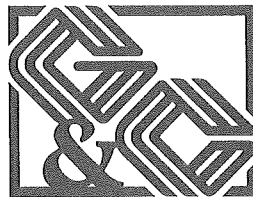


**San Antonio Housing Trust
Public Facility Corporation**

Financial Statements

September 30, 2019



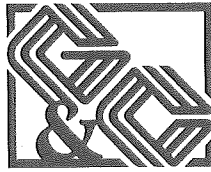
GREGORY & CRUTCHFIELD, LLC

CERTIFIED PUBLIC ACCOUNTANTS

San Antonio Housing Trust Public Facility Corporation

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GREGORY & CRUTCHFIELD, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

The Board of Directors
San Antonio Housing Trust Public Facility Corporation

We have audited the accompanying financial statements of San Antonio Housing Trust Public Facility Corporation (a nonprofit organization) which comprise the statement of financial position as of September 30, 2019, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Antonio Housing Trust Public Facility Corporation as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule on *Comparison of Actual to Budgeted Expenses – City of San Antonio CDBG Cost Reimbursement Program Agreement* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements.



Gregory & Crutchfield, LLC

San Antonio, Texas
January 11, 2020

San Antonio Housing Trust Public Facility Corporation
Statement of Financial Position
September 30, 2019

Assets	
Current assets	
Cash	<u>\$ 3,772,332</u>
Total current assets	3,772,332
Property and equipment	
Land	<u>42,237,351</u>
Total property and equipment	42,237,351
Other Assets	
Due from SAHTFC	680,000
Due from Red Berry TIRZ	<u>198,656</u>
Total other assets	878,656
Total assets	<u><u>46,888,339</u></u>
Liabilities and net assets	
Current liabilities	
Accounts payable	478,074
Prepaid deposit	211,172
Prepaid rent - Current Portion	<u>537,030</u>
Total current liabilities	1,226,276
Long-term liabilities	
Prepaid rent - Long Term Portion	<u>40,608,814</u>
Total long-term liabilities	40,608,814
Total liabilities	41,835,090
Net assets	
Without donor restrictions	<u>5,053,249</u>
Total net assets	<u>5,053,249</u>
Total liabilities and net assets	<u><u>\$ 46,888,339</u></u>

The accompanying notes are an integral part of these financial statements

San Antonio Housing Trust Public Facility Corporation
Statements of Activities and Changes in Net Assets
For the Year Ended September 30, 2019

Change in net assets without donor restrictions:

Support and revenue	
Administrative fee income	\$ 24,999
Application fee income	6,000
CDGB grant	355,621
Developer fee income	1,888,152
Incentive management fee	30,946
Interest income	2,014
Origination fee income	1,000,000
Other income	126,937
Rental income	<u>394,210</u>
Total support and revenue without donor restrictions	3,828,879
Expenses	
Administrative fees	769,762
Insurance	3,435
Meals and entertainment	152
Professional fees	1,800
Grant - Under 1 Roof	1,000,000
CDBG project expenses	426,323
Rent	<u>58,500</u>
Total expenses without donor restrictions	2,259,972
Increase in net assets without donor restrictions	1,568,907
Net assets, beginning of year	3,484,342
Net assets, end of year	\$ 5,053,249

The accompanying notes are an integral part of these financial statements

San Antonio Housing Trust Public Facility Corporation
Statement of Cash Flows
For the Year Ended September 30, 2019

Cash flow from operating activities:

Change in net assets \$ 1,568,907

Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:

(Increase) / decrease in :

 Due from SAHTFC (680,000)

 Due from Red Berry TIRZ (162,961)

Increase / (decrease) in :

 Accounts payable 295,210

 Prepaid deposit (142,964)

 Prepaid rent 24,833,509

 Net cash provided by operating activities 25,711,701

Cash flow used in investing activities:

 Purchase of land (25,169,216)

Cash flow from financing activities:

-

 Net increase in cash 542,485

Cash and cash equivalents, beginning of year 3,229,847

Cash and cash equivalents, end of year \$ 3,772,332

Supplemental disclosure:

 Interest paid -

 Taxes paid -

The accompanying notes are an integral part of these financial statements

San Antonio Housing Trust Public Facility Corporation
Statement of Functional Expenses
For the Year Ended September 30, 2019

