# TASSAFARONGA HOUSING CORPORATION

# AGENDA TASSAFARONGA HOUSING CORPORATION BOARD OF DIRECTORS MEETING

April 1, 2021 5:00 p.m.

Location:

Online via: Oakland Housing Authority ZOOM

Web Link: https://zoom.us/join

Meeting Number (access code): 931 1163 5691

Meeting Password: 2021

Teleconference: 1(669) 900-9128

Meeting ID: 931 1163 5691#

Passcode 2021 #

I. Roll Call

- II. Modifications to the Agenda (Allows for any change in the order of business or the announcement of the postponement or continuation of agenda items.) The Board can only take action on items listed on this agenda unless a finding is made that an emergency exists or a need arose after agenda posting.
- III. Approval of Minutes from the meeting of December 16, 2020
- IV. Reports
  - A. Tassafaronga Village Property Management Report
- V. New Business
  - A. Approval of the Fiscal Year 2020 Audited Financial Statements of Tassafaronga Partners, L.P. and Tassafaronga Partners II, L.P.
- VI. Announcements
- VII. Adjournment

# MINUTES OF THE THIRTY-THIRD BOARD MEETING OF TASSAFARONGA HOUSING CORPORATION HELD ON DECEMBER 16, 2020

# I. Time and Place

Upon proper notice being duly given, the Board of Directors of Tassafaronga Housing Corporation (THC), a California nonprofit public benefit corporation (the "Corporation"), held its thirty-third meeting virtually online via Oakland Housing Authority ZOOM on December 16, 2020. The meeting was called to order at 1:00 pm, by Anna Kaydanovskaya, Director of Asset Management and Secretary of Tassafaronga Housing Corporation led the meeting.

# II. Roll Call

The following Directors and individuals were present via ZOOM:

- Patricia Wells, Director and Chief Executive Officer
- Lynette Jung Lee, Director
- 3. Janny Castillo, Director
- 4. Anna Kaydanovskaya, Secretary
- 5. Victor Madamba, Treasurer
- 6. Bridget Galka, OHA Staff Member
- 7. Mark Mislang, OHA Staff Member
- 8. Jon Adler, OHA Staff Member

# III. Modifications to the Agenda

Anna Kaydanovskaya proposed to change Item V.A from Review and Approval of Fiscal Year 2021 Operating Budget for Tassafaronga Phases I and II to ratification of the budget approval.

The change of agenda items was approved unanimously.

# IV. Approval of Minutes of Previous Meeting

Upon a motion duly made by Director Lee, the minutes from the thirty-second Tassafaronga Housing Corporation Board meeting held on June 04, 2020 were approved.

# V. Reports

# A. Tassafaronga Village Property Management Report

Anna Kaydanovskaya presented a review of site performance at Tassafaronga Village Phase I and Phase II. The report detailed the

THC Minutes: December 16, 2020

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financial, physical, and occupancy status at the site. The report was based on information provided by Ron Bowen, Senior Regional Manager for the John Stewart Company.

# B. Project Access 2019 Report

Anna Kaydanovskaya provided an overview of the 2019 annual report on resident services submitted by Project Access, the on-site resident services provider for Tassafaronga Village Phase I and II. The report detailed Project Access services provided during the 2019 calendar year, and included information about resident participation.

# VI. New Business

# A. Review and Approval of Fiscal Year 2020 Operating Budget for Tassafaronga Phases I and II

Anna Kaydanovskaya, Director of Asset Management for the Oakland Housing Authority, provided an overview of the Fiscal Year 2021 Operating Budgets for Tassafaronga Phase I and II and responded to questions from the Board.

Upon a motion duly made by Director Lee, and seconded by Director Castillo, and unanimously approved, the Directors passed Resolution #79 ratifying the Fiscal Year 2021 Operating Budgets for Tassafaronga Phase I and II.

# B. Consideration of a Resolution Authorizing a Write Off of \$5,724.12 of Tenant Accounts Receivable Deemed Uncollectable at Tassafaronga Village Phase I & II

Anna Kaydanovskaya provided an overview of open accounts receivable at Tassafaronga Village Phase I and II.

Upon a motion duly made by Director Lee seconded by Director Wells and unanimously approved, the Directors passed Resolution #80 authorizing the write off of \$5,724.12 in tenant account receivables deemed uncollectable for Tassafaronga Village Phase I and II.

# VII. Distribution of Annual Conflict of Interest Statement

The Annual Conflict of Interest Statements will be distributed via DocuSign and by electronic mail.

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# VIII. Announcements

No announcements were made at this time.

# IX. Adjournment

The meeting was adjourned by Director Castillo at 2:00 PM.

