

CMFA Special Finance Agency

Consolidated Financial Statements and
Supplementary Information

Year Ended June 30, 2025



Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of CMFA Special Finance Agency (the "Agency"), which comprise the statement of net position as of June 30, 2025, and the related consolidated statements of revenues, expenses and change in net deficit, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CMFA Special Finance Agency as of June 30, 2025, and the change in net deficit and cash flows and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("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 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 CMFA Special Finance 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 CMFA Special Finance 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 CMFA Special Finance 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 consolidated financial statements, and other knowledge we obtained during our audit of the consolidated 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 deficit, 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 deficit, 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
November 13, 2025

CMFA Special Finance Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2025

This section of the CMFA Special Finance Agency (the Agency) annual financial report presents the Management's Discussion and Analysis (MD&A) of its financial performance during the year ended June 30, 2025. 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 October 1, 2021, under the provisions of the Joint Exercise of Powers Act of the Government Code of the State of California.

- On November 23, 2021, the Agency issued bonds to finance the acquisition of a multifamily residential rental housing community known as Solana at Grand located at 1501 East Grand Avenue, Escondido, California 92027.
- On November 30, 2021, the Agency issued bonds to finance the acquisition of a multifamily residential rental housing community known as Latitude33 located at 515 Meander Glen, Escondido, California 92025.
- On February 1, 2022, the Agency issued bonds to finance the acquisition of a multifamily residential rental housing community known as Enclave, located at 13801 Paramount Boulevard, Paramount, California 90723.

Solana at Grand, Latitude33, and Enclave are collectively referred to as the "Projects".

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED JUNE 30, 2025

- Restricted cash and investment balances for FY2025 decreased by \$9,758,745 over the prior year due to debt service obligations, as well as withdrawals from the Capital Expense Fund.
- FY2025 operating revenues are \$2,539,340 above the prior year due to rental and occupancy rate increases.
- Bonds payable decreased by \$454,504 from the prior year to due to debt principal repayment of \$705,000 along with the amortization of the bond discount and premium of (\$250,496) for the fiscal year.

OVERVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Agency's consolidated financial statements include accounts of the Agency and the Projects. The consolidated financial statements include the MD&A, financial statements, and accompanying notes to the 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.

CMFA Special Finance Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2025

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, 2025 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.
- The **Consolidated Statement of Revenues, Expenses and Change in Net Deficit** accounts for all the Agency's revenues and expenses for the year ended June 30, 2025. 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, 2025. 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 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, 2025, and 2024 and changes from the prior year are shown in the table below.

	2025	2024	Change
Assets:			
Cash and cash equivalents	\$ 2,302,243	\$ 1,744,365	\$ 557,878
Restricted cash and investments	42,476,149	52,234,894	(9,758,745)
Other current assets	5,663,381	6,466,728	(803,347)
Noncurrent assets	384,031,148	393,748,577	(9,717,429)
Total assets	434,472,921	454,194,564	(19,721,643)
Liabilities:			
Other liabilities	12,061,764	12,600,131	(538,367)
Bonds payable	494,741,967	495,196,471	(454,504)
Total liabilities	506,803,731	507,796,602	(992,871)
Deferred inflow of resources	5,204,560	5,964,493	(759,933)
Net position (deficit)	(77,535,370)	(59,566,531)	(17,968,840)

CMFA Special Finance Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2025

ASSETS

Restricted Cash and Investments

Restricted cash and investments are set aside for specified purposes, such as refundable deposits to tenants, servicing of the Projects' 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 of the Projects.

LIABILITIES

Bonds Payable

Bonds payable decreased \$454,504 from the prior year to due to debt principal repayment of \$705,000 along with amortization of the bond discount and premium of (\$250,496) for the fiscal year.

NET POSITION

The following table presents condensed Consolidated Statements of Revenues, Expenses and Change in Net Deficit for the years ended June 30, 2025, and 2024.

Condensed Consolidated Statements of Revenues, Expenses and Change in Net Deficit

	2025	2024	Change
Revenues	\$ 26,756,650	\$ 24,217,310	\$ 2,539,340
Expenses	<u>44,725,489</u>	<u>46,221,628</u>	<u>(1,496,139)</u>
Change in net position	(17,968,840)	(22,004,318)	4,035,478
Net deficit - beginning of year	<u>(59,566,531)</u>	<u>(37,562,213)</u>	<u>(22,004,318)</u>
Net deficit - end of year	<u>(77,535,370)</u>	<u>(59,566,531)</u>	<u>(17,968,840)</u>

OPERATING REVENUES

Operating revenues increased over the previous year by \$2,539,340. This was due to rental and occupancy rate increases.

Operating Revenues:	2025	2024	Change
Rental income	\$ 24,640,648	\$ 22,348,789	\$ 2,291,859
Other income	<u>2,116,002</u>	<u>1,868,521</u>	<u>247,481</u>
Total operating revenues	26,756,650	24,217,310	2,539,340

CMFA Special Finance Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2025

OPERATING EXPENSES

Operating expenses decreased from \$27,582,622 in FY2024 to \$25,287,309 in FY2025 – a decrease of \$2,295,313. This is primarily attributable to a reduction in repairs & maintenance expenses in the fiscal year.