	Program	Management and General	Fundraising	Total
Administrative fees	769,762	-	-	\$ 769,762
Grant - Under 1 Roof	1,000,000	-	-	1,000,000
CDBG project expenses	426,323	-	-	426,323
Insurance	-	3,435	-	3,435
Meals and entertainment	-	152	-	152
Professional fees	-	1,800	-	1,800
Rent	58,500	-	-	58,500
Totals	2,254,585	5,387	-	\$ 2,259,972

The accompanying notes are an integral part of these financial statements

San Antonio Housing Trust Public Facility Corporation
Notes to Financial Statements
For the Year Ended September 30, 2019

Note 1 – The Organization

San Antonio Housing Trust Public Facility Corporation (“SAHTPFC”) is a Texas nonprofit public facility corporation and component unit of the City of San Antonio, incorporated on December 28, 2009 under the Texas Public Facility Corporation Act, Chapter 303, Texas Local Government Code, as amended (“the Act”). The organization's primary purpose is to provide for financing, acquisition, and construction of public facilities.

SAHTPFC is managed by a five member Board of Directors that serve without compensation. The Board members are residents of the City of San Antonio and appointed by written ordinance of the City Council of the City of San Antonio. The internal affairs of the Organization are governed by the Organization's bylaws, which are approved by the governing body of the City of San Antonio. Upon dissolution of the Organization, any interest in any funds or property of any kind, real, personal, or mixed, such funds or property or rights thereto shall be transferred and delivered to the City of San Antonio after satisfaction or provision for satisfaction of debts and claims have been made.

During 2016, 2017, 2018, and 2019, SAHTPFC formed SAHT Crockett Street LP, LLC, SAHT Longhorn Quarry LP, LLC, SAHT Majestic Living GP, LLC, SAHT Foster Road LP, LLC, SAHT Pedcor GP, LLC, SAHT Marquee Village GP, LLC, SAHT Lookout LP, LLC and SAHT Parkdale GP, LLC, all Texas limited liability companies, to be used in possible real estate development partnerships to be determined. SAHTPFC is the sole member and owner of these LLC entities.

During 2016, SAHTPFC formed SAHT 222 Mitchell GP, LLC, a Texas limited liability company, to serve as the General Partner of 222 Mitchell Redevelopment, LP, a Texas limited partnership formed to develop and operate a 228 unit affordable multi-family complex in San Antonio. SAHTPFC leased the land from the Archbishop of San Antonio for 75 years and then subleased the land for 75 years to 222 Mitchell Redevelopment, LP.

During 2016, SAHTPFC formed SAHT Lord Road GP, LLC, a Texas limited liability company, to serve as the General Partner of Lord Road Apartments Ltd, a Texas limited partnership formed to develop and operate a 324 unit affordable multi-family complex in San Antonio.

During 2017, SAHTPFC formed SAHT Brookwood GP, LLC, a Texas limited liability company, to serve as the General Partner of Westover Senior P3, LP a Texas limited partnership formed to develop and operate a 197 unit affordable multi-family complex in San Antonio.

During 2017, SAHTPFC formed SAHT Copper Pointe GP, LLC, a Texas limited liability company, to be involved in the real estate development project with LDG Copper Pointe, LP, a Delaware limited partnership formed to develop and operate a 252 unit affordable multi-family complex in San Antonio.

During 2018, SAHTPFC formed SAHT Leon Creek GP, LLC, a Texas limited liability company, to serve as the General Partner of PEDCOR Investments-2016-CLVI, LP a Texas limited partnership formed to develop and operate a 296 unit affordable multi-family complex in San Antonio.

San Antonio Housing Trust Public Facility Corporation
Notes to Financial Statements
September 30, 2019

Note 1 – The Organization – *continued*

During 2018, SAHTPFC formed SAHT Red Berry LP, LLC, a Texas limited liability company, to serve as the General Partner of Red Berry GL, LP a Texas limited partnership formed to develop and operate a 330 unit mixed income housing development project in San Antonio.

During 2018, SAHTPFC formed SAHT Broadway Jones LP, LLC, a Texas limited liability company, to be involved in the real estate development project with Broadway Jones Apartments, LP, a Delaware limited partnership formed to develop and operate a 283 unit affordable multi-family complex in San Antonio.

During 2019, SAHTPFC formed SAHT Alsbury GP, LLC, a Texas limited liability company, to serve as the General Partner of VDC SA-Alsbury, LP a Texas limited partnership formed to develop and operate a 240 unit affordable multi-family complex in San Antonio.

