

SAN ANTONIO HOUSING TRUST FINANCE CORPORATION
(A Component Unit of the City of San Antonio, Texas)

SAN ANTONIO, TEXAS

FINANCIAL STATEMENTS
(With Independent Auditors' Report Thereon)

SEPTEMBER 30, 2021

SAN ANTONIO HOUSING TRUST FINANCE CORPORATION

(A Component Unit of the City of San Antonio, Texas)

Table of Contents

| | <u>Page</u> |
|---|-------------|
| Independent Auditors' Report..... | 1-2 |
| Management's Discussion and Analysis..... | 3-6 |
| Statement of Net Position | 7 |
| Statement of Revenues and Expenses and Changes in Net Position..... | 8 |
| Statement of Cash Flows..... | 9 |
| Notes to the Financial Statements..... | 10-13 |

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Antonio Housing Trust Finance Corporation
San Antonio, Texas

We have audited the accompanying financial statements of the business-type activities of the San Antonio Housing Trust Finance Corporation (SAHTFC), a component unit of the City of San Antonio, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise SAHTFC's basic financial statements as listed in the table of contents.

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 respective financial position of the business-type activities of SAHTFC as of September 30, 2021, and the respective changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 8, Prior Period Adjustment, a prior period adjustment of \$45,040,540 is being recorded within the FY 2021 Conduit Debt Note Disclosure in the accompanying Notes to Financial Statements in order to report the correct balance as of September 30, 2020. Our opinion is not modified to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Seal & Carter, P.C.

San Antonio, Texas
March 3, 2023



MANAGEMENT'S DISCUSSION & ANALYSIS

This section of the **San Antonio Housing Trust Finance Corporation's (SAHTFC)** annual financial report presents our discussion and analysis of SAHTFC's financial activities for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with SAHTFC's basic financial statements that follow this narrative.

Financial Highlights

- *Net Position* – The SAHTFC's assets exceeded its liabilities by \$1,801,645 (net position) for fiscal year ended September 30, 2021.
- *Changes in Net Position* – The SAHTFC's total net position increased in fiscal year 2021 by \$241,246.
- *Revenues* - Operating revenues for fiscal year 2021 decreased by \$72,379. Revenue is dependent upon the performance of the SAHTFC's partnership entities that develop and operate multi-family housing in San Antonio.
- *Liabilities* – Liabilities decreased by \$73,563 during fiscal year 2021 which was the change in funds owed to the San Antonio Housing Trust at year-end.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the SAHTFC's basic financial statements. The basic financial statements consist of 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to the Financial Statements.

Although the SAHTFC is a nonprofit organization, it has prepared its financial statements in accordance with the governmental accounting and reporting provisions of the GASB, based on its relationship with the City of San Antonio (Note 1).

Financial Analysis

Net Position – The SAHTFC’s net position increased by \$241,246 during fiscal year 2021. A comparison of the entity’s net assets follows:

| | 2021 | 2020 | \$ Change |
|-------------------------------------|----------------------------|----------------------------|---------------------------|
| ASSETS | | | |
| <u>Current Assets</u> | | | |
| Cash and Cash Equivalents | \$ 1,272,777 | \$ 1,117,094 | \$ 155,683 |
| Interest Receivable (Note 3) | 50,000 | 35,000 | 15,000 |
| Total Current Assets | <u>1,322,777</u> | <u>1,152,094</u> | <u>170,683</u> |
| <u>Non-Current Assets</u> | | | |
| Note Receivable (Note 3) | 500,000 | 500,000 | - |
| Due from SAHTPFC | - | 3,000 | (3,000) |
| Total Non-Current Assets | <u>500,000</u> | <u>503,000</u> | <u>(3,000)</u> |
| Total Assets | <u>\$ 1,822,777</u> | <u>\$ 1,655,094</u> | <u>\$ 167,683</u> |
| LIABILITIES AND NET POSITION | | | |
| <i>Liabilities:</i> | | | |
| <u>Current Liabilities</u> | | | |
| Due to SAHTF/SAHT | \$ 21,132 | \$ 94,695 | \$ (73,563) |
| Total Current Liabilities | <u>21,132</u> | <u>94,695</u> | <u>(73,563)</u> |
| Total Liabilities | <u>\$ 21,132</u> | <u>\$ 94,695</u> | <u>\$ (73,563)</u> |
| <i>Net Position:</i> | | | |
| Unrestricted | <u>1,801,645</u> | <u>1,560,399</u> | <u>241,246</u> |
| Total Net Position | <u>\$ 1,801,645</u> | <u>\$ 1,560,399</u> | <u>\$ 241,246</u> |