Operating expenses	2025	2024	Change
Administrative expenses	\$ 1,291,082	\$ 1,283,217	\$ 7,865
Advertising	165,901	136,651	29,250
Depreciation	13,253,953	12,886,054	367,899
Entity expenses	432,018	196,945	235,073
General and administrative	444,556	400,924	43,632
Insurance	513,987	349,821	164,166
Other	164,409	127,023	37,386
Project administration fees	721,403	714,715	6,688
Project management fees	664,068	628,237	35,831
Property tax	3,461	4,096	(635)
Repairs and maintenance	3,973,583	7,587,210	(3,613,627)
Salaries and wages	2,059,463	1,922,491	136,972
Taxes and insurance	272,037	233,018	39,019
Utilities	1,327,388	1,112,220	215,168
Total operating expenses	25,287,309	27,582,622	(2,295,313)

CMFA Special Finance Agency

Consolidated Statement of Net Position

<i>As of June 30,</i>	2025
Assets	
Current assets:	
Cash and cash equivalents	\$ 2,302,243
Restricted cash	881,970
Restricted investments	41,594,179
Tenants accounts receivables, net	155,038
Lease receivables, current portion	5,075,103
Prepaid expenses and other assets	433,240
<div style="display: flex; justify-content: space-between;"> Total current assets 50,441,773 </div>	
Lease receivables, net of current portion	993
Capital assets, net	384,030,155
<div style="display: flex; justify-content: space-between;"> Total assets \$ 434,472,921 </div>	
Liabilities, Deferred Inflows of Resources, and Net Deficit	
Current liabilities:	
Accounts payable	\$ 168,555
Accrued expenses	1,278,179
Accrued interest	9,760,147
Tenant security deposits	848,762
Other current liabilities	6,121
<div style="display: flex; justify-content: space-between;"> Total current liabilities 12,061,764 </div>	
Long-term bonds payable, net	494,741,967
<div style="display: flex; justify-content: space-between;"> Total liabilities 506,803,731 </div>	
<div style="display: flex; justify-content: space-between;"> Deferred inflows of resources 5,204,560 </div>	
Net deficit:	
Net investment in capital assets	(120,471,959)
Restricted for debt service and other purposes	42,476,149
Unrestricted	460,440
<div style="display: flex; justify-content: space-between;"> Total net deficit (77,535,370) </div>	
<div style="display: flex; justify-content: space-between;"> Total liabilities, deferred inflows of resources, and net deficit \$ 434,472,921 </div>	

See accompanying notes to the consolidated financial statements.

CMFA Special Finance Agency

Consolidated Statement of Revenues, Expenses and Change in Net Deficit

<i>Year Ended June 30,</i>	2025
Operating revenues:	
Rental income	\$ 24,640,648
Other income	2,116,002
Total operating revenues	26,756,650
Operating expenses:	
Administrative expenses	1,291,082
Advertising	165,901
Depreciation	13,253,953
Entity expenses	432,018
General and administrative	444,556
Insurance	513,987
Other	164,409
Project administration fees	721,403
Project management fees	664,068
Property tax	3,461
Repairs and maintenance	3,973,583
Salaries and wages	2,059,463
Taxes and insurance	272,037
Utilities	1,327,388
Total operating expenses	25,287,309
Operating income	1,469,341
Nonoperating revenues (expense):	
Interest income	1,080,752
Interest expense	(20,518,933)
Total nonoperating expenses	(19,438,181)
Change in net position	(17,968,840)
Net deficit at June 30, 2024	(59,566,531)
Net deficit at June 30, 2025	\$ (77,535,370)

See accompanying notes to the consolidated financial statements.

CMFA Special Finance Agency

Consolidated Statement of Cash Flows

<i>Year Ended June 30,</i>	2025
Cash flows from operating activities:	
Cash received from customers	\$ 27,519,113
Cash paid to suppliers and service providers	(14,104,526)
Net cash flows from operating activities	13,414,587
Cash flows from capital and related financing activities:	
Purchases of capital assets	(2,528,668)
Principal payments on long-term bonds payable	(705,000)
Interest payments on long-term bonds payable	(19,447,702)
Net cash flows from financing activities	(22,681,370)
Cash flows from investing activities:	
Net change in restricted investments	9,779,077
Construction in progress	(1,014,836)
Interest income	1,080,752
Net cash flows from investing activities	9,844,993
Net change in cash and cash equivalents	578,210
Cash, cash equivalents, and restricted cash - beginning of year	2,606,003
Cash, cash equivalents, and restricted cash - end of year	\$ 3,184,213
Net operating income	\$ 1,469,341
Adjustments to reconcile net operating income to net cash flows from operating activities:	
Depreciation	13,253,953
Changes in operating assets and liabilities:	
Tenant accounts receivables	248,468
Prepaid expenses and other assets	(199,795)
Lease receivables	761,654
Accounts payable	(177,386)
Accrued expenses	(1,072,208)
Other current liabilities	(57,482)
Deferred inflows of resources	(759,933)
Tenant security deposits	(52,025)
Net cash flows from operating activities	\$ 13,414,587

CMFA Special Finance Agency

Consolidated Statement of Cash Flows (Continued)

<i>Year Ended June 30,</i>	2025
Cash and cash equivalents	\$ 2,302,243
Restricted cash and cash equivalents:	
Tenant security deposit funds	848,762
Restricted cash in accordance with bond indenture	33,208
Total cash, cash equivalents, and restricted cash	\$ 3,184,213
Supplemental cash flow information:	
Noncash financing activities:	
Amortization of bond premium (discount)	\$ (250,496)
Accrued interest	(820,732)

See accompanying notes to the consolidated financial statements.