During 2019, SAHTPFC formed SAHT Culebra Creek GP, LLC, a Texas limited liability company, to serve as the General Partner of PEDCOR Investments-2018-CLXIX, LP a Texas limited partnership formed to develop and operate a 312 unit affordable multi-family complex in San Antonio.

During 2019, SAHTPFC formed SAHT West Cevallos LP, LLC, a Texas limited liability company, to be involved in the real estate development project with West Cevallos GL, LP, a Delaware limited partnership formed to develop and operate a 323 unit affordable multi-family complex in San Antonio.

During 2019, SAHTPFC formed SAHT Mesa West GP, LLC, a Texas limited liability company, to serve as the General Partner of PEDCOR Investments-2018-CLXX, LP a Texas limited partnership formed to develop and operate a 280 unit affordable multi-family complex in San Antonio.

SAHTPFC is the sole member and owner of each of these aforementioned LLC's. SAHTPFC has made no capital contributions to these limited partnerships and they are all in the predevelopment stages and there are no financial amounts to consolidate in the financial statements of SAHTPFC as of September 30, 2019.

Note 2 – Summary of Significant Accounting Policies

Accounting Basis – The financial statements are presented on the accrual basis of accounting.

Tax Exempt Status – SAHTPFC is exempt from federal income taxes under Section 115(a) of the Internal Revenue Code. Management is not aware of any tax positions that would have a significant impact on its financial position.

Cash and Cash Equivalents – SAHTPFC considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents as of September 30, 2019.

San Antonio Housing Trust Public Facility Corporation
Notes to Financial Statements
September 30, 2019

Note 2 – Summary of Significant Accounting Policies - *continued*

Financial Statement Presentation – SAHTPFC has prepared the accompanying financial statements in accordance with FASB Accounting Standards Codification 958-205, Not-for-Profit Entities. Under FASB ASU 958-205, the Organization is required to report assets and liabilities in reasonably homogeneous groups and sequence or classify them in ways that provide relevant information about interrelationships, liquidity, and financial flexibility. Classify and report net assets in two groups, net assets with donor restrictions and net assets without donor restrictions. Classify and report revenue, expenses, gains, and losses as increases or decreases in net assets with donor restrictions or net assets without donor restrictions.

Estimates – The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual amounts could differ from these estimates.

Revenue – SAHTPFC's primary source of revenue are from developer fees associated with the construction of public facilities.

Subsequent Events – Subsequent events have been evaluated by management through the date of the report of the independent auditors. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

New Accounting Pronouncements – In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2019. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Property and Equipment – Property and equipment is currently comprised of land only, which is not depreciated. Purchases of assets are recorded at cost and any donated assets would be recorded at fair market value as of the date of donation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets which range from 5 to 40 years. Expenditures for property and equipment in excess of \$500 are capitalized. There were no depreciable assets as of September 30, 2019.

Prepaid Rent Liability– SAHTPFC has purchased land (*see note 4*) in transactions with multiple limited partnerships which are generally involved in real estate development and which usually will develop and build apartment buildings on the land and rent those apartments to low to moderate income families in the San Antonio area to qualify for certain low income housing tax credits. The partnerships sell the land to SAHTPFC and then in return pay to lease the land back from SAHTPFC for long terms ranging from 55 to 99 years. The partnerships will prepay the entire long term ground lease for the same amounts as the land was sold to SAHTPFC. These funds received from the partnerships are recorded as a prepaid rent liability on the balance sheet and the portion to be recovered in one year from the balance sheet date are classified as the current portion of prepaid rent. The prepaid rents received by SAHTPFC are amortized using the straight line method over the term of the lease and the rental income is recognized each year as it is earned under the terms of the leases. See Note 6 which gives more information on these leases.

San Antonio Housing Trust Public Facility Corporation
Notes to Financial Statements
September 30, 2019

Note 3 – Cash Balance In Excess of FDIC Insured Limits

SAHTPFC's cash balance in excess of the federally insured limits as of September 30, 2019 is collateralized by pledged securities in accordance with the City of San Antonio's Administrative and Fiscal Contract.