Financial Analysis (continued)

| | 2021 | 2020 | \$ Change |
|---|----------------------------|----------------------------|--------------------------|
| OPERATING REVENUES | | | |
| Annual Issuer Fees and Application Fees | \$ 154,930 | \$ 105,210 | \$ 49,720 |
| Bond Issuer Fees | 747,500 | 862,000 | (114,500) |
| Interest Income on Loans | 15,000 | 22,599 | (7,599) |
| Total Operating Revenues | <u>917,430</u> | <u>989,809</u> | <u>(72,379)</u> |
| OPERATING EXPENSES | | | |
| Administrative Fees | 226,382 | 243,702 | (17,320) |
| Grant Expenses - Under 1 Roof | - | 1,000,000 | (1,000,000) |
| Grant Expenses - COVID 19 Emergency Housing | - | 500,000 | (500,000) |
| Professional Fees | 9,050 | 2,076 | 6,974 |
| Total Operating Expenses | <u>235,432</u> | <u>1,745,778</u> | <u>(1,510,346)</u> |
| Operating Income (Loss) | <u>681,998</u> | <u>(755,969)</u> | <u>1,437,967</u> |
| NONOPERATING REVENUES AND (EXPENSES) | | | |
| Contributions from COSA | 59,150 | - | 59,150 |
| Contributions from COSA - Risk Mitigation | (500,000) | - | (500,000) |
| Interest Income | 98 | - | 98 |
| Net Nonoperating Revenues and (Expenses) | <u>(440,752)</u> | <u>-</u> | <u>(440,752)</u> |
| Income (Loss) Before Capital Contributions and Transfers | <u>241,246</u> | <u>(755,969)</u> | <u>997,215</u> |
| Increase (Decrease) in Net Position | <u>241,246</u> | <u>(755,969)</u> | <u>997,215</u> |
| Net Position at the Beginning of Year | <u>1,560,399</u> | <u>2,316,368</u> | <u>(755,969)</u> |
| Net Position at the End of Year | <u>\$ 1,801,645</u> | <u>\$ 1,560,399</u> | <u>\$ 241,246</u> |

Economic Factors and Impact

Multifamily Bonds Issued - \$77 Million

The SAHTFC issues multi-family tax-exempt bonds to finance projects that fulfill affordable housing needs in our community. In FY 2021, the SAHTFC issued \$77 million to support the Northview Apartments, Canyon Pass Apartments, and Villas at Echo East, which totals to 564 units of affordable housing at or below 60% AMI.

Contacting SAHTF's Financial Management

This financial report is designed to provide our citizens, taxpayers and partners with a general overview of the SAHTPFC's finances and to demonstrate our commitment to public accountability for funds received. Any questions or requests for more information should be directed to the San Antonio Housing Trust Finance Corporation at 2515 Blanco Road, San Antonio, TX 78212. The SAHTF's Executive Director, Pedro Alanis, may be reached by telephone at (210) 735-2772. Our website is www.sahousingtrust.org.

**San Antonio Housing Trust Finance Corporation
(A Component Unit of the City of San Antonio, Texas)**

Statement of Net Position

September 30, 2021

ASSETS

Current Assets

| | |
|----------------------------------|------------------|
| Cash and Cash Equivalents | \$ 1,272,777 |
| Interest receivable (See Note 3) | <u>50,000</u> |
| Total Current Assets | <u>1,322,777</u> |

Noncurrent Assets

| | |
|------------------------------|----------------|
| Note receivable (See Note 3) | <u>500,000</u> |
|------------------------------|----------------|

Total Assets 1,822,777

LIABILITIES AND NET POSITION

Liabilities:

Current Liabilities

| | |
|---|---------------|
| Due to San Antonio Housing Trust Foundation | <u>21,132</u> |
| Total current liabilities | <u>21,132</u> |

Total liabilities 21,132

Net Position:

| | |
|--------------|------------------|
| Unrestricted | <u>1,801,645</u> |
|--------------|------------------|

Total net position \$ 1,801,645

See accompanying notes to financial statements.

**San Antonio Housing Trust Finance Corporation
(A Component Unit of the City of San Antonio, Texas)**

**Statement of Revenues, Expenses and
Changes in Net Position**

Year Ended September 30, 2021

| | |
|--|--------------|
| Operating Revenues: | |
| Annual Issuer Fees and Application Fees | \$ 154,930 |
| Bond Issuer Fees | 747,500 |
| Interest Income on Loans | 15,000 |
| Total Operating Revenues | 917,430 |
| Operating Expenses: | |
| Administrative fees | 226,382 |
| Professional fees | 9,050 |
| Total Operating Expenses | 235,432 |
| Operating Income (Loss) | 681,998 |
| Nonoperating Revenues and (Expenses): | |
| Contributions from City of San Antonio | 59,150 |
| Contributions to City of San Antonio - Risk Mitigation | (500,000) |
| Interest income | 98 |
| Net Nonoperating Revenues and (Expenses): | (440,752) |
| Income (loss) before capital contributions and transfers | 241,246 |
| Increase (Decrease) In Net Position | 241,246 |
| Net Position at the Beginning of Year | 1,560,399 |
| Net Position at the End of Year | \$ 1,801,645 |

See accompanying notes to financial statements.