CMFA Special Finance Agency

Notes to Consolidated Financial Statements

Note 1: Organization, Operations and Reporting Entity

The CMFA Special Finance Agency (the "Agency") was organized on October 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 Escondido, California (City) as charter members, to which certain other cities and counties have and 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 overseeing properties: Enclave, Latitude33, and Solana at Grand, (the "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 accompanying consolidated financial statements include the accounts of the Agency and its subsidiaries, after elimination of all material intercompany transactions and accounts.

Enclave, Paramount, California (Enclave)

On February 1, 2022, the Agency issued Enclave Essential Housing Revenue Bonds Series 2022A-1 (Senior Bonds) and Enclave Essential Housing Revenue Bonds Series 2022A-2 (Junior Bonds), and Enclave Subordinate Essential Housing Revenue Bonds Series 2022B (Series 2022B Bonds). The Series 2022B Bonds were directly issued to, or at the direction of, BLDG Partners LLC (BLDG), 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 BLDG for the Agency. The bonds, with an aggregate principal amount of \$182,885,000, were issued pursuant to a Trust Indenture by and between the Agency and Wilmington Trust, National Association, (the "Trustee") to finance the acquisition of a 306-unit multifamily residential rental housing community and related improvements, personal property and equipment known as Enclave located at 13801 Paramount Boulevard, Paramount, California 90723.

Latitude33, San Diego, California (Latitude33)

On November 30, 2021, the Agency issued Latitude33 Essential Housing Revenue Bonds Series 2021A-1 (Senior Bonds), Latitude33 Essential Housing Revenue Bonds Series 2021A-2 (Junior Bonds), and Latitude33 Subordinate Essential Housing Revenue Bonds Series 2021B (Series 2021B Bonds). The Series 2021B Bonds were directly issued to, or at the direction of, Ascenda Latitude33 Administrator (Ascenda), LLC, 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 Ascenda for the Agency. The bonds, with an aggregate principal amount of \$124,755,000, were issued pursuant to a Trust Indenture by and between the Agency and Wilmington Trust, National Association, to finance the acquisition of a 198-unit multifamily rental housing facility and related improvements, personal property and equipment known as Latitude33 located at 515 Meander Glen, Escondido, California 92025.

CMFA Special Finance Agency

Notes to Consolidated Financial Statements

Note 1: Organization, Operations and Reporting Entity (Continued)

Solana at Grand, Escondido, California (Solana at Grand)

On November 23, 2021, the Agency issued Solana at Grand Essential Housing Revenue Bonds Series 2021A-1 (Senior Bonds), Solana at Grand Essential Housing Revenue Bonds Series 2021A-2 (Junior Bonds), and Solana at Grand Subordinate Essential Housing Revenue Bonds Series 2021B (Series 2021B Bonds). The Series 2021B Bonds were directly issued to, or at the direction of, HomeFed, LLC (HomeFed), 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 HomeFed for the Agency. The bonds, with an aggregate principal amount of \$197,780,000, were issued pursuant to a Trust Indenture by and between the Agency and Wilmington Trust, National Association, to finance the acquisition of a 519-unit multifamily rental housing facility and related improvements, personal property and equipment known as the Solana at Grand located at 1501 East Grand Avenue, Escondido, California 92027.

Note 2: Summary of Significant Accounting Policies

The Agency's accounting policies and consolidated 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.

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.

CMFA Special Finance Agency

Notes to Consolidated Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

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 deficit. Realized gains or losses are determined by specific identification.

Tenant Accounts Receivables

Tenant accounts receivables 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 \$476,737 of allowance recorded as of June 30, 2025.

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 respective Project's general operating account.

CMFA Special Finance Agency

Notes to Consolidated Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

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 long-lived assets of the Projects are reviewed 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 2025.

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 Discount / Premium

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

CMFA Special Finance Agency

Notes to Consolidated Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Net Position

Net deficit 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* 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

The Agency 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, 2025 were \$165,901.

Revenue Recognition

Housing units are rented under operating lease agreements with terms that vary, but the 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.

Lease Accounting

The Agency is a lessor in multiple housing units lease agreements. The Agency 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 receivables and deferred inflows 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 inflows of resources are also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred. See Note 9 for leases.

CMFA Special Finance Agency

Notes to Consolidated Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Lease Accounting (Continued)

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

The Agency has elected to not recognize lease receivables and deferred inflows 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 Agency recognizes short-term lease income on a straight-line basis over the lease term.

Subsequent Events

The Agency has evaluated subsequent events through November 13, 2025, which is the date the consolidated financial statements were available to be issued. Effective September 5, 2025, Enclave removed Wilmington Trust and appointed UMB Bank as their Trustee in relation to the bonds.

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, 2025, 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 Projects' deposits are held with the Trustee and are fully insured. The Agency's deposits are collateralized.