# CERTIFICATE OF SECRETARY

I, Anna Kaydanovskaya, hereby certify that I am the duly elected, qualified Secretary of Tassafaronga Housing Corporation, a California nonprofit public benefit corporation, organized and existing under the laws of the State of California, and that the foregoing minutes are a true, full and correct copy of the minutes of the thirty-second meeting of the Board of Directors of said Corporation held on December 16, 2020

Anna Kaydanovskaya, Secretary	Date

ITEM: IV. A

# **Tassafaronga Housing Corporation**

# MEMORANDUM

To:

**Board of Directors** 

From:

Anna Kaydanovskaya, Director of Asset Management

Subject:

Tassafaronga Village Property Management Report

Date:

March 23, 2021

This memorandum forwards for the Board's review a report on the performance of Tassafaronga Village, Phases I and II. The data for the report was provided by Ron Bowen, Regional Manager for the John Stewart Company.

The Tassafaronga Village property management report details information about occupancy, maintenance and financials.

Attachment: Tassafaronga Village, Phases I and II, Property Management

Report



# MEMORANDUM

TO:

The Board of Directors

DATE:

March 12, 2021

FROM:

Margaret Bzowski, Property Manager

SUBJECT:

Board Meeting / Tassafaronga Village

Following are the property management agenda items for the Board meeting:

I. Administrative Report

II. Maintenance Report

III. Financial Report

# I. ADMINISTRATIVE REPORT

# Occupancy

Tassa 1

Total Units:	137
Occupied Units	134
Vacancy:	3

Tassa2

Total Units:	20
Occupied Units	19
Vacancy:	1

# Occupancy Status

Tassafaronga Phase I currently has three (3) vacant units. All units have applicants in process. Processing is being delayed due to the difficulty in receiving verifications in a timely fashion during pandemic.

Tassafaronga Phase II currently has one (1) vacant unit with an approved applicant and is waiting for the move-in inspection by OHA.



### Resident Services

Below is the description of services that have been provided at Tassafaronga from November 2020 till now. We have consistently had food pantries which regularly draw between 40-50 families and up to 150 residents every month. Masks were donated from Musketeers (a group of individuals with resources and connections in Asia for Mask and Personal Protective Equipment). Each week Rita, Project Access Service Coordinator offers virtual drop-in hours, and now, being back on site, she is doing one-on-one meeting by appointment to help with rental assistance, employment, essential needs and tutoring.

# February:

- Offered virtual chair workouts and virtual drop-in hours as well as 15 minute in person appointments.
- Food Pantry on February 17<sup>th</sup> reaching 38 families
- Valentine Grab and Go craft kits for kids on February 10<sup>th</sup> 43 bags given out to 9 families
- Black History Month Trivia on February 24th with two participants
- · Pen Pal Program ongoing with three residents signed up
- Help with outreach for After School Program

### March:

- Offered virtual chair workouts and virtual drop-in hours as well as 15 minute in person appointments.
- Pen Pal Program ongoing with three residents signed up and are receiving materials this
  month
- Help with outreach for After School Program
- Food Pantry on March 17<sup>th</sup>
- St. Patrick's Day Grab and Go for kids give away on March 17<sup>th</sup>
- Healthy Living workshop with Community Partner The DEEP on March 24th

Rita plans on having workshops around financial literacy, a health fair, and a spring-cleaning event.

# II. MAINTENANCE REPORT

Currently we are doing emergency work orders in the units. Exterior Maintenance continues as usual. JSCO monitors best practices and laws and regulations to try and keep residents and staff safe while providing supportive services.

# III. FINANCIAL REPORT

Please see attached the most current Monthly Report for Establishing Net Income, Analysis of Cash Accounts, Balance Sheet and Income Statement of the property.



# CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

915 Capitol Mall, Suite 485 Sacramento, CA 95814 p (916) 654-6340 f (916) 654-6033 www.treasurer.ca.gov/ctcac MEMBERS

FIONA MA. CPA. CHAIR State Treasurer

> BETTY YEE State Controller

KEELY MARTIN BOSLER Director of Finance

GUSTAVO VELASQUEZ

TIA BOATMAN PATTERSON Executive Director of CalHFA

EXECUTIVE DIRECTOR

Nancee Robles

March 1, 2021

Anna Kaydanovskaya Tassafaronga Partners, L.P. 1619 Harrison Street Oakland, CA 94612

RE: Tassafaronga Village Phase I (CA-2008-887)

Compliance Desk Audit Inspection: February 23, 2021

# COMPLIANCE MONITORING INSPECTION

On February 23, 2021, the California Tax Credit Allocation Committee (CTCAC) staff conducted a Desk Audit of Tassafaronga Village Phase I and inspected tenant files and rent records to determine compliance with the Low-Income Housing Tax Credit program requirements. Among other things, the law and regulations require that tax credit units be rent restricted and occupied by income eligible households whose income is verified by third party documentation.

