issued to, or at the direction of, Catalyst Housing Group LLC (Catalyst), a California limited liability company in exchange for the sale and assignment of certain assets to the Agency, including its purchase rights to the project, a business plan for the Agency, and certain intellectual property created by Catalyst for the Agency. The bonds, with an aggregate principal amount of \$221,885,000, were issued pursuant to a Trust Indenture (the "Indenture") by and between the Agency and Wilmington Trust, National Association, (the "Trustee") to finance the acquisition of a 400-unit multifamily residential rental community and related improvements, personal property and equipment known as The Breakwater Apartments located at 16761 Viewpoint Lane, Huntington Beach, California (the Project).

The accompanying consolidated financial statements include the accounts of the Agency and its subsidiary, The Breakwater Apartments, after elimination of all material intercompany transactions and accounts.

Note 2: Summary of Significant Accounting Policies

The Agency's accounting policies and financial statements conform to U.S. GAAP and are based upon the Governmental Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies:

Basis of Accounting

The Agency's consolidated financial statements have been prepared using the accrual basis of accounting in accordance with GAAP as prescribed by the Governmental Accounting Standards Board. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

CMFA Special Finance Agency VII

Notes to the Consolidated Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments, which are readily convertible to cash and have remaining maturities of three months or less at the date of acquisition.

Restricted Cash and Investments and Investment Income

Restricted cash and investments represent the unspent proceeds of the bonds that are held by the Trustee. These investments are made up of various funds that were required to be funded by the Indenture. Also included in restricted cash are tenant security deposit funds. See Note 3 for a listing of the funds held by the Trustee.

Restricted investments are made up of money market funds and guaranteed investment contracts. The guaranteed investment contracts are considered trading securities, therefore are measured at fair value.

All investment income is reported as nonoperating revenues (expenses) in the accompanying statement of revenues, expenses, and changes in net position. Realized gains or losses are determined by specific identification.

Tenant Accounts Receivable

Tenant accounts receivable are uncollateralized residential and commercial rents, which are due at the beginning of each month. Payments of tenant receivables are allocated to the specific charges identified on the tenant's remittance or, if unspecified, are applied to past due balances first, then the current unpaid charges. Management individually reviews all tenant receivables and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that could be uncollectible. Any amounts that remain outstanding after management has used reasonable collection efforts are deemed uncollectible and written-off through a charge to the valuation allowance and elimination of the tenant accounts receivable. There is \$2,869 of uncollectible allowance recorded as of June 30, 2024.

CMFA Special Finance Agency VII

Notes to the Consolidated Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Tenant Security Deposit Funds

Tenant security deposits represent tenant deposits held in accordance with the respective tenant's lease agreement which are held in trust for the tenants until they vacate the property. Any amounts not returned to the tenant due to lease violations are transferred to the Project's general operating account.

Capital Assets

Capital assets are defined by the Agency as assets with an initial, individual cost of \$1,000 or more and an estimated useful life of more than one year. Capital assets are recorded at historical cost or estimated historical cost, if actual cost is not available, and when placed in service. Capital assets are depreciated on a straight-line basis over the estimated useful lives of the assets (3 - 30 years). Depreciation of capital assets is recorded as an expense against operations. Repairs and maintenance costs are charged to expense as incurred.

Management reviews the recoverability of its capital assets in accordance with the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. GASB Statement No. 42 requires the recognition of impairment of capital assets in the event an asset's service utility has declined significantly and unexpectedly. Accordingly, management evaluates its assets' utility annually or when an event occurs that may impair recoverability of the asset.

Long-Lived Assets

The Agency reviews its long-lived assets periodically to determine potential impairment by comparing the carrying value of those assets with the estimated future undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future undiscounted cash flows be less than the carrying value, the Agency would recognize an impairment loss at that time. No impairment loss was recognized in the fiscal year 2024.

CMFA Special Finance Agency VII

Notes to the Consolidated Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Deferred Outflows / Inflows of Resources

In addition to assets, the consolidated statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. At this time, the Agency has no items that are reported in this category.

In addition to liabilities, the consolidated statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents the acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Original Issue Premium

Original issue premium represents the difference between the face value of the bonds and the consideration received. Original issue premium is deferred and amortized over the life of the bonds using the straight-line method. Amortization of the premium is reflected as a decrease to interest expense in the consolidated statement of revenues, expenses, and change in net position.

Net Position

Net position of the Agency is classified in three components:

- *Net investment in capital assets* consists of capital assets, including bond proceeds held for capital assets, net of accumulated depreciation and reduced by any outstanding borrowings used to finance the purchase or construction of those assets.
- *Restricted for debt service and other purposes* is net position that is restricted for the future payment of debt and is required to be held under an agreement with the Trustee, as well as other funds included in restricted investments.
- *Unrestricted net position* is the remaining net position that does not meet the definition of net investment in capital assets or restricted for debt service and other purposes.

Income Taxes

As an essential government function of the Agency, the Agency and Project are generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

CMFA Special Finance Agency VII

Notes to the Consolidated Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs expensed during the year ended June 30, 2024, were \$33,451.

Revenue Recognition

Housing units are rented under operating lease agreements with terms that vary, but a majority of lease terms are one year or less. Rent income from tenants is recognized in the month in which it is earned rather than received. Other income consists of income from pet rent, parking, laundry, and utility reimbursements from tenants.

GASB 87 Lease Accounting

The Project is a lessor in multiple housing units lease agreements. The Project accounts for its leases in accordance with the Governmental Accounting Standards Board ("GASB"), Statement No. 87, *Leases*. If the contract provides the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Lease receivable and deferred inflow of resources are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The deferred inflow of resources is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred. See Note 9 for leases.

The Project uses its incremental borrowing rate as the discount rate.

The Project has elected to not recognize lease receivable and deferred inflow of resources for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to renew the lease agreement. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases. The Project recognizes short-term lease income on a straight-line basis over the lease term.

Subsequent Events

The Agency has evaluated subsequent events through January 15, 2025, which is the date the consolidated financial statements were available to be issued.

Note 3: Deposits and Investments

The Agency's restricted cash and investments are subject to several types of risk:

Interest Rate Risk – Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. The Agency does have a formal investment policy for interest rate risk.

CMFA Special Finance Agency VII

Notes to the Consolidated Financial Statements

Note 3: Deposits and Investments (Continued)

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2024, the Agency's investments were not rated.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency does have a deposit policy for custodial credit risk. The Project's deposits are held with the Trustee and are fully insured. The Agency's deposits are collateralized.

Although not part of the Indenture, included in restricted cash and cash equivalents are tenant security deposits of \$661,995 as of June 30, 2024. As such, this amount is not included in the table below summarizing restricted cash and investments by fund.

Pursuant to the Indenture, the Agency was required to establish certain restricted reserves with bond proceeds that were funded at closing for the bond issuance. All reserve accounts are restricted for specific use and withdrawals from the restricted accounts are subject to approval by the Trustee.

The following table provides a summary of restricted investments by fund as required by the Indenture:

Fund / Account Name	As of June 30, 2024
Revenue fund	\$ 1,049,813
Operating Reserve fund	662,108
Administrative Expenses fund	166,728
Excess Revenue fund	6,025,379
Extraordinary Expense fund	500,000
Project Acquisition fund	41,574
Capital Reserve fund	7,376,699
Temporary Operating account	223,824
Senior Debt Service account	1,665,117
Senior Debt Service Reserve fund	4,162,500
Junior Debt Service account	1,236,407
Junior Debt Service Reserve fund	3,125,400
Subordinate Debt Service account	200,894
Totals	\$ 26,436,443

Revenue Fund

Pursuant to the Project Administration Agreement (Note 7), at the end of each month, the operator is required to transfer all monies into the revenue fund held by the Trustee as soon as practicable as long as any bonds remain outstanding.

CMFA Special Finance Agency VII

Notes to the Consolidated Financial Statements

Note 3: Deposits and Investments (Continued)

Operating Reserve Fund

The operating reserve fund is used to cure any deficiency in the senior debt service account. If at any time the amount on deposit in the operating reserve fund exceeds the operating reserve requirement, amounts in excess of the operating reserve requirement shall be deposited into the revenue fund. As of June 30, 2024, the deposits on hand in the operating reserve fund met the operating reserve requirement of \$662,108.

Administrative Expenses Fund

The administrative expenses fund shall be used only for the purpose of paying administrative expenses. In the event the amount in the administrative expense fund is insufficient to pay the administrative expenses, the trustee shall apply amounts in the operating reserve fund for the payment of administrative expenses.

Excess Revenue Fund

Excess revenue fund shall be applied first to the revenue fund to satisfy any insufficiency of payments required pursuant to flow of funds, and then to the redemption of bonds. On the first date upon which no bonds remain outstanding, any and all moneys in the excess revenue fund shall be transferred by the Trustee to the project jurisdiction.

Extraordinary Expense Fund

The extraordinary expense fund is used to pay for extraordinary expenses, as approved by the Agency and processed by the Trustee. The Trustee will disburse moneys from the extraordinary expense fund to the Agency for certain expenses meeting the extraordinary definition in the Indenture. After discharge of the Indenture, the Agency shall retain any monies in the extraordinary expense fund, unless a different arrangement is agreed to at the Agency's discretion. As of June 30, 2024, the deposits on hand in the coverage reserve fund met the coverage reserve deposit requirement of \$500,000.

Project Acquisition Fund

The project acquisition fund is used to pay the amounts required by the provision of the Indenture and make disbursements of amounts in accordance with a request of the project administrator for the purpose of paying a portion of the purchase price of the Project.

Capital Reserve Fund

The capital reserve fund is used to cure any deficiency in the senior debt service account. The monies in this account shall be used for the purpose of paying for capital expenses included in the capital budget or otherwise expressly authorized by the Project Administration Agreement and capital expenses not included in the capital budget with the prior written consent of the Agency.

Temporary Operating Account

The temporary operating account shall be used only to fund the operating account pursuant to the Property Management Agreement and the remaining amount will be available to pay property taxes. Any refunds and amounts remaining as of January 1, 2022 shall be deposited into the Revenue Fund and the Temporary Operating Account shall be closed.

CMFA Special Finance Agency VII

Notes to the Consolidated Financial Statements

Note 3: Deposits and Investments (Continued)

Senior Debt Service Account

The senior debt service account is used to pay out on or before each interest payment date, for the Senior Bonds, the amount required for the interest payment on such interest payment date and pay out on or before each principal payment date, the amount required for the principal payment due on such due date.

Senior Debt Service Reserve Fund

The senior debt service reserve fund is used to cure any deficiency in the senior debt service subaccount of the senior debt service fund. As of June 30, 2024, the balance on deposit in the senior debt service reserve fund met the requirement outlined in the trust indenture.

Junior Debt Service Account

The junior debt service account is used to pay out on or before each interest payment date, for the Junior Bonds, the amount required for the interest payment on such interest payment date and pay out on or before each principal payment date, the amount required for the principal payment due on such due date.

Junior Debt Service Reserve Fund

The junior debt service reserve fund is used to cure any deficiency in the junior debt service subaccount of the debt service fund. As of June 30, 2024, the balance on deposit in the junior debt service reserve fund met the requirement outlined in the trust indenture.

Subordinate Debt Service Account

The subordinate debt service account is used to fund any interest that is due and payable on the next ensuing interest payment on each series of outstanding subordinate bonds.

Note 4: Fair Value Measurements

The following is a description of the valuation methodologies used for assets measured at fair value.

Quoted market prices are used to determine the fair value of investments in publicly traded equity securities and exchange traded funds. Certificates of deposit, corporate bonds, and government obligations are valued using quotes from pricing vendors based on recent trading activity and other observable market data.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different fair value measurement at the reporting date.

CMFA Special Finance Agency VII

Notes to the Consolidated Financial Statements

Note 4: Fair Value Measurements (Continued)

Information regarding assets at fair value on a recurring basis as of June 30, 2024 is as follows:

	Total Assets at Fair Value	Recurring Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of June 30, 2024				
Money market funds	\$ 9,059,533	\$ 9,059,533	\$ -	\$ -
Guaranteed investment contracts	17,376,910	-	17,376,910	-
Totals	\$ 26,436,443	\$ 9,059,533	\$ 17,376,910	\$ -

Following is a description of the valuation methodology and significant inputs used for each asset and liability measured at fair value on a recurring or nonrecurring basis, as well as the classification of the asset or liability within the fair value hierarchy.