Although not part of the Indentures, included in restricted cash and cash equivalents are tenant security deposits of \$848,762 as of June 30, 2025. As such, this amount is not included in the table below summarizing restricted cash and investments by fund.

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

CMFA Special Finance Agency

Notes to Consolidated Financial Statements

Note 3: Deposits and Investments (Continued)

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

Fund / Account Name	As of June 30, 2025
Revenue fund	\$ 689,362
Junior Debt Service Reserve fund	8,417,431
Junior Capitalized Interest account	7,692,564
Capital Expense fund	1,392,776
Coverage Reserve fund	3,833,645
Operating Reserve fund	1,115,346
Extraordinary Expense fund	1,138,345
Senior Debt Service Reserve fund	10,751,000
Senior Debt Service account	3,646,510
Junior Debt Service account	1,351,350
Administrative Expense fund	1,407,534
Project Acquisition fund	153,472
Excess Revenue fund	4,844
Total	\$ 41,594,179

Revenue Fund

Pursuant to the Project Administration Agreements (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.

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, 2025, the balance on deposit in the junior debt service reserve fund met the requirement outlined in the trust indentures.

Junior Capitalized Interest Account

The junior capitalized interest subaccount of the project fund is used to pay interest due on the Junior Bonds on each interest payment date. Pursuant to the trust indentures, if at any time the Trustee receives a Certificate of the Project Administrator evidencing that the Agency has produced total net revenues for the immediately preceding two consecutive 12-month periods sufficient to produce a debt service coverage ratio of at least 1.20:1.00, and provided that no event of default under the trust indenture shall have occurred and is continuing, the balance of the junior capitalized interest fund shall be transferred to the revenue fund. As of June 30, 2025, these terms had not yet been met to trigger the transfer of funds.

CMFA Special Finance Agency

Notes to Consolidated Financial Statements

Note 3: Deposits and Investments (Continued)

Capital Expense Fund

The capital expense 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.

Coverage Reserve Fund

The coverage reserve fund was set up to cure any deficiency in the debt service account. Pursuant to the trust indentures, if at any time the Trustee receives a Certificate of the Project Administrator evidencing that the Project has produced total net revenues for the immediately preceding 12 months sufficient to produce a debt service coverage ratio of at least 1.20:1.00, and provided that no event of default under the trust indenture shall have occurred and is continuing, the balance of the coverage reserve fund shall be transferred to the revenue fund. As of June 30, 2025 these terms had not yet been met to trigger the transfer of funds. As of June 30, 2025, the Projects met the coverage reserve requirement outlined in their trust indentures. The coverage reserve fund will only secure the Series 2021A-2 bonds and will not secure the Series 2021A-1 bonds.

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, 2025, Solana at Grand met the operating reserve requirement outlined in its trust indenture. Latitude33 and Enclave did not meet the operating reserve requirement.

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 Indentures. After discharge of an 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, 2025, Solana at Grand and Latitude33 met the extraordinary expense requirement outlined in their respective trust indentures. Enclave did not meet the extraordinary expense requirement.

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, 2025, the balance on deposit in the senior debt service reserve fund met the requirement outlined in the trust indenture for each Project.

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.

CMFA Special Finance Agency

Notes to Consolidated Financial Statements

Note 3: Deposits and Investments (Continued)

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.

Administrative Expense Fund

The administrative expense 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.

Project Acquisition Fund

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

Excess Revenue Fund

The 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.

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

Notes to Consolidated Financial Statements

Note 4: Fair Value Measurements (Continued)

Information regarding assets at fair value on a recurring basis as of June 30, 2025 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, 2025				
Money market funds	\$ 8,707,107	\$ 8,707,107	\$ -	-
Guaranteed investment contracts	32,887,072	-	32,887,072	-
Totals	\$ 41,594,179	\$ 8,707,107	\$ 32,887,072	\$ -

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 1.24% to 2.12%. 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

Notes to Consolidated Financial Statements

Note 5: Capital Assets

The capital assets balance at June 30, 2025, consists of the following activity:

	Balance June 30, 2024	Additions	Transfers	Balance June 30, 2025
Capital assets not depreciated:				
Land	\$ 83,187,410	\$ -	\$ -	\$ 83,187,410
Capital assets depreciable:				
Building and improvements	340,724,727	2,528,668	2,510,060	345,763,455
Construction in progress	1,495,224	1,014,836	(2,510,060)	-
Total depreciable capital assets	342,219,951	3,543,504	-	345,763,455
Less accumulated depreciation:				
Building and improvements	(31,666,757)	(13,253,953)	-	(44,920,710)
Total accumulated depreciation	(31,666,757)	(13,253,953)	-	(44,920,710)
Total capital assets, depreciable (net)	310,553,194	(9,710,449)	-	300,842,745
Capital assets, net	\$ 393,740,604	\$ (9,710,449)	\$ -	\$ 384,030,155

Depreciation expense for the year ended June 30, 2025 was \$13,253,953.