Twenty-eight files were inspected. Staff noted that the households occupying the tax credit units appear to be income qualified and paying rents within the tax credit limits.

IRS Notice 2020-53 grants relief for the Allocating Agency to discontinue onsite compliance monitoring inspections for the period of April 1, 2020 through September 30, 2021. This property is exempt from a physical onsite inspection for the year 2021.

Our staff would like to thank your management representatives for their courteous assistance during the CTCAC audit. We appreciate your cooperation in helping CTCAC fulfill our responsibilities to the IRS. If you have any questions regarding this letter, please contact me at (916) 651-1303.

Sincerely,

# Jahan Tahaei

Jahan Tahaei CTCAC Compliance Analyst

cc: Ron Bowen - The John Stewart Company David McDanields - CTCAC Compliance Program Manager **CDLAC** HCD



# CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

915 Capitol Mall, Suite 485 Sacramento, CA 95814 p (916) 654-6340 f (916) 654-6033 www.treasurer.ca.gov/ctcac

March 22, 2021

MEMBERS

FIONA MA, CPA, CHAIR State Treasurer

BETTY YEE

KEELY MARTIN BOSLER Director of Finance

GUSTAVO VELASQUEZ Director of HCD

DONALD CAVIER

Acting Executive Director of CalHEA

Anna Kaydanovskaya Tassafaronga Partners II, L.P. 1619 Harrison Street Oakland, CA 94612

EXECUTIVE DIRECTOR Nancee Robles

RE: Tassafaronga Village Phase 2 (CA-2009-557)

Compliance Desk Audit Inspection: March 3, 2021

# **COMPLIANCE MONITORING INSPECTION**

On March 3, 2021, the California Tax Credit Allocation Committee (CTCAC) staff conducted a Desk Audit of Tassafaronga Village Phase 2 and inspected tenant files and rent records to determine compliance with the Low-Income Housing Tax Credit program requirements. Among other things, the law and regulations require that tax credit units be rent restricted and occupied by income eligible households whose income is verified by third party documentation.

Four files were inspected. Staff noted that the households occupying the tax credit units appear to be income qualified and paying rents within the tax credit limits.

IRS Notice 2020-53 grants relief for the Allocating Agency to discontinue onsite compliance monitoring inspections for the period of April 1, 2020 through September 30, 2021. This property is exempt from a physical onsite inspection for the year 2021.

Our staff would like to thank your management representatives for their courteous assistance during the CTCAC audit. We appreciate your cooperation in helping CTCAC fulfill our responsibilities to the IRS. If you have any questions regarding this letter, please email me at frank.harper@treasurer.ca.gov.

Sincerely,

Frank Harper

Frank Harper, CTCAC Compliance Analyst

cc: Ron Bowen, The John Stewrt Company David McDaniels - CTCAC Compliance Program Manager

# THE JOHN STEWART COMPANY (AGENT) MONTHLY REPORT FOR ESTABLISHING NET INCOME

F	Project Name: Tassafaronga Village Phase I Reporting for: February 2021	Tot	ation: al Units:	13			
L	Prepared By: Helen Shek	Tel	ephone:	41	5-345-4400		
	Cash in the Bank - Beginning of Month NSF Checks					\$	541,546.55 (3,000.00)
	Cash Receipts:						
	Tenant Rent			\$	99,212.86		
	Tenant Assistance - Oakland Housing Aut	hority		\$	157,150.00		
	Other:						
	Application Fee			\$	2		
	Late/NSF Fees			\$ \$ \$ \$ \$ <b>\$</b>	-		
	Damages/Maintenance/Cleaning			\$	*		
	Tenant Legal Charge			\$	-		
	Keys Replacement Fee			\$	7		
	Lanudry Income			\$	20.02		
	Interest Income - Money Market			Đ	36.93		
		2) Total Re	eceipts			\$	256,399.79
	Disbursements made during the month			1200			
	Routine Operations			\$	(225,680.65)		
	Other: January Deposit Adjustment			\$	(656.00)	)	
		3) Total Di	sbursemer	nts		\$	(226,336.65)
	Cash in the Bank - End of Month					\$	568,609.69
1	Monthly Rent Potential			\$	262,939.00		
	Rent Loss on Vacant Units			\$	2,374.00		
2.	Tenant Accounts Receivable			\$	44,740.82		
	Tenant Payback Agreement			\$	-		
	Subsidy Receivable			\$	2,222.13		
	Accounts Payable: Routine			\$	116,686.67		
	Number of Units Vacant			2	1.46%	6	
	Number of Units Occupied		13				
	Number of Rent-Free Units			1			
33	Tenants' Security Deposits:						
	Liability to date	\$	88,809.00				
	Security Deposits Interest	\$	2,654.19	)			
	Security Deposit in Transit - CD Interest	\$	-				
	Unclaimed Fund	\$	978.00	)			
	Security Deposit in Transit	\$	100	201			
	Security Deposits On Hand	\$	92,441.19	9			
	Debt Service Coverage Ratio: a. Current Month Debt Service Coverage Ra	atio			1 61	: 1	1.00
	b. Year to Date Debt Service Coverage Rati						
	I hereby certify that all the information stated herein is true.  Helen Shek	ue and accurat	e to the be		f my knowledo		6/2021