Money market funds -The fair value of money market funds are based on inputs that are observable, such as quoted prices for similar assets in active markets, interest rates, yield curve volatilities and credit risk.

Guaranteed investment contracts - The fair value of guaranteed investment contracts are based on inputs that are observable, such as quoted prices for similar assets in active markets, interest rates, yield curve volatilities and credit risk. Interest rates range from 0.91% to 1.50%. The contract issuer is contractually obligated to repay the principal and interest at the specified interest rate that is guaranteed to the investment holder. The investment holder may withdraw the full principal balance on deposit, terminating the contract, at any time.

CMFA Special Finance Agency VII

Notes to the Consolidated Financial Statements

Note 5: Capital Assets

The capital assets balance at June 30, 2024, consists of the following activity:

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets not depreciated:				
Land	\$ 37,689,839	\$ -	\$ -	\$ 37,689,839
Capital assets depreciable				
Building and improvements	165,258,850	6,453,661	-	171,712,511
Furniture, fixtures, and equipment	249,999	14,010	-	264,009
Total depreciable capital assets	165,508,849	6,467,671	-	171,976,520
Less accumulated depreciation:				
Building and improvements	(10,265,965)	(6,077,668)	-	(16,343,633)
Furniture, fixtures, and equipment	(20,441)	(51,056)	-	(71,497)
Total accumulated depreciation	(10,286,406)	(6,128,724)	-	(16,415,130)
Total capital assets depreciable, net	155,222,443	338,947	-	155,561,390
Total capital assets, net	\$ 192,912,282	\$ 338,947	\$ -	\$ 193,251,229

Depreciation expense for the year ended June 30, 2024 was \$6,128,724.

Note 6: Bonds Payable

On August 19, 2021, the Agency issued Essential Housing Revenue Bonds Series 2021 A-1 (Senior Bonds) (Series 2021A-1 Bonds) in the amount of \$138,750,000 and Essential Housing Revenue Bonds Series 2021 A-2 (Junior Bonds) (Series 2021A-2 Bonds) in the amount of \$78,135,000, collectively, the Series 2021A Bonds. The proceeds of the Series 2021A Bonds were used for financing the cost of the acquisition of a multifamily rental housing facility and related improvements known as the Breakwater Apartments and the costs of issuance of the Series 2021A Bonds.

Concurrently with the issuance of the Series 2021A Bonds, the Agency directly issued Subordinate Essential Housing Revenue Bonds Series 2021B (Series 2021B Bonds) in the amount of \$5,000,000 to Catalyst Housing Group LLC, a California limited liability company (Catalyst) in exchange for the sale and assignment of certain assets to the Agency, including its purchase rights to the Breakwater Apartments, a business plan and certain intellectual property created by Catalyst.

CMFA Special Finance Agency VII

Notes to the Consolidated Financial Statements

Note 6: Bonds Payable (Continued)

The bonds are summarized as follows:

Obligations	Original Amount	Interest Rate	Final Maturity Date	Balance Outstanding June 30, 2024
Essential Housing Revenue Bonds, Series 2021 A-1	\$ 138,750,000	3.00 %	August 1, 2056	\$ 138,750,000
Essential Housing Revenue Bonds, Series 2021 A-2	78,135,000	4.00 %	August 1, 2047	77,270,000
Subordinate Essential Housing Revenue Bonds, Series 2021B	5,000,000	8.00 %	August 1, 2061	5,000,000

Activity for the bonds was as follows for the year ended June 30, 2024:

Obligations	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024
Essential Housing Revenue Bonds, Series 2021 A-1	\$ 138,750,000	\$ -	\$ -	\$ 138,750,000
Essential Housing Revenue Bonds, Series 2021 A-2	77,650,000	-	(380,000)	77,270,000
Subordinate Essential Housing Revenue Bonds, Series 2021B	5,000,000	-	-	5,000,000
Unamortized Bond Premium Series 2021 A Bonds	12,632,763	-	(470,263)	12,162,500
Totals	\$ 234,032,763	\$ -	\$ (850,263)	\$ 233,182,500

Interest payments on the bonds are due semi-annually (February 1st and August 1st) commencing February 1, 2022. Principal payments are not to be made on any bond unless and until such bond is tendered to the Trustee for cancellation; however partial payments may be made from time to time at the election of ownership. \$50,000 of the outstanding principal balance is classified as a current liability and the remaining \$233,132,500 of outstanding principal is classified as a long-term liability as of June 30, 2024.

CMFA Special Finance Agency VII

Notes to the Consolidated Financial Statements

Note 6: Bonds Payable (Continued)

The bonds require the Project to maintain a DSCR, as defined in the agreement, of 1.10:1.00, measured on an annual basis. If the DSCR calculated is not equal to or greater than 1.10:1.00, the Agency will cause the Project Administrator to select and appoint, a Housing Consultant to make written recommendations regarding the fees, rentals, rates and charges imposed and collected by or on behalf of the Project Administrator and transferred to the Trustee, in connection with the operation of the Project, and regarding improvements or changes in the operations or management of or the services rendered by the Project Administrator; provided, however, that in the event that a Housing Consultant shall deliver a report to the Project Administrator, the Agency and the Trustee stating that state or federal laws or regulations or administrative interpretations of such laws or regulations then in existence do not permit, or by their application make it impracticable for the Project Administrator to conduct its business so as to maintain the DSCR at a level sufficient to meet the debt service coverage requirement, then the debt service coverage requirement shall be reduced to the highest practicable ratio permitted by the laws or regulations then in effect but in no event less than 1.00:1.00.

The Project's principal and interest payments are flexible based on cash flows from the Project. Based on management projections at the time of underwriting, the amortization schedule is as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 50,000	\$ 7,687,900	\$ 7,737,900
2026	280,000	7,683,900	7,963,900
2027	540,000	7,670,100	8,210,100
2028	825,000	7,645,700	8,470,700
2029	1,125,000	7,609,800	8,734,800
2030-2034	16,575,000	36,194,400	52,769,400
2035-2039	22,360,000	32,747,600	55,107,600
2040-2044	39,215,000	27,045,000	66,260,000
2045-2049	55,755,000	18,737,600	74,492,600
2050-2054	79,295,000	8,946,500	88,241,500
2055-2059	-	2,000,000	2,000,000
2060-2061	5,000,000	1,000,000	6,000,000
Totals	\$ 221,020,000	\$ 164,968,500	\$ 385,988,500

CMFA Special Finance Agency VII

Notes to the Consolidated Financial Statements

Note 6: Bonds Payable (Continued)

Long-term pledged revenues as of June 30, 2024 are as follows:

<i>Type of Pledges Revenue</i>	<i>Fiscal Year Maturity Date</i>	<i>Pledged Revenue to Maturity</i>	<i>Debt Principal & Interest Expense For the Year Ended 2024</i>	<i>2024 Pledged Revenue Available</i>
Net Rental Revenue:				
Essential Housing Revenue Bonds, Series 2021 A	2056	\$ 365,988,500	\$ 7,164,303	\$ 7,694,669
Essential Housing Revenue Bonds, Series 2021 B	2061	20,000,000	400,000	400,000
Totals		\$ 385,988,500	\$ 7,564,303	\$ 8,094,669

Note 7: Related-Party Transactions

The Agency signed a Project Administration Agreement (PAA) with a third-party administrator, Catalyst, on August 1, 2021, for the Project that establishes the terms and conditions upon which the third-party administrator shall, as an independent contractor, monitor, supervise, coordinate, analyze and report to the Agency with respect to the project and the project manager's performance under the PAA. The PAA renews automatically on its anniversary date unless terminated as a result of circumstances as defined by the PAA. Project administration fees incurred and paid to the project administrator under the PAA during the year ended June 30, 2024 were \$250,000. All project administration fees were paid by June 30, 2024, as such, there was no accrued expense at June 30, 2024.

The Agency also signed a Property Management Agreement (PMA) with a third-party property manager, Greystar, on August 1, 2021, for the project that establishes the terms and conditions for the operation and maintenance of the project including preparing annual operating budgets, marketing and leasing the project, collecting rents, managing the payment of operating expenses for the project, maintenance and repair of the project and management of on-site employees. The PMA renews automatically on its anniversary date unless terminated as a result of circumstances as defined by the PMA. The property management fees are the greater of 2.00% of gross operating revenue or \$17,300 per month. Property management fees and reimbursable expenses incurred for the year ended June 30, 2024 were \$247,963 and \$1,039,621. Accrued property management fees at June 30, 2024, were \$21,808.

Under the terms of the Indenture, the Project must pay the Agency an annual administrative fee of \$150,000 payable each August 1, commencing August 1, 2022. Annual administrative fees prepaid as of June 30, 2024 were \$12,500.

CMFA Special Finance Agency VII

Notes to the Consolidated Financial Statements

Note 7: Related-Party Transactions (Continued)

The project is subject to a Public Benefit Agreement, which the Agency signed with the City of Huntington Beach, California (City), and is dated as of August 1, 2021. Pursuant to the Public Benefit Agreement, commencing 15 years after the date of issuance of the Series 2021A Bonds (the sale right exercise date or August 1, 2036), and for a period of time thereafter terminating on the date that is the earlier of 14 years from the sale right exercise date, or the date on which there is no debt outstanding, the City shall have the right to cause the Agency to sell all of the Agency's right, title and interest, including the fee simple title to the real property, in and to all property and assets used in or related to the project to the City or the City's designee, at a sales price at least equal to the sum of an amount sufficient to prepay any debt secured by the project and any expenses associated with effecting the sale.

Note 8: Commitments and Contingencies

In the ordinary course of business, the Agency occasionally becomes involved in legal proceedings relating to contracts, environmental issues, or other matters. While any proceeding or litigation has an element of uncertainty, management of the Agency believes that the outcome of any pending or threatened actions, will not have a material adverse effect on the business or financial condition of the Agency. It is at least reasonably possible that within the near term an outcome pertaining to these matters could differ from management's estimates, and the resulting change could be material to the financial statements.

Note 9: Leases

The Project enters into lease agreements for each housing unit with terms that vary, but a majority of lease terms are one year or less. Occasionally, a few lease agreements are leased with terms exceeding twelve months. Each lease agreement entered does not grant lease renewal options.

The lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments.

The lease receivable is initially measured at the present value of the remaining lease fixed payments over twelve months, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Project's incremental borrowing rate.

Lease payments included in the measurement of the lease receivable associated to these lease agreements comprise of only fixed payments.

The deferred inflow of resources is initially measured at the commencement of the lease term. This is equal to the amount of the lease receivable plus any lease payments related to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. As of June 30, 2024, the deferred inflow of resources was \$683,442, which includes \$43,734 of deferred revenue.

As lease payments are received, the lease receivable will be reduced, and the deferred inflow of resources will be recognized as revenue.

CMFA Special Finance Agency VII

Notes to the Consolidated Financial Statements

Note 9: Leases (Continued)

Maturities of lease receivables are as follows as of June 30, 2024:

	Total Lease Payments	Amounts Representing Interest	Present Value of Lease Payments
2025	\$ 640,318	\$ 3,703	\$ 636,615
2026	2,557	20	2,537
Totals	\$ 642,875	\$ 3,723	\$ 639,152

Supplementary Information

CMFA Special Finance Agency VII

Consolidating Statement of Net Position

As of June 30, 2024

	Agency	Breakwater	Eliminations	Consolidated
Assets				
Current assets:				
Cash and cash equivalents	\$ 164,511	\$ 906,001	\$ -	\$ 1,070,512
Restricted cash	-	726,484	-	726,484
Restricted investments	-	26,436,443	-	26,436,443
Tenant accounts receivable, net	-	29,899	-	29,899
Lease receivables, current portion	-	636,615	-	636,615
Prepaid expenses and other assets	-	122,863	(12,500)	110,363
Total current assets	164,511	28,858,305	(12,500)	29,010,316
Lease receivables, net of current portion	-	2,537	-	2,537
Capital assets, net	-	193,251,229	-	193,251,229
Total assets	\$ 164,511	\$ 222,112,071	\$ (12,500)	\$ 222,264,082
Liabilities, Deferred Inflow of Resources, and Net Position				
Current liabilities:				
Accounts payable	\$ -	\$ 741,571	\$ -	\$ 741,571
Accrued expenses	-	61,750	-	61,750
Accrued interest	-	3,368,875	-	3,368,875
Tenant security deposits	-	661,995	-	661,995
Current portion of bonds payable	-	50,000	-	50,000
Total current liabilities	-	4,884,191	-	4,884,191
Bonds payable, net of current portion	-	233,132,500	-	233,132,500
Total liabilities	-	238,016,691	-	238,016,691
Deferred inflow of resources	12,500	683,442	(12,500)	683,442
Net position:				
Net investment in capital assets	-	(43,300,146)	-	(43,300,146)
Restricted for debt service and other purposes	-	27,162,927	-	27,162,927
Unrestricted	152,011	(450,843)	-	(298,832)
Total net position	152,011	(16,588,062)	-	(16,436,051)
Total liabilities, deferred inflow of resources, and net position	\$ 164,511	\$ 222,112,071	(\$ 12,500)	\$ 222,264,082

See Independent Auditor's Report.