**San Antonio Housing Trust Finance Corporation
(A Component Unit of the City of San Antonio, Texas)**

Statement of Cash Flows

For the Year Ended September 30, 2021

| | |
|---|----------------------------|
| Cash Flows From Operating Activities: | |
| Annual Issuer Fees | \$ 157,930 |
| Bond Issuer Fees | 747,500 |
| Cash Payments for: | |
| Administrative Fees | (299,945) |
| Professional Fees | (9,050) |
| Net cash provided (used) by operating activities | <u>596,435</u> |
| Cash Flows From Noncapital Financing Activities: | |
| Contributions from City of San Antonio | 59,150 |
| Contributions to City of San Antonio | (500,000) |
| Net cash provided (used) by noncapital financing activities | <u>(440,850)</u> |
| Cash Flows From Investing Activities | |
| Interest income | <u>98</u> |
| Net cash provided (used) by investing activities | <u>98</u> |
| Net decrease in cash and cash equivalents | 155,683 |
| Cash and cash equivalents at beginning of year | 1,117,094 |
| Cash and cash equivalents at end of year | <u><u>\$ 1,272,777</u></u> |
| Reconciliation of Operating income (loss) to net cash used in operating activities: | |
| Operating income (loss) | \$ 681,998 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Changes in operating assets and liabilities: | |
| Interest receivable | (15,000) |
| Due from PFC | 3,000 |
| Due to San Antonio Housing Trust Foundation | (73,563) |
| Net cash provided (used) by operating activities | <u><u>\$ 596,435</u></u> |

See accompanying notes to financial statements.

San Antonio Housing Trust Finance Corporation
(A Component Unit of the City of San Antonio, Texas)

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

Note 1 – Summary of Significant Accounting Policies

Organization

San Antonio Housing Trust Finance Corporation ("SAHTFC") is a nonprofit organization and component unit of the City of San Antonio incorporated on August 22, 1997 under the Texas Housing Finance Corporations Act, Chapter 394, Texas Local Government Code, as amended ("the Act"). The organization's primary purpose is to carry out the purposes of the Act, including the issuance of single family and multi-family revenue bonds on behalf of the City of San Antonio. Such bonds do not constitute an obligation of the Organization, but shall be payable solely out of the revenues and receipts derived from any residential development or mortgages financed by the bonds. SAHTFC receives the majority of its revenue from issuer fees related to the bonds.

SAHTFC 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.

Although the SAHTFC is a nonprofit organization, it has prepared its financial statements in accordance with the governmental accounting and reporting provisions of the GASB, based upon this relationship with the City of San Antonio. Such relationship requires that SAHTFC's separately issued financial statements be based upon GAAP as promulgated by GASB Statements and Pronouncements. Under the provisions of GASB Statement 34, the SAHTFC has prepared its financial statements as a special purpose local government involved in business-type (enterprise/proprietary fund) activities. Under the business-type activity reporting model of the GASB, a governing body decides that periodic determination of revenues earned, expenses incurred, and /or net income earned is most appropriate for capital maintenance, public policy, management control and accountability.

Basic Financial Statements

As a special purpose government involved primarily in business-type activities, SAHTFC's basic financial statements consist of the following:

- Management's Discussion and Analysis
- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to Financial Statements

San Antonio Housing Trust Finance Corporation
(A Component Unit of the City of San Antonio, Texas)

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

SAHTFC meets the definition of a governmental entity, as set forth in the American Institute of Certified Public Accountants' Audit and Accounting Guide, State and Local Governments. The financial statements of SAHTFC are prepared using the accrual basis of accounting with the economic resources measurement focus as prescribed by GASB. As SAHTFC operates as a business-type activity, applying applicable GASB pronouncements, under this approach all assets, deferred outflows of resources, liabilities and deferred inflows of resources are reported on the statement of net position; revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of SAHTFC is revenue from various fees associated with the issuance of single family and multi-family revenue bonds. SAHTFC also receives interest income on loans. Operating expenses for enterprise funds include administrative fees and professional fees. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Tax Exempt Status - SAHTFC 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 – For purposes of the statement of cash flows, SAHTFC considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net position - Net position represents the difference between assets less liabilities and is divided into three components as follows:

- Invested in capital assets, net of related debt – consist of historical cost of capital assets less accumulated depreciation and less any remaining debt used to finance those assets.
- Restricted net position – net position restricted by the creditors, by State enabling legislation, by grantors, and by other contributors.
- Unrestricted – all other net position is reported in this category. SAHTFC's net position is being reported as unrestricted.