Note 6: Bonds Payable

On November 23, 2021, the Agency issued Solana at Grand Essential Housing Revenue Bonds Series 2021A-1 (Solana at Grand Senior Series 2021A-1 Bonds) in the amount of \$103,300,000 and Solana at Grand Essential Housing Revenue Bonds Series 2021A-2 (Solana at Grand Junior Series 2021A-2 Bonds) in the amount of \$89,480,000, collectively, the Solana at Grand Series 2021A Bonds. The proceeds of the Solana at Grand Series 2021A Bonds were used for financing the cost of acquisition of a multifamily rental housing facility and related improvements known as the Solana at Grand and the costs of issuance of the Solana at Grand Series 2021A Bonds. Concurrently with the issuance of the Solana at Grand Series 2021A Bonds, the Agency directly issued Solana at Grand Subordinate Essential Housing Revenue Bonds Series 2021B (Solana at Grand Series 2021B Bonds) in the amount of \$5,000,000 to Solana Esc HF, LLC, an affiliate of HomeFed, a California limited liability company (HomeFed) in exchange for the sale and assignment of certain assets to the Agency, including its purchase rights to Solana at Grand, a business plan and certain intellectual property created by HomeFed for the Agency.

CMFA Special Finance Agency

Notes to Consolidated Financial Statements

Note 6: Bonds Payable (Continued)

On November 30, 2021, the Agency issued Latitude33 Essential Housing Revenue Bonds Series 2021A-1 (Latitude33 Senior Series 2021A-1 Bonds) in the amount of \$87,300,000 and Latitude33 Essential Housing Revenue Bonds Series 2021A-2 (Latitude33 Junior Series 2021A-2 Bonds) in the amount of \$33,330,000, collectively, the Latitude33 Series 2021A Bonds. The proceeds of the Latitude33 Series 2021A Bonds were used for financing the cost of acquisition of a multifamily rental housing facility and related improvements known as the Latitude33 and the costs of issuance of the Latitude33 Series 2021A Bonds. Concurrently with the issuance of the Latitude33 Series 2021A Bonds, the Agency directly issued Latitude33 Subordinate Essential Housing Revenue Bonds Series 2021B (Latitude33 Series 2021B Bonds) in the amount of \$4,125,000 to Ascenda Latitude33 Administrator, LLC, a California limited liability company (Ascenda) in exchange for the sale and assignment of certain assets to the Agency, including its purchase rights to Latitude33, a business plan and certain intellectual property created by Ascenda for the Agency.

On February 1, 2022, the Agency issued Enclave Senior Essential Housing Revenue Bonds Series 2022A-1 (Enclave Senior Series 2022A-1 Bonds) in the amount of \$100,000,000 and Enclave Junior Essential Housing Revenue Bonds Series 2022A-2 (Enclave Junior Series 2022A-2 Bonds) in the amount of \$77,885,000, collectively, the Enclave Series 2022A Bonds. The proceeds of the Enclave Series 2022A Bonds were used for financing the cost of the acquisition of a multifamily rental housing facility and related improvements known as the Enclave and the costs of issuance of the Enclave Series 2022A Bonds. Concurrently with the issuance of the Enclave Series 2022A Bonds, the Agency directly issued Enclave Subordinate Essential Housing Revenue Bonds Series 2022B (Enclave Series 2022B Bonds) in the amount of \$5,000,000 to BLDG Partners LLC (BLDG), a California limited liability company, in exchange for the sale and assignment of certain assets to the Agency, including its purchase rights to Enclave, a business plan and certain intellectual property created by BLDG for the Agency.

Obligations	Original Amount	Interest Rate	Final Maturity Date	Balance Outstanding June 30, 2025
Solana at Grand Essential Housing Revenue Bonds, Series 2021A-1	\$ 103,300,000	4.00 %	August 1, 2056	\$ 103,300,000
Solana at Grand Essential Housing Revenue Bonds, Series 2021A-2	89,480,000	4.00 %	August 1, 2045	88,775,000
Solana at Grand Subordinate Essential Housing Revenue Bonds, Series 2021B	5,000,000	8.00 %	August 1, 2061	5,000,000
Latitude33 Essential Housing Revenue Bonds, Series 2021A-1	87,300,000	3.00 %	December 1, 2056	87,300,000
Latitude33 Essential Housing Revenue Bonds, Series 2021A-2	33,330,000	4.00 %	December 1, 2045	33,330,000
Latitude33 Subordinate Essential Housing Revenue Bonds, Series 2021B	4,125,000	8.00 %	December 1, 2061	4,125,000
Enclave Essential Housing Revenue Bonds, Series 2022A-1	100,000,000	4.00 %	August 1, 2058	100,000,000
Enclave Essential Housing Revenue Bonds, Series 2022A-2	77,885,000	4.50 %	August 1, 2051	77,885,000
Enclave Subordinate Essential Housing Revenue Bonds, Series 2022B	5,000,000	8.00 %	February 1, 2062	5,000,000

CMFA Special Finance Agency

Notes to Consolidated Financial Statements

Note 6: Bonds Payable (Continued)

Bonds payable consisted of the following at June 30, 2025:

Obligations	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025
Solana at Grand Essential Housing Revenue Bonds	\$ 197,780,000	\$ -	\$ (705,000)	\$ 197,075,000
Solana at Grand Unamortized Bond Premium	7,415,299	-	(335,911)	7,079,388
Latitude33 Essential Housing Revenue Bonds	124,755,000	-	-	124,755,000
Latitude33 Unamortized Bond Discount	(7,072,859)	-	217,626	(6,855,233)
Latitude33 Unamortized Bond Premium	868,872	-	(40,413)	828,459
Enclave Essential Housing Revenue Bonds	182,885,000	-	-	182,885,000
Enclave Unamortized Bond Discount	(11,434,841)	-	409,194	(11,025,647)
Totals	\$ 495,196,471	\$ -	\$ (454,504)	\$ 494,741,967

For each of the Projects, 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 of the bonds 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.