CMFA Special Finance Agency VII
Consolidating Statement of Revenues, Expenses, and Change in Net Position
Year Ended June 30, 2024

	Agency	Breakwater	Eliminations	Consolidated
Operating revenues:				
Rental income	\$ -	\$ 10,801,249	\$ -	\$ 10,801,249
Other income	137,500	1,289,341	(137,500)	1,289,341
Total operating revenues	137,500	12,090,590	(137,500)	12,090,590
Operating expenses:				
Advertising	-	33,451	-	33,451
Depreciation	-	6,128,724	-	6,128,724
General and administrative	107,190	244,111	-	351,301
Insurance	100	601,852	-	601,952
Other	-	223,198	(137,500)	85,698
Property management fees	-	247,963	-	247,963
Project administration fees	-	250,000	-	250,000
Repairs and maintenance	-	751,475	-	751,475
Salaries and benefits	-	816,983	-	816,983
Utilities	-	520,661	-	520,661
Total operating expenses	107,290	9,818,418	(137,500)	9,788,208
Net operating income	30,210	2,272,172	-	2,302,382
Nonoperating revenues (expenses):				
Interest expense	-	(7,184,303)	-	(7,184,303)
Interest income	-	835,383	-	835,383
Total nonoperating expense	-	(6,348,920)	-	(6,348,920)
Change in net position	30,210	(4,076,748)	-	(4,046,538)
Net position at June 30, 2023	121,801	(12,511,314)	-	(12,389,513)
Net position at June 30, 2024	\$ 152,011	\$ (16,588,062)	\$ -	\$ (16,436,051)

See Independent Auditor's Report.

CMFA Special Finance Agency VII

Consolidating Statement of Cash Flows

Year Ended June 30, 2024

	Agency	Breakwater	Eliminations	Consolidated
Cash flows from operating activities:				
Cash received from customers	\$ 149,750	\$ 12,173,980	\$ -	\$ 12,323,730
Cash paid to suppliers and service providers	(107,290)	(4,254,469)	-	(4,361,759)
Net cash flows from operating activities	42,460	7,919,511	-	7,961,971
Cash flows from capital and related financing activities:				
Purchases of capital assets	-	(6,467,671)	-	(6,467,671)
Principal payments on bonds	-	(380,000)	-	(380,000)
Interest payments on bonds	-	(7,660,900)	-	(7,660,900)
Net cash flows from capital and related financing activities	-	(14,508,571)	-	(14,508,571)
Cash flows from investing activities:				
Net change in restricted investments	-	5,755,339	-	5,755,339
Interest income	-	835,383	-	835,383
Net cash flows from investing activities	-	6,590,722	-	6,590,722
Net change in cash and cash equivalents	42,460	1,662	-	44,122
Cash, cash equivalents, and restricted cash - beginning of year	122,051	1,630,823	-	1,752,874
Cash, cash equivalents, and restricted cash - end of year	\$ 164,511	\$ 1,632,485	\$ -	\$ 1,796,996

See Independent Auditor's Report.

CMFA Special Finance Agency VII
Consolidating Statement of Cash Flows (Continued)

Year Ended June 30, 2024

	Agency	Breakwater	Eliminations	Consolidated
Net operating income	\$ 30,210	\$ 2,272,172	\$ -	\$ 2,302,382
Adjustments to reconcile net operating income to net cash and cash equivalents from operating activities:				
Depreciation and amortization	-	6,128,724	-	6,128,724
Changes in operating assets and liabilities:				
Tenant accounts receivable	-	(1,623)	-	(1,623)
Prepaid expenses and other assets	-	(21,001)	12,500	(8,501)
Lease receivable	-	(640,205)	-	(640,205)
Accounts payable	(250)	(139,535)	-	(139,785)
Accrued expenses	-	(404,239)	-	(404,239)
Deferred inflow of resources	12,500	667,987	(12,500)	667,987
Tenant security deposits	-	57,231	-	57,231
Total adjustments	12,250	5,647,339	-	5,659,589
Net cash flows from operating activities	\$ 42,460	\$ 7,919,511	\$ -	\$ 7,961,971
Cash, cash equivalents, and restricted cash:				
Cash and cash equivalents	\$ 164,511	\$ 906,001	\$ -	\$ 1,070,512
Restricted cash and cash equivalents:	-	-	-	-
Tenant security deposit funds	-	661,995	-	661,995
Restricted cash and cash equivalents in accordance with bond indenture	-	64,489	-	64,489
Total cash and cash equivalents	\$ 164,511	\$ 1,632,485	\$ -	\$ 1,796,996
Supplemental cashflow information:				
Noncash financing activities:				
Amortization of bond premium	\$ -	\$ 470,263	\$ -	\$ 470,263
Accrued interest	-	6,334	-	6,334

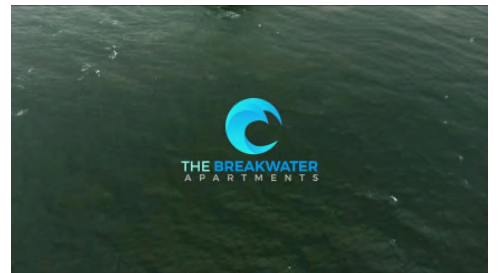
See Independent Auditor's Report.

APPENDIX B
AUDITED FINANCIAL STATEMENTS OF THE FACILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

The Breakwater Apartments

Financial Statements

Year Ended June 30, 2024



Independent Auditor's Report

To the Board of Directors
CMFA Special Finance Agency VII
Carlsbad, California

Opinion

We have audited the accompanying financial statements of The Breakwater Apartments, a division of the CMFA Special Finance Agency VII, which comprise the statement of net position as of June 30, 2024, and the related statements of revenues, expenses, and change in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Breakwater Apartments as of June 30, 2024, and the changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States ("GAAP").

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 Breakwater Apartments' 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Breakwater Apartments' 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that a management's discussion and analysis, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Wipfli LLP

Radnor, Pennsylvania
October 23, 2024

The Breakwater Apartments
(A division of the CMFA Special Finance Agency VII)
Management's Discussion and Analysis

This section of The Breakwater Apartments (the Project), a division of the CMFA Special Finance Agency VII's (the Agency) annual financial report presents the Management's Discussion and Analysis (MD&A) of its financial performance during the year ended June 30, 2024. The information in this section should be read in conjunction with the financial statements and the notes following this section.

GENERAL BACKGROUND, OVERVIEW AND PROGRAMS

The Agency was organized on July 1, 2021, under the provision of the Joint Exercise of Powers Act of the Government Code of the State of California. The Agency is a joint exercise of powers authority and public entity formed pursuant to a Joint Exercise of Powers Agreement (Agreement) between the California Municipal Finance Authority (the Authority) and the City of Huntington Beach, California as charter members, to which certain other cities and counties may in the future join as additional members. The Agency is authorized and empowered under the Act and the Agreement to issue bonds to undertake the financing and/or refinancing of any purpose or activity permitted under the Act or any other law, including projects that provide affordable local housing for low-income, median-income and moderate-income families and individuals.

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED JUNE 30, 2024

- Restricted cash and investment balances for FY2024 are \$6,074,282 below the prior year due to DSCR releases of capitalized interest and coverage reserve funds, as well as withdrawals from the capital expense fund.
- FY2024 operating revenues are \$474,695 above the prior year due to rent increases and sustained high occupancy.
- FY2024 operating expenses are \$387,489 above the prior year due to increased costs of utilities, salaries, insurance and depreciation. This was offset by reduced repair and maintenance costs.
- Bonds payable have decreased \$850,263 from the prior year to due to debt principal repayment of \$380,000 along with bond amortization of \$470,263 for the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Project's financial statements include the MD&A, financial statements, and accompanying notes to the basic financial statements. This report also includes other information intended to furnish additional detail to the intended users.

Basis of Presentation: The transactions of the Project are accounted for as a division utilizing the accrual basis of accounting.

The Breakwater Apartments
(A division of the CMFA Special Finance Agency VII)
Management's Discussion and Analysis

FINANCIAL STATEMENTS

The financial statements of the Project report information using accounting principles generally accepted in the United States of America (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. These statements offer both short-term and long-term financial information about the Project's activities.

- The **Statement of Net Position** includes all the Project's assets and liabilities as of June 30, 2024 and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Project's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Project and assessing the liquidity and financial flexibility of the Project.
- The **Statement of Revenues, Expenses and Change in Net Position** accounts for all the Project's revenues and expenses for the year ended June 30, 2024. This statement reflects the results of the Project's operations over the year and can be used to determine the Project's creditworthiness and its ability to successfully recover all its costs through user fees and other income.
- The **Statement of Cash Flows** provides information about the Project's cash receipts and cash payments during the year ended June 30, 2024. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating and investing activities. The statement provides answers to questions of where cash came from, what cash was used for and what caused changes in cash for the reporting period covered.

The accompanying **Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements.

CONDENSED STATEMENTS OF FINANCIAL POSITION

The assets, liabilities, and net position as of June 30, 2024, and 2023 and changes from the prior year are shown in the table below.

	2024	2023	Change
Asset:			
Cash	906,001	585,395	320,606
Restricted cash & investment	27,162,927	33,237,209	(6,074,282)
Other current assets	789,377	130,139	659,238
Other assets	<u>193,253,766</u>	<u>192,912,282</u>	<u>341,484</u>
Total assets	222,112,071	226,865,025	(4,752,954)
Liabilities:			
Current liabilities	4,884,191	5,343,576	(459,385)
Long-term debt	<u>233,132,500</u>	<u>234,032,763</u>	<u>(900,263)</u>
Total liabilities	238,016,691	239,376,339	(1,359,648)
Deferred inflow of resources	683,442	-	683,442
Net position (deficit)	<u>(16,588,062)</u>	<u>(12,511,314)</u>	<u>(4,076,748)</u>

The Breakwater Apartments
(A division of the CMFA Special Finance Agency VII)
Management's Discussion and Analysis

ASSETS

Restricted Cash and Investments

Restricted cash and investments are set aside for specified purposes, such as refundable deposits to tenants, servicing of the Project's outstanding debt obligations and the construction of capital assets. Such assets have been restricted by either bond indenture, law or through contractual obligations.

The reduction in restricted cash was due to withdrawals for the purposes of capital expenses as well as releases of certain reserve funds upon meeting debt service coverage thresholds.

NET POSITION

The following table presents a condensed statement of revenues, expenses, and change in net position for the years ended June 30, 2024, and 2023.

Condensed Statement of Revenues, Expenses and Change in Net Position

	2024	2023	Change
Revenues	12,090,590	11,615,895	474,695
Operating expenses	9,818,418	9,430,929	387,489
Non-operating expenses	<u>6,348,920</u>	<u>7,099,040</u>	<u>(750,120)</u>
Change in net position	(4,076,748)	(4,914,074)	(837,326)
Net position - beginning of year	(12,511,314)	(7,597,240)	(4,914,074)
Net position - end of year	<u>(16,588,062)</u>	<u>(12,511,314)</u>	<u>(4,076,748)</u>

LIABILITIES

Long-term debt

Bonds payable decreased \$850,263 in FY2024. This comprises principal payments of \$380,000 on the Series 2021A bonds and amortization of \$470,263 on the bond premium.

OPERATING REVENUES

Operating revenues increased over the previous year by \$474,695. This was due to increases in scheduled rent for the period along with stable occupancy and some reduced economic loss.