Note 4 – Property and Equipment

A summary of the Organization's property and equipment as of September 30, 2019 is as follows:

Land – Woodlawn Ranch	3,400,400
Land – Cevallos Lofts	2,462,735
Land – ACME Road	810,000
Land – Oak Valley	925,000
Land – Montabella Pointe	800,000
Land – Lord Road	1,425,000
Land – Copper Pointe	1,870,000
Land – Brookwood	1,350,000
Land – Trails at Leon Creek	4,025,000
Land – Alsbury Park	2,000,000
Land – Broadway Jones	5,167,664
Land – West Cevallos	11,981,813
Land – Culebra Creek	2,854,375
Land – Mesa West	<u>3,165,364</u>
Total	42,237,351
Accumulated depreciation	<u>(0)</u>
Net property and equipment	<u>42,237,351</u>

Note 5 – Related Party Transactions

SAHTPFC and the San Antonio Housing Trust Foundation, Inc. ("SAHTF") shared the same Executive Director during the year ended September 30, 2019. SAHTPFC pays SAHTF 25% of developer revenues to administer their programs. SAHTPFC accrued administrative fees in the amount of \$478,074 to SAHTF for the year ending September 30, 2019.

SAHTPFC and the San Antonio Housing Trust Finance Corporation ("SAHTFC") shared the same Executive Director during the year ended September 30, 2019. SAHTFC received funds meant for SAHTPFC. SAHTPFC recorded the amount due them in the amount of \$680,000 as of September 30, 2019.

San Antonio Housing Trust Public Facility Corporation
Notes to Financial Statements
September 30, 2019

Note 6 – Ground Leases and Prepaid Rent Liability

As owner of various land assets (see note 4) the Organization has entered into ground leases on each property as it is purchased. The property is leased to the tenant for the development, construction, rental and operation of a rental project. The lease amount is for the purchase price of the land and is prepaid in full by the tenant at the time of the ground lease agreement. The length of the lease is from 55 years to 99 years.

<u>Property</u>	<u>Commencement Date</u>	<u>Lease Period</u>	<u>Prepaid Lease Amount</u>	<u>Prepaid Balance as of 9/30/19</u>
Woodlawn Ranch	10/12/11	2011 - 2087	3,400,400	3,039,182
Cevallos Lofts	4/6/10	2010 – 2065	2,462,735	2,038,028
ACME Road	11/1/16	2016 – 2116	810,000	786,137
Oak Valley	6/1/17	2017 – 2116	925,000	903,198
Montabella Pointe	8/31/17	2017 - 2092	800,000	777,778
Lord Road	8/24/18	2018 – 2093	1,425,000	1,404,021
Copper Pointe	7/17/18	2018 – 2093	1,870,000	1,839,872
Brookwood	5/25/18	2018 – 2093	1,350,000	1,325,655
Trails at Leon Creek	8/1/18	2018 – 2117	4,025,000	3,977,568
Alsbury Park	7/1/19	2019 – 2094	2,000,000	1,993,334
Broadway Jones	12/27/18	2019 – 2094	5,167,664	5,115,987
West Cevallos	6/14/19	2019 – 2094	11,981,813	11,935,218
Culebra Creek	7/1/19	2019 – 2118	2,854,375	2,847,167
Mesa West	9/1/19	2019 – 2118	<u>3,165,364</u>	<u>3,162,699</u>
Total			<u>42,237,351</u>	<u>41,145,844</u>
Current Portion				<u>537,030</u>
Long term Portion				<u>40,608,814</u>

San Antonio Housing Trust Public Facility Corporation
Notes to Financial Statements
September 30, 2019

Note 7 – Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of September 30, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of September 30, 2019.

Financial assets at year-end	3,772,332
Less those unavailable for general expenditures within one year, due to:	
Contractual – restricted to payment of current liabilities	478,074
Contractual – restricted to payment of long-term debt	<u> --</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>3,294,258</u></u>

Note 8 – Litigation

The Organization's management is not aware of any pending or threatened claim against it.

Note 9 – Organization's Evaluation of Events and Transactions

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 11, 2020 which is the date of the independent auditor's report.

**San Antonio Housing Trust Public Facility Corporation
 Comparison of Actual to Budgeted Expenses
 City of San Antonio CDBG Cost Reimbursement Program Agreement
 For the Year Ended September 30, 2019**

	Actual	Budget	Budget Variance (Under) / Over
General Conditions	1,366	-	1,366
Water Supply and Maintenance	13,025	58,900	(45,875)
Lake Subsurface and Embankment	195,816	180,000	15,816
Drainage Spillover	134,558	113,537	21,021
Trail Site Retaining Walls	54,450	130,409	(75,959)
Soft Costs	27,108	-	27,108
Total	426,323	482,846	(56,523)

See independent auditor's report (other matters)