The bonds require Solana at Grand to maintain a DSCR, as defined in the agreements, of 1.10:1.00; require Enclave to maintain DSCR of 1.20:1.00; and Latitude33 to maintain a DSCR of 1.20:1.00 for the Senior Bonds and 1.10:1.00 for the Junior Bonds, measured on an annual basis. If the DSCR calculated is not equal to or greater than 1.10:1.00 for Solana at Grand and Latitude33 Senior Bonds, and 1.20:1.00 for Enclave and Latitude33 Junior Bonds, the Agency will cause the respective 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.

CMFA Special Finance Agency

Notes to Consolidated Financial Statements

Note 6: Bonds Payable (Continued)

The Projects' principal and interest payments are flexible based on cash flows from the Projects. Future maturities of bonds payable are as follows at June 30, 2025:

Year Ending June 30,	Principal	Interest	Total
2026	\$ -	\$ 20,270,026	\$ 20,270,026
2027	-	20,270,026	20,270,026
2028	-	20,270,026	20,270,026
2029	-	20,270,026	20,270,026
2030	-	20,270,026	20,270,026
2031-2035	2,520,000	101,210,628	103,730,628
2036-2040	16,870,000	98,945,328	115,815,328
2041-2045	64,560,000	92,462,039	157,022,039
2046-2050	141,970,000	67,097,388	209,067,388
2051-2055	56,504,675	51,233,225	107,737,900
2056-2060	129,390,325	24,387,200	153,777,525
2061-2062	92,900,000	495,000	93,395,000
Totals	\$ 504,715,000	\$ 537,180,938	\$ 1,041,895,

Pledged revenues as of June 30, 2025 is as follows:

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid on A and B Bonds During the Year Ended 2025	2025 Pledged Revenue Available
Net Rental Revenue:				
Solana at Grand Essential Housing Revenue Bonds, Series 2021 A	2057	\$ 400,511,000	\$ 8,395,812	\$ 7,676,172
Solana at Grand Essential Housing Revenue Bonds, Series 2021 B	2062	14,800,000	299,868	299,868
Latitude33 Essential Housing Revenue Bonds, Series 2021 A	2057	200,678,950	3,952,199	2,944,405
Latitude33 Essential Housing Revenue Bonds, Series 2021 B	2062	16,170,000	-	-
Enclave Essential Housing Revenue Bonds, Series 2022 A	2058	358,960,513	7,504,823	3,397,404
Enclave Essential Housing Revenue Bonds, Series 2022 B	2062	20,995,325	-	-
Totals		\$ 1,012,115,	\$ 20,152,702	\$ 14,317,849

CMFA Special Finance Agency

Notes to Consolidated Financial Statements

Note 7: Related Party Transactions

The Agency signed Project Administration Agreements (PAA) with third-party administrators on November 1, 2021 for the Solana at Grand rental housing facility and the Latitude33 rental housing facility and on February 1, 2022 for the Enclave rental housing facility (collectively, the Projects) that establishes the terms and conditions upon which the third-party administrators shall, as independent contractors, monitor, supervise, coordinate, analyze and report to the Agency with respect to the projects and the project managers' 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 administrators under the PAA during the year ended June 30, 2025, were \$721,403. All project administration fees were paid by June 30, 2025, as such, there were no accrued expenses at June 30, 2025.

The Agency also signed Property Management Agreements (PMA) with third-party property managers on November 1, 2021 for Solana at Grand and Latitude33 and February 1, 2022 for Enclave, and a PMA on April 1, 2023, for a new property manager, for the Projects that establish the terms and conditions for the operation and maintenance of the Projects including preparing annual operating budgets, marketing and leasing the Projects, collecting rents, managing the payment of operating expenses for the Projects, maintenance and repair of the Projects, 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. There are different terms outlined in each Project's respective PMA to calculate property management fees. Property management fees and reimbursable expenses incurred for the year ended June 30, 2025 were \$664,068 and \$2,715,918, respectively. Accrued property management fees at June 30, 2025 were \$56,891. Accrued reimbursable expenses at June 30, 2025, were \$3,199.

The Projects are subject to Public Benefit Agreements, which the Agency signed with the JPA members, and are dated as of November 1, 2021 for Solana at Grand and Latitude33 and February 1, 2022 for Enclave. Pursuant to the Public Benefit Agreements, commencing 15 years after the date of issuance of the various Series 2021A Bonds and Series 2022A Bonds (the sale right exercise date or November 1, 2036 and February 1, 2037, respectively), 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 Cities 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 properties, in and to all properties and assets used in or related to the projects to the Cities, or the Cities' designee, at a sales price at least equal to the sum of an amount sufficient to prepay any debt secured by the projects and any expenses associated with effecting the sale.