Operating Revenues:	2024	2023	Change
Rental income	10,801,249	9,275,348	1,525,901
Other income	<u>1,289,341</u>	<u>2,340,547</u>	<u>(1,051,206)</u>
Total operating revenues	12,090,590	11,615,895	474,695

The Breakwater Apartments
(A division of the CMFA Special Finance Agency VII)
Management's Discussion and Analysis

OPERATING EXPENSES

Operating expenses increased from \$9,430,929 in FY2023 to \$9,818,418 in FY2024 – an increase of \$387,489. This is due to increased costs of utilities, salaries, insurance and depreciation.

The Breakwater Apartments

Statement of Net Position

<i>As of June 30,</i>	2024
Assets	
Cash and cash equivalents	\$ 906,001
Restricted cash	726,484
Restricted investments	26,436,443
Tenant accounts receivable, net	29,899
Lease receivable, current portion	636,615
Prepaid expenses	122,863
Total current assets	28,858,305
Lease receivable, net of current portion	2,537
Capital assets, net	193,251,229
Total other assets	193,253,766
Total assets	\$ 222,112,071
Liabilities, Deferred Inflow of Resources, and Net Position	
Current liabilities:	
Accounts payable	\$ 741,571
Accrued expenses	61,750
Accrued interest	3,368,875
Tenant security deposits	661,995
Current portion of bonds payable	50,000
Total current liabilities	4,884,191
Bonds payable	233,132,500
Total liabilities	238,016,691
Deferred inflow of resources	683,442
Net position:	
Net investment in capital assets	(43,300,146)
Restricted for debt service and other purposes	27,098,438
Unrestricted	(386,354)
Total net position (deficit)	(16,588,062)
Total liabilities, deferred inflow of resources, and net position	\$ 222,112,071

See accompanying notes to the financial statements.

The Breakwater Apartments

Statement of Revenues, Expenses, and Change in Net Position

<i>Year Ended June 30,</i>	2024
Rental income	\$ 10,801,249
Other income	1,289,341
Total operating revenues	12,090,590
Operating expenses	
Advertising	33,451
Depreciation	6,128,724
General and administrative	244,111
Insurance	601,852
Other	223,198
Property management fees	247,963
Project administration fees	250,000
Repairs and maintenance	751,475
Salaries and benefits	816,983
Utilities	520,661
Total operating expenses	9,818,418
Income from operations	2,272,172
Nonoperating income (expense):	
Interest expense	(7,184,303)
Interest income	835,383
Change in net position	(4,076,748)
Net deficit at June 30, 2023	(12,511,314)
Net deficit at June 30, 2024	\$ (16,588,062)

See accompanying notes to the financial statements.

The Breakwater Apartments

Statement of Cash Flows

Year Ended June 30,	2024
Cash flows from operating activities:	
Cash received from customers	\$ 12,173,980
Cash paid to suppliers and service providers	(4,254,469)
Net cash flows from operating activities	7,919,511
Cash flows from capital and related financing activities:	
Purchases of capital assets	(6,467,671)
Principal payment on bonds	(380,000)
Interest payment on bonds	(7,660,900)
Net cash flows from capital and related financing activities	(14,508,571)
Cash flows from investing activities:	
Net change in restricted investments	5,755,339
Interest income	835,383
Net cash flows from investing activities	6,590,722
Net change in cash, cash equivalents, and restricted cash	1,662
Cash, cash equivalents, and restricted cash - beginning of the year	1,630,823
Cash, cash equivalents, and restricted cash - end of year	\$ 1,632,485
Net operating income	\$ 2,272,172
Adjustments to reconcile net operating income to net cash, cash equivalents, and restricted cash from operating activities:	
Depreciation	6,128,724
Changes in operating assets and liabilities:	
Tenant accounts receivable	(1,623)
Prepaid expenses	(21,001)
Lease receivable	(640,205)
Accounts payable	(139,535)
Accrued expenses	(404,239)
Deferred inflow of resources	667,987
Tenant security deposits	57,231
Total adjustments	5,647,339
Net cash flows from operating activities	\$ 7,919,511
Cash, cash equivalents, and restricted cash:	
Cash and cash equivalents	\$ 906,001
Restricted cash and cash equivalents:	
Tenant security deposits	661,995
Restricted cash equivalents in accordance with bond indenture	64,489
Total cash, cash equivalents, and restricted cash	\$ 1,632,485
Supplemental cash flow information:	
Noncash financing activities:	
Amortization of bond premiums	\$ 470,263
Accrued interest	\$ 6,334

See accompanying notes to the financial statements.

The Breakwater Apartments

Notes to the Financial Statements

Note 1: Organization, Operations and Reporting Entity

The CMFA Special Finance Agency VII (the Agency) was organized on July 1, 2021, under the provisions of the Joint Exercise of Powers Act (Act) of the Government Code of the State of California. The Agency is a joint exercise of powers authority and public entity formed pursuant to a Joint Exercise of Powers Agreement (Agreement) between the California Municipal Finance Authority (the Authority) and the city of Huntington Beach, California as charter members, to which certain other cities and counties may in the future join as additional members. The Agency is authorized and empowered under the Act and the Agreement to issue bonds to undertake the financing and/or refinancing of any purpose or activity permitted under the Act or any other law, including projects that provide affordable local housing for low-income, median-income and moderate-income families and individuals. The Agency is governed by the Board of Directors consisting of, ex officio, the board of directors of the Authority.

The Breakwater Apartments, Huntington Beach, California (Breakwater Apartments)

On August 19, 2021, the Agency issued Essential Housing Revenue Bonds Series 2021A-1 (Senior Bonds), Essential Housing Revenue Bonds Series 2021A-2 (Junior Bonds) and Subordinate Essential Housing Revenue Bonds Series 2021B (Series 2021B Bonds). The Series 2021B Bonds were directly issued to, or at the direction of, Catalyst Housing Group LLC (Catalyst), a California limited liability company, in exchange for the sale and assignment of certain assets to the Agency, including its purchase rights to the project, a business plan for the Agency, and certain intellectual property created by Catalyst for the Agency. The bonds, with an aggregate principal amount of \$221,885,000, were issued to finance the acquisition of a 400-unit multifamily residential rental community and related improvements, personal property and equipment known as The Breakwater Apartments located at 16761 Viewpoint Lane, Huntington Beach, California (the Project).

The accompanying financial statements of the Breakwater Apartments are intended to present the financial position, changes in financial position and cash flows, of only that portion of the business-type activities of the Agency that are attributable to the transactions of the Breakwater Apartments. They do not purport to, and do not, present fairly the financial position of the Agency as of June 30, 2024, and the changes in its financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America (GAAP).

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The Project's financial statements have been prepared using the accrual basis of accounting in accordance with GAAP as prescribed by the Governmental Accounting Standards Board. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

The Breakwater Apartments

Notes to the Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain 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 reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments, which are readily convertible to cash and have remaining maturities of three months or less at the date of acquisition.

Restricted Cash and Investments and Investment Income

Restricted cash and investments represent the unspent proceeds of the bonds that are held by the Trustee. These investments are made up of various funds that were required to be funded by the Indenture. Also included in restricted cash are tenant security deposit funds. See Note 3 for a listing of the funds held by the Trustee.

Restricted investments are made up of money market funds and guaranteed investment contracts. The guaranteed investment contracts are considered trading securities, therefore are measured at fair value.

All investment income is reported as nonoperating revenues (expenses) in the accompanying statement of revenues, expenses, and changes in net position. Realized gains or losses are determined by specific identification.

Tenant Accounts Receivable

Tenant accounts receivable are uncollateralized residential rents, which are due at the beginning of each month. Payments of tenant receivables are allocated to the specific charges identified on the tenant's remittance or, if unspecified, are applied to past due balances first, then the current unpaid charges. Management individually reviews all tenant receivables and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that could be uncollectible. Any amounts that remain outstanding after management has used reasonable collection efforts are deemed uncollectible and written-off through a charge to the valuation allowance and elimination of the tenant accounts receivable. Management has recorded an allowance for doubtful accounts of \$2,869 as of June 30, 2024.

The Breakwater Apartments

Notes to the Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Tenant Security Deposit Funds

Tenant security deposits represent tenant deposits held in accordance with the respective tenant's lease agreement which are held in trust for the tenants until they vacate the property. Any amounts not returned to the tenant due to lease violations are transferred to the Project's general operating account.

Capital Assets

Capital assets are defined by the Agency as assets with an initial, individual cost of \$1,000 or more and an estimated useful life of more than one year. Capital assets are recorded at historical cost or estimated historical cost, if actual cost is not available, and when placed in service. Capital assets are depreciated on a straight-line basis over the estimated useful lives of the assets (3 - 30 years). Depreciation of capital assets is recorded as an expense against operations. Repairs and maintenance costs are charged to expense as incurred.

Management reviews the recoverability of its capital assets in accordance with the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. GASB Statement No. 42 requires the recognition of impairment of capital assets in the event an asset's service utility has declined significantly and unexpectedly. Accordingly, management evaluates its assets' utility annually or when an event occurs that may impair recoverability of the asset.

Long-Lived Assets

The Project reviews their long-lived assets periodically to determine potential impairment by comparing the carrying value of those assets with the estimated future undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future undiscounted cash flows be less than the carrying value, the Project would recognize an impairment loss at that time. No impairment loss was recognized in the fiscal year 2024.

The Breakwater Apartments

Notes to the Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. At this time, the Project has no items that are reported in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents the acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Original Issue Premium

Original issue premium represents the difference between the face value of the bonds and the consideration received. Original issue premium is deferred and amortized over the life of the bonds using the straight-line method. Amortization of the premium is reflected as a decrease to interest expense in the statement of revenues, expenses, and change in net position.

Net Position

Net position of the Project is classified in three components:

- *Net investment in capital assets* consists of capital assets, including bond proceeds held for capital assets, net of accumulated depreciation and reduced by any outstanding borrowings used to finance the purchase or construction of those assets.
- *Restricted for debt service and other purposes* is net position that is restricted for the future payment of debt and is required to be held under an agreement with the Trustee, as well as other funds included in restricted investments.
- *Unrestricted net position* is the remaining net position that does not meet the definition of net investment in capital assets or restricted for debt service and other purposes.

Income Taxes

As an essential government function of the Agency, the Project is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs expensed during the year ended June 30, 2024 were \$33,451.

The Breakwater Apartments

Notes to the Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Housing units are rented under operating lease agreements with terms that vary, but a majority of lease terms are one year or less. Rent income from tenants is recognized in the month in which it is earned rather than received. Other income consists of income from pet rent, parking, laundry, and utility reimbursements from tenants.

GASB 87 Lease Accounting

The Project is a lessor in multiple housing units lease agreements. The Project accounts for its leases in accordance with the Governmental Accounting Standards Board ("GASB"), Statement No. 87, Leases. If the contract provides the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Lease receivable and deferred inflow of resources are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The deferred inflow of resources is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred. See Note 9 for leases.

The Project uses its incremental borrowing rate as the discount rate.

The Project has elected to not recognize lease receivable and deferred inflow of resources for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to renew the lease agreement. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases. The Project recognizes short-term lease income on a straight-line basis over the lease term.

Subsequent Events

The Company has evaluated subsequent events through October 23, 2024, which is the date the financial statements were available to be issued.

Note 3: Deposits and Investments

The Project's restricted cash and investments are subject to several types of risk:

Interest Rate Risk – Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. The Project does not have a formal investment policy for interest rate risk.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2024, the Project's investments were not rated.

The Breakwater Apartments

Notes to the Financial Statements

Note 3: Deposits and Investments (Continued)

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Project's deposits may not be returned to it. The Project does not have a deposit policy for custodial credit risk. The Project's deposits are held with the Trustee and are fully insured.

Although not part of the Indenture, included in restricted cash and cash equivalents are tenant security deposits of \$661,995 as of June 30, 2024. As such, this amount is not included in the table below summarizing restricted cash and investments by fund.

Pursuant to the Indenture, the Project was required to establish certain restricted reserves with bond proceeds that were funded at closing for the bond issuance. All reserve accounts are restricted for specific use and withdrawals from the restricted accounts are subject to approval by the Trustee.

The following table provides a summary of restricted investments by fund as required by the Indenture:

Fund / Account Name	As of June 30, 2024
Revenue fund	\$ 1,049,813
Operating Reserve fund	662,108
Administrative Expenses fund	166,728
Excess Revenue fund	6,025,379
Extraordinary Expense fund	500,000
Project Acquisition fund	41,574
Capital Reserve fund	7,376,699
Temporary Operating fund	223,824
Senior Debt Service account	1,665,117
Senior Debt Service Reserve fund	4,162,500
Junior Debt Service account	1,236,407
Junior Debt Service Reserve fund	3,125,400
Subordinate Debt Service fund	200,894
Total	26,436,443

Revenue Fund

Pursuant to the Project Administration Agreement (Note 7), at the end of each month, the operator is required to transfer all monies into the revenue fund held by the Trustee as soon as practicable as long as any bonds remain outstanding.