SAHTFC applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

San Antonio Housing Trust Finance Corporation
(A Component Unit of the City of San Antonio, Texas)

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

Note 2 - Cash Balance in Excess of FDIC Insured Limits

SAHTFC's cash balance in excess of the federally insured limits as of September 30, 2021 is collateralized by pledged securities.

Note 3 - Note Receivable & Interest Receivable

A loan agreement was entered in with Rio Lofts, Ltd. on May 31, 2018. SAHTFC loaned \$500,000 to be used to acquire, construct and operate land and improvements. This note is collateralized by deeds of trust on the properties and is payable from 50% of the distributable net cash flow of the Partnership. Annual interest rate on the note is 3% per annum unit maturity date of December 1, 2048 or prior redemption.

Under this loan agreement, interest income of \$15,000 was earned in FY 2021, and interest receivable as of September 30, 2021, is \$50,000. These amounts are reported in the accompanying financial statements.

Note 4 - Conduit Debt

The Organization is authorized by the City of San Antonio to issue single family and multi-family mortgage revenue bonds used to provide affordable housing to the City of San Antonio. These bonds do not constitute an obligation of the Organization, but are payable solely out of the revenues and receipts derived from any residential development or home mortgage financed by the bonds. For the year ended September 30, 2021, the Organization's conduit debt was as follows:

| | |
|--------------------------------------|-----------------------|
| Balance – October 1, 2020 | \$ 266,740,040 |
| Prior period adjustment (See Note 8) | <u>45,040,540</u> |
| Revised Balance – October 1, 2020 | 311,780,580 |
| FY 2021: | |
| Additions | 104,590,316 |
| Deletions | <u>38,781,677</u> |
| Balance – September 30, 2021 | <u>\$ 377,589,219</u> |

Note 5 - Related Party Transactions

SAHTFC and the San Antonio Housing Trust Foundation, Inc. ("SAHTF") shared the same Executive Director during the year ended September 30, 2021. SAHTFC pays SAHTF 25% of revenues to administer their programs. SAHTFC paid administrative fees incurred in the prior year and current year in the amount of \$299,645 to SAHTF for the year ending September 30, 2021.

The SAHTFC has an amount due to the SAHTF in the amount of \$21,132 at year-end.

An amount of \$500,000 was disbursed to the City of San Antonio for the Risk Mitigation program through the SAHTF during the year ending September 30, 2021 as the SAHTFC bank account is a deposit only account.

San Antonio Housing Trust Finance Corporation
(A Component Unit of the City of San Antonio, Texas)

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

Note 6 – COVID-19 Financial Statements Impacts

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The extent of the impact of COVID-19 on SAHTFC has been little to non-existent to the valuation of its inventory. SAHTFC will continue to monitor in relation to its contracts and agreements with developers as those have been impacted by delays potentially both in financing and development. The accompanying financial statements include no adjustments relating to the effects of this pandemic.

Note 7 – Subsequent Events

Management has evaluated subsequent events through March 3, 2023, which is the date the financial statements were available to be issued and noted the following:

Defeasance Agreement - On October 14, 2021, the SAHTFC entered into a Defeasance Agreement with Cevallos Lofts, Ltd. and Wells Fargo Bank as part of the sale of Cevallos Lofts (the Project) to the San Antonio Housing Trust Public Facility Corporation (SAHTPFC). In relation to this Project, on April 1, 2010, the SAHTFC authorized the issuance and sale of its San Antonio Housing Trust Finance Corporation Variable Rate Demand Multifamily Housing Revenue Bonds (Cevallos Lofts Apartments) Series 2010, in the aggregate principal amount of \$20,730,000 and stated to mature on October 1, 2043 (the Bonds).

Cevallos Lofts, Ltd. (current owner of the Project) is selling the Project to the SAHTPFC, which will enter into a long term lease with Lavoro Cevallos Lofts, LLC (Lavoro). Further, in accordance with the terms of the Defeasance Agreement, Lavoro will deposit an upfront lease payment to the title company sufficient to enable SAHTPFC to acquire the project, and the current owner will be deemed to make a deposit sufficient to defease the Bonds. Additionally, a portion of the proceeds of the sale of the Project will be used to allow (1) the defeasance of the Bonds on October 14, 2021 and (2) the redemption of the Bonds on October 1, 2024 in accordance with the bond indenture.

Note 8 – Prior Period Adjustment

A prior period adjustment of \$45,040,540 is being recorded within the FY 2021 Conduit Debt Note Disclosure (See Note 4) in order to report the correct balance as of September 30, 2020, based on a revised FY 2020 confirmation of conduit debt balances provided during the FY 2021 audit. This adjustment does not affect the financial statements and, therefore, the effect on net position and net income is \$0.