At June 30, 2025, there were \$6,121 in receivables related to the building seller's portion of accounts receivable from tenants that are still living on site.

CMFA Special Finance Agency

Notes to Consolidated Financial Statements

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 Projects enter into lease agreements for each housing unit with terms that vary, but the 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 receivables are 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 receivables associated to these lease agreements comprise of only fixed payments.

The deferred inflows of resources are initially measured at the commencement of the lease term. This is equal to the amount of the lease receivables 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, 2025, the deferred inflows of resources were \$5,204,560, which includes unearned revenue of \$128,464.

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

Maturities of lease receivables are as follows as of June 30, 2025:

	Total Lease Payments	Amounts Representing Interest	Present Value of Lease Payments
2026	\$ 5,275,604	\$ 200,501	\$ 5,075,103
2027	1,032	39	993
Totals	\$ 5,276,636	\$ 200,540	\$ 5,076,096

Supplementary Information

CMFA Special Finance Agency
Consolidating Statement of Fund Net Position

As of June 30, 2025

	SFA					Eliminations	Consolidated
	Administration	Enclave	Latitude33	Solana at Grand	-		
Assets							
Current assets:							
Cash and cash equivalents	738,142	132,861	579,627	851,613	\$ -		\$ 2,302,243
Restricted cash	-	250,564	153,967	477,439	-		881,970
Restricted investments	-	13,881,359	7,520,383	20,192,437	-		41,594,179
Tenant accounts receivables, net	-	100,959	19,560	34,519	-		155,038
Lease receivables, current portion	-	346,231	1,926,117	2,802,755	-		5,075,103
Prepaid expenses and other assets	-	194,226	87,683	151,331	-		433,240
Total current assets	738,142	14,906,200	10,287,337	24,510,094	-		50,441,773
Lease receivables, net of current portion	-	-	-	993	-		993
Capital assets, net	-	125,504,077	93,146,010	165,380,068	-		384,030,155
Total assets	\$ 738,142	\$ 140,410,277	\$ 103,433,347	\$ 189,891,155	\$ -		\$ 434,472,921
Liabilities, Deferred Inflows of Resources, and Net Deficit							
Current liabilities:							
Accounts payable	\$ -	\$ 34,240	\$ 55,977	\$ 78,338	\$ -		\$ 168,555
Accrued expenses	-	649,260	151,463	477,456	-		1,278,179
Accrued interest	-	4,493,677	1,512,767	3,753,703	-		9,760,147
Tenant security deposits	-	250,564	153,967	444,231	-		848,762
Other current liabilities	-	6,121	-	-	-		6,121
Total current liabilities	-	5,433,862	1,874,174	4,753,728	-		12,061,764
Long-term bonds payable, net	-	171,859,353	118,728,226	204,154,388	-		494,741,967
Total liabilities	-	177,293,215	120,602,400	208,908,116	-		506,803,731
Deferred inflows of resources	-	415,019	1,950,490	2,839,051	-		5,204,560
Net position (deficit):							
Net investment in capital assets	-	(50,848,953)	(27,094,983)	(42,528,023)	-		(120,471,959)
Restricted for debt service and other purposes	-	14,131,923	7,674,350	20,669,876	-		42,476,149
Unrestricted	738,142	(580,927)	301,090	2,135	-		460,440
Total net position (deficit)	738,142	(37,297,957)	(19,119,543)	(21,856,012)	-		(77,535,370)
Total liabilities, deferred inflow of resources, and net position (deficit)	\$ 738,142	\$ 140,410,277	\$ 103,433,347	\$ 189,891,155	\$ -		\$ 434,472,921

See Independent Auditor's Report.

CMFA Special Finance Agency
Consolidating Statement of Revenues, Expenses, and Change in Net Deficit

Year Ended June 30, 2025

	SFA						
	Administration	Enclave	Latitude33	Solana at Grand	Eliminations	Consolidated	
Operating revenues:							
Rental income	\$ -	\$ 7,305,366	\$ 5,758,541	\$ 11,576,741	\$ -	\$ 24,640,648	
Other income	637,500	562,625	467,632	1,085,745	(637,500)	2,116,002	
Total operating revenues	637,500	7,867,991	6,226,173	12,662,486	(637,500)	26,756,650	
Operating expenses:							
Administrative expenses	-	1,123,020	188,002	617,560	(637,500)	1,291,082	
Advertising	-	92,876	27,403	45,622	-	165,901	
Depreciation	-	4,038,901	3,058,536	6,156,516	-	13,253,953	
Entity expenses	-	432,018	-	-	-	432,018	
General and administrative	232,057	-	212,500	-	-	444,557	
Insurance	-	269,526	244,461	-	-	513,987	
Other	-	164,408	-	-	-	164,408	
Project administration fees	-	262,268	159,135	300,000	-	721,403	
Project management fees	-	175,137	171,018	317,913	-	664,068	
Property tax	-	-	-	3,461	-	3,461	
Repairs and maintenance	-	1,031,757	1,388,080	1,553,746	-	3,973,583	
Salaries and benefits	-	600,686	509,487	949,290	-	2,059,463	
Taxes and insurance	-	-	-	272,037	-	272,037	
Utilities	-	318,889	381,682	626,817	-	1,327,388	
Total operating expenses	232,057	8,509,486	6,340,304	10,842,962	(637,500)	25,287,309	
Net operating income (loss)	405,443	(641,495)	(114,131)	1,819,524	-	1,469,341	
Nonoperating revenues (expenses):							
Interest income	-	393,251	179,541	507,961	-	1,080,752	
Interest expense	-	(8,314,019)	(4,459,413)	(7,745,501)	-	(20,518,933)	
Total nonoperating expenses	-	(7,920,768)	(4,279,872)	(7,237,540)	-	(19,438,181)	
Change in net position	405,443	(8,562,263)	(4,394,003)	(5,418,016)	-	(17,968,840)	
Net position (deficit) at June 30, 2024	332,699	(28,735,694)	(14,725,540)	(16,437,996)	-	(59,566,531)	
Net position (deficit) at June 30, 2025	\$ 738,142	\$ (37,297,957)	\$ (19,119,543)	\$ (21,856,012)	\$ -	\$ (77,535,370)	