Operating Reserve Fund

The operating reserve fund is used to cure any deficiency in the senior debt service account. If at any time the amount on deposit in the operating reserve fund exceeds the operating reserve requirement, amounts in excess of the operating reserve requirement shall be deposited into the revenue fund. As of June 30, 2024, the deposits on hand in the operating reserve fund met the operating reserve requirement of \$662,108.

The Breakwater Apartments

Notes to the Financial Statements

Note 3: Deposits and Investments (Continued)

Administrative Expenses Fund

The administrative expenses fund shall be used only for the purpose of paying administrative expenses. In the event the amount in the administrative expenses fund is insufficient to pay the administrative expenses, the trustee shall apply amounts in the operating reserve fund for the payment of administrative expenses.

Excess Revenue Fund

Excess revenue fund shall be applied first to the revenue fund to satisfy any insufficiency of payments required pursuant to flow of funds, and then to the redemption of bonds. On the first date upon which no bonds remain outstanding, any and all monies in the excess revenue fund shall be transferred by the Trustee to the project jurisdiction.

Extraordinary Expense Fund

The extraordinary expense fund is used to pay for extraordinary expenses, as approved by the Agency and processed by the Trustee. The Trustee will disburse monies from the extraordinary expense fund to the Agency for certain expenses meeting the extraordinary definition in the Indenture. After discharge of the Indenture, the Agency shall retain any monies in the extraordinary expense fund, unless a different arrangement is agreed to at the Agency's discretion. As of June 30, 2024, the deposits on hand in the coverage reserve fund met the coverage reserve deposit requirement of \$500,000.

Project Acquisition Fund

The project acquisition fund is used to pay the amounts required by the provision of the Indenture Agreement and make disbursements of amounts in accordance with a request of the project administrator for the purposes of paying a portion of the purchase price of the Project.

Capital Reserve Fund

The capital reserve fund is used to cure any deficiency in the senior debt service account. The monies in this account shall be used for the purposes of paying for capital expenses included in the capital budget or otherwise expressly authorized by the Project Administration Agreement and capital expenses not included in the capital budget with the prior written consent of the Authority.

Temporary Operating Fund

The temporary operating account fund shall be used only to fund the operating account pursuant to the Property Management Agreement and the remaining amount will be available to pay property taxes. Any refunds and amounts remaining as of January 1, 2022 shall be deposited into the Revenue Fund account and the Temporary Operating Account shall be closed.

Senior Debt Service Account

The senior debt service account is used to pay out on or before each interest payment date, for the 2021 A1 bonds, the amount required for the interest payment on such interest payment date and pay out on or before each principal payment date, the amount required for the principal payment due on such due date.

The Breakwater Apartments

Notes to the Financial Statements

Note 3: Deposits and Investments (Continued)

Senior Debt Service Reserve Fund

The senior debt service reserve fund is used to cure any deficiency in the senior debt service subaccount of the senior debt service fund. As of June 30, 2024, the balance on deposit in the senior debt service reserve fund met the requirement outlined in the trust indenture.

Junior Debt Service Account

The junior debt service account is used to pay out on or before each interest payment date, for the 2021 A2 bonds, the amount required for the interest payment on such interest payment date and pay out on or before each principal payment date, the amount required for the principal payment due on such due date.

Junior Debt Service Reserve Fund

The junior debt service reserve fund is used to cure any deficiency in the junior debt service subaccount of the debt service fund. As of June 30, 2024, the balance on deposit in the junior debt service reserve fund met the requirement outlined in the trust indenture.

Subordinate Debt Service Account

The subordinate debt service account is used to fund any interest that is due and payable on the next ensuing interest payment on each series of outstanding subordinate bonds.

Note 4: Fair Value Measurements

The following is a description of the valuation methodologies used for assets measured at fair value.

Quoted market prices are used to determine the fair value of investments in publicly traded equity securities and exchange traded funds. Certificates of deposit, corporate bonds, and government obligations are valued using quotes from pricing vendors based on recent trading activity and other observable market data.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Project believes their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different fair value measurement at the reporting date.

The Breakwater Apartments

Notes to the Financial Statements

Note 4: Fair Value Measurements (Continued)

Information regarding assets at fair value on a recurring basis as of June 30, 2024 is as follows:

		Recurring Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of June 30, 2024	Total Assets at Fair Value			
Money market funds	\$ 9,059,533	\$ 9,059,533	\$ -	\$ -
Guaranteed investment contracts	17,376,910	-	17,376,910	-
Total	\$ 26,436,443	\$ 9,059,533	\$ 17,376,910	\$ -

Following is a description of the valuation methodology and significant inputs used for each asset and liability measured at fair value on a recurring or nonrecurring basis, as well as the classification of the asset or liability within the fair value hierarchy.

Money market funds -The fair value of money market funds are based on inputs that are observable, such as quoted prices for similar assets in active markets, interest rates, yield curve volatilities and credit risk.

Guaranteed investment contracts - The fair value of guaranteed investment contracts are based on inputs that are observable, such as quoted prices for similar assets in active markets, interest rates, yield curve volatilities and credit risk. Interest rates range from 0.91% to 1.50%. The contract issuer is contractually obligated to repay the principal and interest at the specified interest rate that is guaranteed to the investment holder. The investment holder may withdraw the full principal balance on deposit, terminating the contract, at any time.

The Breakwater Apartments

Notes to the Financial Statements

Note 5: Capital Assets

The capital assets balance at June 30, 2024, consists of the following activity:

<i>As of</i>	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets not depreciated:				
Land	\$ 37,689,839	\$ -	\$ -	\$ 37,689,839
Capital assets depreciable:				
Building and improvements	165,258,850	6,453,661	-	171,712,511
Furniture, fixtures, and equipment	249,999	14,010	-	264,009
Total depreciable capital assets	165,508,849	6,467,671	-	171,976,520
Less accumulated depreciation:				
Building and improvements	(10,265,965)	(6,077,668)	-	(16,343,633)
Furniture, fixtures, and equipment	(20,441)	(51,056)	-	(71,497)
Total accumulated depreciation	(10,286,406)	(6,128,724)	-	(16,415,130)
Total capital assets, depreciable (net)	155,222,443	338,947	-	155,561,390
Capital assets, net	\$ 192,912,282	\$ 338,947	\$ -	\$ 193,251,229

Depreciation expense for the year ended June 30, 2024 was \$6,128,724.

The Breakwater Apartments

Notes to the Financial Statements

Note 6: Bonds Payable

On August 19, 2021, the Agency issued Essential Housing Revenue Bonds Series 2021 A-1 (Senior Bonds) (Series 2021A-1 Bonds) in the amount of \$138,750,000 and Essential Housing Revenue Bonds Series 2021 A-2 (Junior Bonds) (Series 2021A-2 Bonds) in the amount of \$78,135,000, collectively, the Series 2021A Bonds. The proceeds of the Series 2021A Bonds were used for financing the cost of the acquisition of a multifamily rental housing facility and related improvements known as the Breakwater Apartments and the costs of issuance of the Series 2021A Bonds.

Concurrently with the issuance of the Series 2021A Bonds, the Agency directly issued Subordinate Essential Housing Revenue Bonds Series 2021B (Series 2021B Bonds) in the amount of \$5,000,000 to Catalyst Housing Group LLC (Catalyst), a California limited liability company, in exchange for the sale and assignment of certain assets to the Agency, including its purchase rights to the Breakwater Apartments, a business plan and certain intellectual property created by Catalyst.

The bonds are summarized as follows:

Bonds	Original Amount	Interest Rate	Final Maturity Date	Balance Outstanding June 30, 2024
Essential Housing Revenue Bonds, Series 2021 A-1	\$ 138,750,000	3.000 %	August 1, 2056	\$ 138,750,000
Essential Housing Revenue Bonds, Series 2021 A-2	78,135,000	4.000 %	August 1, 2047	77,270,000
Subordinate Essential Housing Revenue Bonds, Series 2021B	5,000,000	8.000 %	August 1, 2061	5,000,000

Activity for the bonds was as follows for the year ended June 30, 2024:

Bonds	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024
Essential Housing Revenue Bonds, Series 2021 A-1	\$ 138,750,000	\$ -	\$ -	\$ 138,750,000
Essential Housing Revenue Bonds, Series 2021 A-2	77,650,000	-	(380,000)	77,270,000
Subordinate Essential Housing Revenue Bonds, Series 2021B	5,000,000	-	-	5,000,000
Unamortized Bond Premium Series 2021 A Bonds	12,632,763	-	(470,263)	12,162,500
Total	\$ 234,032,763	\$ -	\$ (850,263)	\$ 233,182,500

Interest payments on the bonds are due semi-annually (February 1st and August 1st) commencing February 1, 2022. Principal payments are not to be made on either bond unless and until such bond is tendered to the Trustee for cancellation; however partial payments may be made from time to time at the election of ownership. \$50,000 of the outstanding principal balance is classified as a current liability and the remaining \$233,132,500 of outstanding principal is classified as a long-term liability as of June 30, 2024.

The Breakwater Apartments

Notes to the Financial Statements

Note 6: Bonds Payable (Continued)

The bonds require the Project to maintain a DSCR, as defined in the agreement, of 1.10:1.00, measured on an annual basis. If the DSCR calculated is not equal to or greater than 1.10:1.00, the Agency will cause the project administrator to select and appoint, a housing consultant to make written recommendations regarding the fees, rentals, rates and charges imposed and collected by or on behalf of the project administrator and transferred to the Trustee, in connection with the operation of the Project, and regarding improvements or changes in the operations or management of or the services rendered by the project administrator; provided, however, that in the event that a housing consultant shall deliver a report to the project administrator, the Agency and the Trustee stating that state or federal laws or regulations or administrative interpretations of such laws or regulations then in existence do not permit, or by their application make it impracticable for the project administrator to conduct its business so as to maintain the DSCR at a level sufficient to meet the debt service coverage requirement, then the debt service coverage requirement shall be reduced to the highest practicable ratio permitted by the laws or regulations then in effect but in no event less than 1.00:1.00.

The Agency's principal and interest payments are flexible based on cash flows from the Project. Based on management projections at the time of underwriting, the amortization schedule is as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 50,000	\$ 7,687,900	\$ 7,737,900
2026	280,000	7,683,900	7,963,900
2027	540,000	7,670,100	8,210,100
2028	825,000	7,645,700	8,470,700
2029	1,125,000	7,609,800	8,734,800
2030-2034	16,575,000	36,194,400	52,769,400
2035-2039	22,360,000	32,747,600	55,107,600
2040-2044	39,215,000	27,045,000	66,260,000
2045-2049	55,755,000	18,737,600	74,492,600
2050-2054	79,295,000	8,946,500	88,241,500
2055-2059	-	2,000,000	2,000,000
2060-2061	5,000,000	1,000,000	6,000,000
Total	\$ 221,020,000	\$ 164,968,500	\$ 385,988,500

The Breakwater Apartments

Notes to the Financial Statements

Note 6: Bonds Payable (Continued)

Long-term pledged revenues as of June 30, 2024 are as follows:

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid During the Year Ended 2024	2024 Pledged Revenue Available
Net Rental Revenue:				
Essential Housing Revenue Bonds, Series 2021 A	2056	\$ 365,988,500	\$ 7,164,303	\$ 7,694,669
Essential Housing Revenue Bonds, Series 2021 B	2061	20,000,000	400,000	400,000
Total		\$ 385,988,500	\$ 7,564,303	\$ 8,094,669

Note 7: Related-Party Transactions

The Agency signed a Project Administration Agreement (PAA) with a third-party administrator, Catalyst, on August 1, 2021, for the Project that establishes the terms and conditions upon which the third-party administrator shall, as an independent contractor, monitor, supervise, coordinate, analyze and report to the Agency with respect to the Project and the project manager's performance under the PAA. The PAA renews automatically on its anniversary date unless terminated as a result of circumstances as defined by the PAA. Project administration fees incurred and paid to the project administrator under the PAA during the year ended June 30, 2024, were \$250,000. All project administration fees were paid by June 30, 2024, as such, there was no accrued expense at June 30, 2024.

The Agency also signed a Property Management Agreement (PMA) with a third-party property manager on August 1, 2021, for the project that establishes the terms and conditions for the operation and maintenance of the project including preparing annual operating budgets, marketing and leasing the project, collecting rents, managing the payment of operating expenses for the project, maintenance and repair of the project and management of on-site employees. The PMA renews automatically on its anniversary date unless terminated as a result of circumstances as defined by the PMA. The property management fees are the greater of 2.00% of gross operating revenue or \$17,300 per month. Property management fees and reimbursable expenses incurred for the year ended June 30, 2024 were \$247,963 and \$1,039,621. Accrued property management fees at June 30, 2024, were \$21,808.

Under the terms of the bond indenture, the Project must pay the Agency an annual administrative fee of \$150,000 payable each August 1, commencing August 1, 2022. Annual administrative fees accrued as of June 30, 2024 were \$12,500.

The Breakwater Apartments

Notes to the Financial Statements

Note 7: Related-Party Transactions (Continued)

The project is subject to a Public Benefit Agreement, which the Agency signed with the City of Huntington Beach, California (City), and is dated as of August 1, 2021. Pursuant to the Public Benefit Agreement, commencing 15 years after the date of issuance of the Series 2021A Bonds (the sale right exercise date or August 1, 2036), and for a period of time thereafter terminating on the date that is the earlier of 14 years from the sale right exercise date, or the date on which there is no debt outstanding, the City shall have the right to cause the Agency to sell all of the Agency's right, title and interest, including the fee simple title to the real property, in and to all property and assets used in or related to the project to the City or the City's designee, at a sales price at least equal to the sum of an amount sufficient to prepay any debt secured by the project and any expenses associated with effecting the sale.

Note 8: Commitments and Contingencies

In the ordinary course of business, the Agency occasionally becomes involved in legal proceedings relating to contracts, environmental issues, or other matters. While any proceeding or litigation has an element of uncertainty, management of the Agency believes that the outcome of any pending or threatened actions, including the matters referred to below, will not have a material adverse effect on the business or financial condition of the Agency. It is at least reasonably possible that within the near term an outcome pertaining to these matters could differ from management's estimates, and the resulting change could be material to the financial statements.

Note 9: Leases

The Project enters into lease agreements for each housing unit with terms that vary, but a majority of lease terms are one year or less. Occasionally, a few lease agreements are leased with terms exceeding twelve months. Each lease agreement entered does not grant lease renewal options.

The lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments.

The lease receivable is initially measured at the present value of the remaining lease fixed payments over the lease term, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Project's incremental borrowing rate.

Lease payments included in the measurement of the lease receivable associated to these lease agreements comprise of only fixed payments.

The deferred inflow of resources is initially measured at the commencement of the lease term. This is equal to the amount of the lease receivable plus any lease payments related to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. As of June 30, 2024, the deferred inflow of resources was \$683,442.

As lease payments are received, the lease receivable will be reduced, and the deferred inflow of resources will be recognized as revenue.

The Breakwater Apartments

Notes to the Financial Statements

Note 9: Leases (Continued)

Maturities of lease receivables are as follows as of June 30, 2024:

	Total Lease Payments	Amounts Representing Interest	Present Value of Lease Payments
2025	\$ 640,318	\$ 3,703	\$ 636,615
2026	2,557	20	2,537
Total	\$ 642,875	\$ 3,723	\$ 639,152

APPENDIX C
OCCUPANCY REPORT

Income Restriction Category	Units	% of Total
Low Income (80% AMI)	137	34%
Median Income (100% AMI)	84	21%
Moderate Income (120% AMI)	71	18%
Non-Program	97	24%
Vacant*	11	3%
Grand Total	400	100%

*Vacant includes model units

Unit	AMI Designation
1	Non-Program
2	Median Income (100% AMI)
3	Median Income (100% AMI)
4	Median Income (100% AMI)
5	Median Income (100% AMI)
6	Median Income (100% AMI)
7	Low Income (80% AMI)
8	Non-Program
9	Low Income (80% AMI)
10	Low Income (80% AMI)
11	Moderate Income (120% AMI)
12	Non-Program
13	Moderate Income (120% AMI)
14	Low Income (80% AMI)
15	Low Income (80% AMI)
16	Low Income (80% AMI)
17	Low Income (80% AMI)
18	Moderate Income (120% AMI)
19	Low Income (80% AMI)
20	Low Income (80% AMI)
21	Moderate Income (120% AMI)
22	Non-Program
23	Non-Program
24	Low Income (80% AMI)
25	Moderate Income (120% AMI)
26	Moderate Income (120% AMI)
27	Non-Program
28	Moderate Income (120% AMI)
29	Low Income (80% AMI)
30	Median Income (100% AMI)
31	Non-Program

Unit	AMI Designation
32	Low Income (80% AMI)
33	Median Income (100% AMI)
34	Low Income (80% AMI)
35	Low Income (80% AMI)
36	Non-Program
37	Moderate Income (120% AMI)
38	Non-Program
39	Low Income (80% AMI)
40	Non-Program
41	Low Income (80% AMI)
42	Low Income (80% AMI)
43	Moderate Income (120% AMI)
44	Moderate Income (120% AMI)
45	Vacant
46	Moderate Income (120% AMI)
47	Low Income (80% AMI)
48	Non-Program
49	Moderate Income (120% AMI)
50	Low Income (80% AMI)
51	Median Income (100% AMI)
52	Vacant
53	Non-Program
54	Vacant
55	Low Income (80% AMI)
56	Non-Program
57	Non-Program
58	Moderate Income (120% AMI)
59	Non-Program
60	Non-Program
61	Low Income (80% AMI)
62	Median Income (100% AMI)
63	Non-Program
64	Low Income (80% AMI)
65	Moderate Income (120% AMI)
66	Low Income (80% AMI)
67	Median Income (100% AMI)
68	Median Income (100% AMI)
69	Moderate Income (120% AMI)
70	Non-Program
71	Median Income (100% AMI)
72	Non-Program

Unit	AMI Designation
73	Low Income (80% AMI)
74	Median Income (100% AMI)
75	Low Income (80% AMI)
76	Non-Program
77	Low Income (80% AMI)
78	Low Income (80% AMI)
79	Moderate Income (120% AMI)
80	Non-Program
81	Moderate Income (120% AMI)
82	Low Income (80% AMI)
83	Low Income (80% AMI)
84	Moderate Income (120% AMI)
85	Moderate Income (120% AMI)
86	Median Income (100% AMI)
87	Low Income (80% AMI)
88	Median Income (100% AMI)
89	Low Income (80% AMI)
90	Low Income (80% AMI)
91	Moderate Income (120% AMI)
92	Moderate Income (120% AMI)
93	Moderate Income (120% AMI)
94	Median Income (100% AMI)
95	Non-Program
96	Low Income (80% AMI)
97	Median Income (100% AMI)
98	Low Income (80% AMI)
99	Non-Program
100	Low Income (80% AMI)
101	Median Income (100% AMI)
102	Low Income (80% AMI)
103	Median Income (100% AMI)
104	Low Income (80% AMI)
105	Moderate Income (120% AMI)
106	Non-Program
107	Non-Program
108	Low Income (80% AMI)
109	Vacant
110	Non-Program
111	Non-Program
112	Non-Program
113	Non-Program

Unit	AMI Designation
114	Median Income (100% AMI)
115	Moderate Income (120% AMI)
116	Non-Program
117	Non-Program
118	Median Income (100% AMI)
119	Non-Program
120	Non-Program
121	Median Income (100% AMI)
122	Median Income (100% AMI)
123	Non-Program
124	Non-Program
125	Median Income (100% AMI)
126	Median Income (100% AMI)
127	Median Income (100% AMI)
128	Moderate Income (120% AMI)
129	Median Income (100% AMI)
130	Non-Program
131	Median Income (100% AMI)
132	Low Income (80% AMI)
133	Low Income (80% AMI)
134	Vacant
135	Moderate Income (120% AMI)
136	Low Income (80% AMI)
137	Median Income (100% AMI)
138	Non-Program
139	Non-Program
140	Median Income (100% AMI)
141	Non-Program
142	Vacant
143	Median Income (100% AMI)
144	Moderate Income (120% AMI)
145	Non-Program
146	Low Income (80% AMI)
147	Moderate Income (120% AMI)
148	Median Income (100% AMI)
149	Non-Program
150	Non-Program
151	Low Income (80% AMI)
152	Moderate Income (120% AMI)
153	Low Income (80% AMI)
154	Low Income (80% AMI)

Unit	AMI Designation
155	Low Income (80% AMI)
156	Low Income (80% AMI)
157	Low Income (80% AMI)
158	Non-Program
159	Non-Program
160	Median Income (100% AMI)
161	Median Income (100% AMI)
162	Low Income (80% AMI)
163	Non-Program
164	Low Income (80% AMI)
165	Low Income (80% AMI)
166	Median Income (100% AMI)
167	Median Income (100% AMI)
168	Non-Program
169	Moderate Income (120% AMI)
170	Non-Program
171	Moderate Income (120% AMI)
172	Low Income (80% AMI)
173	Median Income (100% AMI)
174	Moderate Income (120% AMI)
175	Low Income (80% AMI)
176	Moderate Income (120% AMI)
177	Low Income (80% AMI)
178	Median Income (100% AMI)
179	Median Income (100% AMI)
180	Median Income (100% AMI)
181	Vacant
182	Low Income (80% AMI)
183	Median Income (100% AMI)
184	Moderate Income (120% AMI)
185	Median Income (100% AMI)
186	Non-Program
187	Low Income (80% AMI)
188	Low Income (80% AMI)
189	Non-Program
190	Non-Program
191	Low Income (80% AMI)
192	Low Income (80% AMI)
193	Moderate Income (120% AMI)
194	Non-Program
195	Moderate Income (120% AMI)

Unit	AMI Designation
196	Low Income (80% AMI)
197	Low Income (80% AMI)
198	Median Income (100% AMI)
199	Non-Program
200	Low Income (80% AMI)
201	Non-Program
202	Low Income (80% AMI)
203	Low Income (80% AMI)
204	Low Income (80% AMI)
205	Non-Program
206	Non-Program
207	Low Income (80% AMI)
208	Non-Program
209	Low Income (80% AMI)
210	Median Income (100% AMI)
211	Low Income (80% AMI)
212	Low Income (80% AMI)
213	Non-Program
214	Non-Program
215	Low Income (80% AMI)
216	Median Income (100% AMI)
217	Vacant
218	Median Income (100% AMI)
219	Non-Program
220	Moderate Income (120% AMI)
221	Moderate Income (120% AMI)
222	Low Income (80% AMI)
223	Non-Program
224	Low Income (80% AMI)
225	Low Income (80% AMI)
226	Low Income (80% AMI)
227	Low Income (80% AMI)
228	Non-Program
229	Moderate Income (120% AMI)
230	Median Income (100% AMI)
231	Moderate Income (120% AMI)
232	Median Income (100% AMI)
233	Low Income (80% AMI)
234	Non-Program
235	Low Income (80% AMI)
236	Low Income (80% AMI)

Unit	AMI Designation
237	Low Income (80% AMI)
238	Moderate Income (120% AMI)
239	Median Income (100% AMI)
240	Median Income (100% AMI)
241	Low Income (80% AMI)
242	Non-Program
243	Non-Program
244	Low Income (80% AMI)
245	Median Income (100% AMI)
246	Vacant
247	Median Income (100% AMI)
248	Low Income (80% AMI)
249	Low Income (80% AMI)
250	Moderate Income (120% AMI)
251	Moderate Income (120% AMI)
252	Low Income (80% AMI)
253	Median Income (100% AMI)
254	Median Income (100% AMI)
255	Low Income (80% AMI)
256	Non-Program
257	Non-Program
258	Median Income (100% AMI)
259	Low Income (80% AMI)
260	Low Income (80% AMI)
261	Non-Program
262	Moderate Income (120% AMI)
263	Median Income (100% AMI)
264	Moderate Income (120% AMI)
265	Moderate Income (120% AMI)
266	Low Income (80% AMI)
267	Low Income (80% AMI)
268	Non-Program
269	Median Income (100% AMI)
270	Non-Program
271	Low Income (80% AMI)
272	Non-Program
273	Median Income (100% AMI)
274	Moderate Income (120% AMI)
275	Low Income (80% AMI)
276	Non-Program
277	Low Income (80% AMI)