See Independent Auditor's Report.

CMFA Special Finance Agency

Consolidating Statement of Cash Flows

Year Ended June 30, 2025

	SFA						
	Administration	Enclave	Latitude33	Solana at Grand	Eliminations	Consolidated	
Cash flows from operating activities:							
Cash received from customers	\$ 637,500	\$ 7,964,923	\$ 6,169,060	\$ 12,747,630	\$ -	\$ 27,519,113	
Cash paid to suppliers and service providers	(419,557)	(6,106,944)	(3,101,904)	(4,476,121)	-	(14,104,526)	
Net cash flows from operating activities	217,943	1,857,979	3,067,156	8,271,509	-	13,414,587	
Cash flows from capital and related financing activities:							
Purchases of capital assets	-	-	-	(2,528,668)	-	(2,528,668)	
Principal payments on long-term bonds payable	-	-	-	(705,000)	-	(705,000)	
Interest payments on long-term bonds payable	-	(7,504,823)	(3,952,199)	(7,990,680)	-	(19,447,702)	
Net cash flows from capital and related financing activities	-	(7,504,823)	(3,952,199)	(11,224,348)	-	(22,681,370)	
Cash flows from investing activities:							
Net change in restricted investments	-	6,386,816	1,086,776	2,305,484	-	9,779,076	
Construction in progress	-	(1,014,836)	-	-	-	(1,014,836)	
Interest income	-	393,251	179,541	507,961	-	1,080,753	
Net cash flows from investing activities	-	5,765,231	1,266,317	2,813,445	-	9,844,993	
Net change in cash and cash equivalents	217,943	118,387	381,274	(139,394)	-	578,210	
Cash, cash equivalents, and restricted cash - beginning of year	520,199	265,038	352,320	1,468,446	-	2,606,003	
Cash, cash equivalents, and restricted cash - end of year	\$ 738,142	\$ 383,425	\$ 733,594	\$ 1,329,052	\$ -	\$ 3,184,213	

CMFA Special Finance Agency
Consolidating Statement of Cash Flows (Continued)
Year Ended June 30, 2025

	SFA Administrator	Enclave	Latitude33	Solana at Grand	Eliminations	Consolidated
Net operating income (loss):	\$ 405,443	\$ (641,495)	\$ (114,131)	\$ 1,819,524	\$ -	\$ 1,469,341
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities:						
Depreciation	-	4,038,901	3,058,536	6,156,516	-	13,253,953
Changes in operating assets and liabilities:						
Tenant accounts receivables	-	206,630	(14,930)	56,768	-	248,468
Prepaid expenses and other assets	-	(4,524)	39,198	(46,969)	(187,500)	(199,795)
Lease receivables	-	372,647	(66,952)	455,959	-	761,654
Accounts payable	-	(172,385)	(22,268)	17,267	-	(177,386)
Accrued expenses	-	(1,401,966)	89,731	240,027	-	(1,072,208)
Due to related parties	-	(57,482)	-	-	-	(57,482)
Deferred inflows of resources	(187,500)	(395,516)	73,203	(437,620)	187,500	(759,933)
Tenant security deposits	-	(86,831)	24,769	10,037	-	(52,025)
Net cash flows from operating activities	217,943	1,857,979	3,067,156	8,271,509	-	13,414,587
Cash, cash equivalents, and restricted cash:						
Cash and cash equivalents	\$ 738,142	\$ 132,861	\$ 579,627	\$ 851,613	\$ -	\$ 2,302,243
Restricted cash and cash equivalents:						
Tenant security deposit funds	-	250,564	153,967	444,231	-	848,762
Restricted cash in accordance with bond indenture	-	-	-	33,208	-	33,208
Total cash, cash equivalents, and restricted cash	\$ 738,142	\$ 383,425	\$ 733,594	\$ 1,329,052	\$ -	\$ 3,184,213
Supplemental cashflow information:						
Noncash financing activities:						
Amortization of bond premium (discount)	\$ -	\$ (409,194)	\$ (177,213)	\$ 335,911	\$ -	\$ (250,496)
Accrued interest	-	(400,000)	(330,000)	(90,732)	-	(820,732)

See Independent Auditor's Report.