Unit	AMI Designation
278	Non-Program
279	Low Income (80% AMI)
280	Median Income (100% AMI)
281	Low Income (80% AMI)
282	Low Income (80% AMI)
283	Low Income (80% AMI)
284	Median Income (100% AMI)
285	Low Income (80% AMI)
286	Moderate Income (120% AMI)
287	Moderate Income (120% AMI)
288	Non-Program
289	Low Income (80% AMI)
290	Low Income (80% AMI)
291	Non-Program
292	Moderate Income (120% AMI)
293	Moderate Income (120% AMI)
294	Low Income (80% AMI)
295	Non-Program
296	Median Income (100% AMI)
297	Median Income (100% AMI)
298	Low Income (80% AMI)
299	Non-Program
300	Non-Program
301	Low Income (80% AMI)
302	Median Income (100% AMI)
303	Median Income (100% AMI)
304	Low Income (80% AMI)
305	Low Income (80% AMI)
306	Low Income (80% AMI)
307	Non-Program
308	Low Income (80% AMI)
309	Low Income (80% AMI)
310	Low Income (80% AMI)
311	Low Income (80% AMI)
312	Median Income (100% AMI)
313	Low Income (80% AMI)
314	Low Income (80% AMI)
315	Non-Program
316	Vacant
317	Low Income (80% AMI)
318	Non-Program

Unit	AMI Designation
319	Median Income (100% AMI)
320	Moderate Income (120% AMI)
321	Moderate Income (120% AMI)
322	Median Income (100% AMI)
323	Low Income (80% AMI)
324	Low Income (80% AMI)
325	Low Income (80% AMI)
326	Non-Program
327	Vacant
328	Low Income (80% AMI)
329	Moderate Income (120% AMI)
330	Low Income (80% AMI)
331	Median Income (100% AMI)
332	Low Income (80% AMI)
333	Moderate Income (120% AMI)
334	Moderate Income (120% AMI)
335	Low Income (80% AMI)
336	Moderate Income (120% AMI)
337	Moderate Income (120% AMI)
338	Low Income (80% AMI)
339	Median Income (100% AMI)
340	Median Income (100% AMI)
341	Median Income (100% AMI)
342	Median Income (100% AMI)
343	Median Income (100% AMI)
344	Non-Program
345	Low Income (80% AMI)
346	Non-Program
347	Moderate Income (120% AMI)
348	Low Income (80% AMI)
349	Low Income (80% AMI)
350	Non-Program
351	Low Income (80% AMI)
352	Median Income (100% AMI)
353	Median Income (100% AMI)
354	Low Income (80% AMI)
355	Low Income (80% AMI)
356	Moderate Income (120% AMI)
357	Moderate Income (120% AMI)
358	Non-Program
359	Non-Program

Unit	AMI Designation
360	Moderate Income (120% AMI)
361	Non-Program
362	Median Income (100% AMI)
363	Median Income (100% AMI)
364	Non-Program
365	Low Income (80% AMI)
366	Moderate Income (120% AMI)
367	Non-Program
368	Non-Program
369	Median Income (100% AMI)
370	Non-Program
371	Low Income (80% AMI)
372	Moderate Income (120% AMI)
373	Median Income (100% AMI)
374	Low Income (80% AMI)
375	Moderate Income (120% AMI)
376	Non-Program
377	Low Income (80% AMI)
378	Moderate Income (120% AMI)
379	Moderate Income (120% AMI)
380	Moderate Income (120% AMI)
381	Median Income (100% AMI)
382	Low Income (80% AMI)
383	Non-Program
384	Low Income (80% AMI)
385	Moderate Income (120% AMI)
386	Low Income (80% AMI)
387	Non-Program
388	Median Income (100% AMI)
389	Non-Program
390	Median Income (100% AMI)
391	Median Income (100% AMI)
392	Non-Program
393	Moderate Income (120% AMI)
394	Non-Program
395	Median Income (100% AMI)
396	Low Income (80% AMI)
397	Low Income (80% AMI)
398	Moderate Income (120% AMI)
399	Low Income (80% AMI)
400	Low Income (80% AMI)

Unit	AMI Designation
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In 2024, the Project Administrator has been investing in upgraded reporting infrastructure. With our new capabilities, we look forward to working with our stakeholders to implement enhancements in our reporting packages.

APPENDIX D
CERTIFICATE OF THE DISCLOSURE REPRESENTATIVE

I, John Stoecker, of the CMFA Special Finance Agency VII (the “Disclosure Representative”) hereby certify that the Agency has observed and performed all of its covenants and agreements set forth in the Indenture and the other Bond Documents, and no Event of Default (as defined in the Bond Documents) has occurred or exists.

CMFA Special Finance Agency VII, as Disclosure Representative

By: John P. Stoecker



FY 2024/25 Mid-Year Budget Update

City Council Meeting
March 18, 2025

City Budget and Financial Position – FY 2023/24

The City ended FY 2023/24 with a \$2.7 million General Fund surplus.

Description	In Thousands
Revenue (Recurring)	\$290,289
Revenue (One-Time) *	2,276
Planned Use of Reserves	4,900
Total Sources of Funds	\$297,465
Expenditures less UAL	266,694
CalPERS UAL	4,643
POB Payment	13,255
One-Time Expenditures**	6,038
Total Expenditures	\$290,630
Other Restricted Changes in General Fund Balance***	4,119
General Fund (Fund 100) Surplus	\$2,716

* FY 23/24 one-time revenue consists of \$2.3M for Emerald Cove Superior Court Judgment

** Includes \$4.9M for AES Transfer and \$1.1M Transfer of 50% of Emerald Cove settlement to the General Liability Fund

*** Includes adjustments to YE Market Value and set-asides for Ocean View Estates and General Plan Maintenance

City Budget and Financial Position – FY 2024/25

The California unemployment rate increased slightly from 5.3% in September to 5.4% in October 2024, a full percentage point above pre-pandemic levels. Economic uncertainty stemming from higher business operating costs and potential tariffs could exert upward pressure on prices, driving down sales transactions.

- Property tax revenues, the City's largest General Fund revenue source (35.8%), remains strong, with a 4.5% citywide growth in value in the 2024-25 assessment roll.
- Sales tax revenues, the City's second largest General Fund revenue source (17.7%), is projected to decline from the budgeted amount of \$53.5 million. Revised projections based on Q4 2024 will be available in the upcoming weeks.
- In October 2024, the City was awarded a \$5 million settlement from Amplify for the 2021 Oil Spill.

City Projected Financial Position – FY 2024/25

Description	In Thousands
Revenue (Recurring)	\$293,540
Revenue (One-Time) *	10,877
Planned Use of Reserves **	1,890
Total Sources of Funds	\$306,307
Expenditures less UAL	274,598
CalPERS UAL	5,215
POB Payment	13,106
One-Time Expenditures ***	11,090
Total Expenditures	\$304,009
General Fund (Fund 100) Surplus	\$2,298

NOTE: City Council is reviewing the City's Reserve Policies. The \$2.3M surplus shown above illustrates the year-end surplus should the \$4M Oil Spill Settlement revenues be used to cover recurring General Fund expenditures.

* FY 24/25 one-time consists of the General Fund portion of the first payment of the Waterfront Loan Settlement (\$6.9M) and the Oil Spill Settlement (\$4M).

** Planned use of reserves includes YTD approved use of HB Recovery Reserves for the Oil Well Abandonment Project.

*** One-time expenditures includes transfers out of the Waterfront Loan Settlement (\$6.9M), transfers out of 25% of the Oil Spill Settlement to the Section 115 Trust (\$1M) per the City's current Reserve Policies, and estimated costs for the Special Election (\$1.3M).

General Fund Long-Term Financial Plan

9.5% CalPERS Return FY23/24

(in thousands)	Actual FY23/24	Projected FY24/25	Projected FY25/26	Projected FY26/27	Projected FY27/28	Projected FY28/29
Revenue (Recurring)	290,289	293,540	296,455	303,967	311,720	320,019
Revenue (One-Time)*	2,276	10,877	-	-	-	-
Planned Use of Reserves	4,900	1,890	-	-	-	-
Total Sources of Funds	297,465	306,307	296,455	303,967	311,720	320,019
Expenditures less UAL	266,694	274,598	282,175	290,563	297,958	304,813
CalPERS UAL **	4,643	5,215	10,305	13,290	16,262	19,222
POB Payment	13,255	13,106	12,750	12,537	12,384	12,229
One-Time Expenditures	6,038	11,090	-	-	-	-
Total Expenditures	290,630	304,009	305,230	316,390	326,604	336,264
Restricted Reserves	4,119	-	-	-	-	-
Surplus/(Deficit)	\$2,716	\$2,298	(\$8,775)	(\$12,423)	(\$14,884)	(\$16,245)

* FY 23/24 one-time revenue consists of \$2.3M for Emerald Cove Superior Court Judgment. FY 24/25 one-time consists of the General Fund portion of the first payment of the Waterfront Loan Settlement.

** Future CalPERS UAL Costs are estimated using the most recent CalPERS investment return of 9.5% in FY 23/24.

Questions?





Review of HB Adopted Reserve Policies

Finance Commission Meeting
March 26, 2025

HB Budget & City Financial Mgmt.

City budget and financial management are controlled by the following:

- **City Charter** – Section 401 & 601-605
 - Infrastructure Fund – Section 617
- **Municipal Code** – Title 2.15 & 2.08.101
 - Finance Department / City Manager
- **City Administrative Regulations (AR)** – 300 Financial Administration
- **City Council Adopted Financial Policies**
 - Reviewed, updated and adopted during annual budget process
- **City Strategic Plan**
 - Fiscal Stability



HB Strategic Plan Objectives

City Priority: **FISCAL STABILITY**

- “Available funding to support a high-quality level of programs, services and capital investments and to build a structural surplus.”

Fiscal Stability Strategy

- “Consider new revenue sources and opportunities to support the City’s priority initiatives and projects.”



Balanced vs Sustainable Budget

- A balanced budget isn't always a healthy one.
- A sustainable operating budget is one where ***“normally occurring revenues are equal to your normally occurring expenditures.”***
- Steps to identify key items related to structural balance include evaluating recurring and non-recurring revenues, recurring and non-recurring expenditures, and reserves.



HB Adopted Budget Policies

- The City will maintain a balanced budget for all funds with estimated revenues being equal to, or greater than, estimated expenditures.
- On-going revenues will support on-going expenditures.
- ***Revenues from one-time or limited duration sources will not be used to balance the annual operating budget.***



Fund Balance Classifications

- **Non-spendable**: Includes amounts that are not in spendable form and typically includes inventories, prepaid items, and other items that, by definition cannot be appropriated.
- **Restricted**: Includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- **Committed**: Includes amounts that can be used only for the specific purposes determined by a formal action of the City Council.
 - The City Council has authority to establish, modify, or rescind a fund balance commitment by formal action.
- **Assigned**: These funds are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed.
 - The City Manager or designee has the authority to establish, modify, or rescind a fund balance assignment.
- **Unassigned**: These funds are the residual classification for the City's funds and includes all spendable amounts not contained in the other classifications.



Reserve Funding - Unassigned

- City has treated one-time funds as unassigned fund balance for the purposes of applying them per the adopted reserve policies.
- To the extent that there is a GF structural deficit, no funds are available to allocate to the adopted reserves.
- City Charter requires the annual funding of the **Infrastructure Fund**.
 - Revenues placed in the Infrastructure Fund shall not supplant existing infrastructure funding.
 - Expenditures for infrastructure improvements and maintenance, subsequent to 2001, shall not be reduced below 15% of general fund revenues based on a five- (5) year rolling average.
 - Current funding requirement of \$14.5M



Adopted Reserve Policy Requirements

Economic Uncertainties Reserve (EUR)

- Funds will be available for extreme emergency situations

Equipment Reserve (ER)

- Used for rolling stock, equipment, and equipment to sustain city infrastructure

CIP Reserve (CIR)

- Construction or improvements of city infrastructure

Litigation Reserve (LR)

- Cover unforeseen litigation losses exceeding the budgeted amount

Unfunded Accrued Liability Pension Reserve (UALPR)

- Cover the costs to reduce volatility and offset unexpected pension rate changes



Reserve EUR Funding Requirements

- Monetary goal is to be equal to the value of **two months of the GF expenditures** in the adopted budget, adjusted annually.
- Appropriations from the EUR can only be made by a **6/7 vote of the City Council**.
- Funds can only be appropriated or **accessed for emergency situations** included, but not limited to:
 - An unplanned, major event such as a catastrophic disaster requiring over 5% of the GF adopted budget
 - Budgeted revenues in excess of \$1M taken by another government agency
 - Drop in projected/actual revenues of more than 5% of the GF adopted budget.
- EUR will **not be accessed** to fund new programs or personnel



Reserve EUR / Other Funding

Audited GF unassigned fund balance will be allocated as follows:

- Initial allocation of any unassigned fund balance will go to Unfunded Accrued Liability Pension per adopted policy, long term debt, and improving city infrastructure.
- Remaining allocation, if EUR is **not** fully funded:
 - 50% to EUR / 25% Infrastructure / 25% to CIR
- Remaining allocation, if EUR is **fully** funded:
 - 50% Infrastructure / 25% to CIR / 25% Equipment Replacement
- A minimum of 25% of unrestricted one-time GF revenues transferred to Section 115 Trust



UAL Funding Policy

- Minimum Contribution of \$1m to the 115 Trust
- Perpetual Set-aside of 50% of Pension Refinance Savings (est. (\$978M – Set-aside 50% = \$489M)
- Additional 50% set-aside of any GF Surplus into a Restricted GF Pension Rate Stabilization Reserve
- Accelerate the payoff/funding new UAL based on schedule
- ADP payments may be deposited with CalPERS at anytime



General Fund Reserves

Type	Description	Amount Thousands	Sub Total
GF Fund Reserves	As of 6/30/2024	(Thousands)	Sub Total

Nonspendable			
	Prepays	\$148	\$148
Restricted			
	Underground	\$364	
	Restitution	\$317	
	Donations	\$777	
	Section 115 Trust Funded	\$20,212	\$21,670
Committed			
	Economic Uncertainties	\$49,090	
	Other Capital Projects	\$1,379	
	Other Purposes	\$1,554	\$52,023

Type	Description	Amount Thousands	Sub Total
GF Fund Reserves	As of 6/30/2024	(Thousands)	Sub Total

Assigned			
	Litigation Reserves	\$3,650	
	Capital Improvement Reserve	\$9,425	
	Equipment Replacement	\$8,295	
	General Plan Maintenance	\$1,651	
	HB Recovery Fund	\$10,886	
	Oceanview Estates	\$641	
	General Liability Plan Migration	\$2,801	
	Pension Rate Stabilization	\$5,517	
	Section 115 Trust Reserves	\$4,211	
	Year-end Fair Value	\$3,025	
	Other Purposes	\$8,376	\$58,478
Total			
			\$132,319

Questions?

Feedback



Sample One-Time Revenue Policy

Purpose of Policy

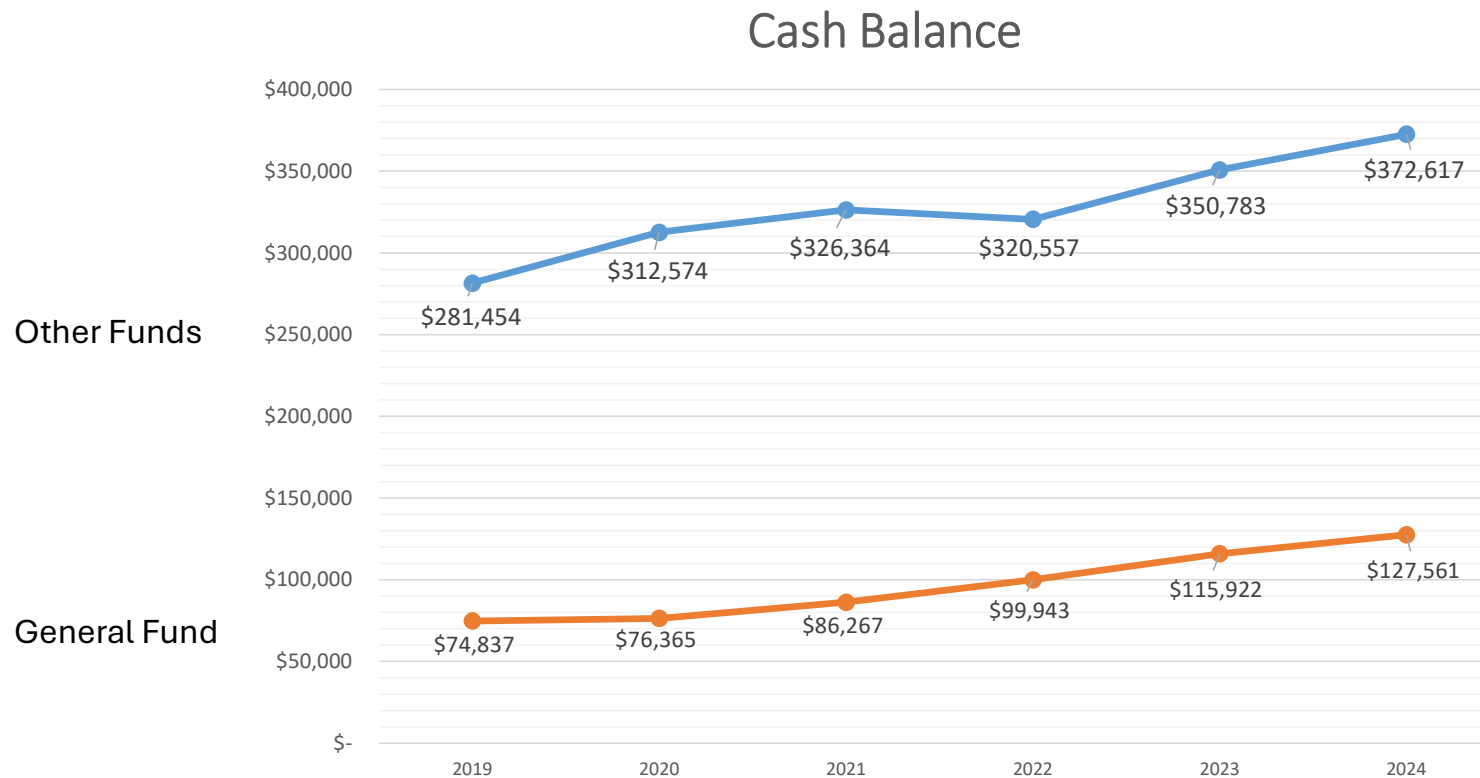
The City of HB (hereinafter “City”) strives to attain and maintain a structurally sound, thoughtful, and sustainable balanced budget within statutory and local government requirements. The purpose of this policy is to specify the uses of one-time revenues to help the City spend within its means and preserve its long-term fiscal health.

Policy – One Time Revenue

The City shall not use one-time revenues to finance ongoing programs. To the extent feasible, one-time revenues shall be applied only towards one-time expenditures. Furthermore, one-time revenues shall not be used for non-recurring expenses that may result in future year obligations such as debt service payments, staffing, and other anticipated operating cost expenditures. It may be used to balance a one-year budget deficit with a 6/7th vote of the City Council.



Cash Balances For All Funds



Cash Balance – Fund Type

FUNDS	2024
General Fund	\$132,319
Infrastructure Funds – (Charter Requirement)	\$33,015
Enterprise Total	\$82,380
ISF Total	\$52,707
Restricted Funds Total	\$85,339
Fiduciary Funds Total*	\$119,176
TOTAL CASH	\$504,936

*Include Pension (Supplemental & 115 / OPEB Funds



Arcis paid late the following months - in 2024

- November 2023 (they owe 2 additional months that were not billed by Davis Far since they did not pay until February 2024)
- June 2024 – Base and Variable
- August 2024 - Base
- September 2024 - Base
- October 2024 - Base
- November 2024 - Base
- December 2024 - Base

Here is a summary of what is owed for 2024 late fees - balance due the city for late fees is \$48,270.52 – see below

2024 Late Fee Summary

Rent Period and Type	Amount Due	Due Date	Date Received by City	Months Late	Late Fees
November 2023 Variable	\$ 66,283.34	11/30/2023	2/6/2024	3	\$ 19,885.00
June 2024 Base	\$ 44,314.00	6/30/2024	7/8/2024	1	\$ 4,431.40
June 2024 Variable (Partial late)	\$ 8,614.91	7/31/2024	8/8/2024	1	\$ 861.49
August 2024 Base	\$ 44,314.00	8/30/2024	9/4/2024	1	\$ 4,431.40
September 2024 Base	\$ 44,314.00	9/30/2024	10/23/2024	1	\$ 4,431.40
October 2024 Base	\$ 44,314.00	10/31/2024	12/2/2024	2	\$ 8,862.80
November 2024 Base	\$ 44,314.00	11/30/2024	12/2/2024	1	\$ 4,431.40
October 2024 Variable	\$ 62,285.19	11/30/2024	12/19/2024	1	\$ 6,228.52
December 2024 Base	\$ 44,314.00	12/31/2024	1/7/2025	1	\$ 4,431.40
Total Late Fees Due for 2024					\$ 57,994.81

Late Payment Received in 2024	Date Paid				Amount Paid
June Variable Late Fee	9/4/2024				\$ 861.49
September 2024 Late Fee	11/20/2024				\$ 4,431.40
October 2024 Late Fee	11/20/2024				\$ 4,431.40
Total Late Fees Paid for 2024					\$ 9,724.29

Total Late Fees Balance Due for 2024

\$ 48,270.52

Meadowlark Golf Club
Reconciliation of City of Huntington Beach
2024

Check 700-9645

Must use Meadowlark Rent report in FYIsolft

	% Rent	1/31/2024 Revenue	2/29/2024 Revenue	3/31/2024 Revenue	4/30/2024 Revenue	5/31/2024 Revenue	6/30/2024 Revenue	7/31/2024 Revenue	8/31/2024 Revenue	9/30/2024 Revenue	10/31/2024 Revenue	11/30/2024 Revenue	12/31/2024 Revenue	Year to Date	Beginning Balance
Revenue Rounds															0
		\$446,146.66	\$325,235.22	\$477,916.48	\$519,580.74	\$624,933.22	\$656,263.50	\$644,329.86	\$635,231.35	\$561,297.00	\$503,078.26	\$500,260.37	\$466,567.47	\$6,360,840.13	56,353,510.13
Monthly Rent		\$94,612.75	\$68,304.83	\$96,946.93	\$109,417.23	\$127,112.85	\$135,727.76	\$136,895.72	\$131,878.17	\$115,903.97	\$106,599.19	\$105,339.67	\$96,832.17	\$1,325,571.26	
Minimum Rent		\$44,314.00	\$44,314.00	\$44,314.00	\$44,314.00	\$44,314.00	\$44,314.00	\$44,314.00	\$44,314.00	\$44,314.00	\$44,314.00	\$44,314.00	\$44,314.00	\$531,768.00	
YTD ADJ															
Check #															
Percentage Rent		\$50,268.75	\$23,960.83	\$52,632.93	\$65,103.23	\$82,798.85	\$91,413.76	\$92,581.72	\$87,564.17	\$71,589.97	\$62,285.19	\$61,025.87	\$52,518.17	\$793,803.26	
Check #															
Monthly Rent House		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Check #															
Total Monthly Rent Paid to City		\$94,612.75	\$68,304.83	\$96,946.93	\$109,417.23	\$127,112.85	\$135,727.76	\$136,895.72	\$131,878.17	\$115,903.97	\$106,599.19	\$105,339.67	\$96,832.17	\$1,325,571.26	152-000-96
Per GL															
Variance		\$94,612.75	\$68,304.83	\$96,946.93	\$109,417.23	\$127,112.85	\$135,727.76	\$136,895.72	\$131,878.17	\$115,903.97	\$106,599.19	\$105,339.67	\$96,832.17	\$1,325,571.26	
Purchase Discounts															
Summary Revenue TB - GP		446,146.66	325,235.22	477,916.48	519,580.74	624,933.22	656,263.50	644,329.86	635,231.35	561,297.00	503,078.26	500,260.37	466,567.47	6,360,840.13	
Total Operating Revenue		-546,146.66	(325,235.22)	(477,916.48)	(519,580.74)	(624,933.22)	(656,263.50)	(644,329.86)	(635,231.35)	(561,297.00)	(503,078.26)	(500,260.37)	(466,567.47)		