# TASSAFARONGA VILLAGE PHASE I ANALYSIS OF FINANCIAL CASH ACCOUNTS FEBRUARY 2021

MONEY MARKET  122-010 OPERATING  MONEY MARKET	0.20% 0.30% 0.05%	***8850 ***7778 ***2528 ***7938	CITIBANK Deposit Adjustment NSF CHECKS Beneficial State Bank BEACON BUSINESS BANK	277,222.19 159,480.87 101,584.56	256,362.86	23.60	(225,680.65) (656.00) (3,000.00)	304,248.40 159,504.4
CASH CHECKING  122 OPERATING A/C MONEY MARKET  122-010 OPERATING MONEY MARKET  122-020 OPERATING A/ MONEY MARKET	0.30%	***7778	Deposit Adjustment NSF CHECKS Beneficial State Bank	159,480.87	256,362.86	23.60	(656.00)	
MONEY MARKET  122-010 OPERATING MONEY MARKET  122-020 OPERATING A/ MONEY MARKET	0.30%	***2528				23.60		159,504.4
MONEY MARKET  122-020 OPERATING A/ MONEY MARKET			BEACON BUSINESS BANK	101,584.56				
MONEY MARKET	0.05%	***7938				13.22	¥	101,597.7
OTAL OPERATING	_		UNION BANK	3,258.93	ŧ	0.11	É	3,259.0
				541,546.55	256,362.86	36.93	(229,336.65)	568,609.69
191 SECURITY A/C CASH CHECKING		***7750	CITIBANK	29,455.47	450.00	M <sup>®</sup> H		29,905.4
191-020 SECURITY A/C 0 CD M: 4/7/2021	0.450%	***9286	BEACON BUSINESS BANK	62,535.72	-	*		62,535.7
OTAL SECURITY				91,991.19	450.00	-		92,441.1
311 ESCROW - INSURANC	CE	***4504	BERKADIA	54,892.12	6,669.96	150	-	61,562.0
314 ESCROW - REPLACEI RESERVE	MENT	***4504	BERKADIA	712,968.50	6,850.00	12.32	ā	719,830.8
OTAL ESCROW				767,860.62	13,519.96	12.32		781,392.9
365 OPERATING RESERVE	E	***1484	UNION BANK OHA	480,028.40		820	(193.84)	479,834.5
369 REVENUE DEFICIT RE	ESERVI	***2092	FIFTH THIRD SECURITIES OHA	1,020,279.40	*			1,020,279.4
OTAL RESERVES				1,500,307.80	52 113	-	(193.84)	1,500,113.9
OTAL CASH				2,901,706.16	270,332.82	49.25		2,942,557.7

# Database: ENTITY:

**JOHNSTEWART** 

TV100

# **Income Statement** Tassafaranga Village Phase 1

Page: Date: Time:

3/16/2021 03:08 PM

CASH Format Id:

For the 2 months ending February 28, 2021 Report includes an open period. Entries are not final.

	Thru:	Actual Feb 2021	Current Period Budget Feb 2021	Variance		Actual Feb 2021	Year-To-Date Budget Feb 2021	Variance	
ROJECT REV	/ENUE								
ross Rent Po									
5120-000	Rental Income - Tenant	107,609.00	102,551.00	5,058.00	4.93%	213,656.00	205,102.00	8,554.00	4.17
5122-000	Housing Authority Income	155,330.00	158,965.00	(3,635.00)	-2.29%	312,222.00	317,930.00	(5,708.00)	-1.80
Total Gross	s Rent Potential	262,939.00	261,516.00	1,423.00	0.54%	525,878.00	523,032.00	2,846.00	0.54
acancies									
5220-000	Vacancy-Residential	2,374.00	10,460.00	8,086.00	77.30%	4,748.00	20,927.68	16,179.68	77.31
5250-000	Rental Concessions	0.00	250.00	250.00	100.00%	0.00	500.00	500.00	100.009
Total Vaca	ncies	2,374.00	10,710.00	8,336.00	77.83%	4,748.00	21,427.68	16,679.68	77.849
inancial Reve	enue								
5410-000	Interest Inc - Operating	36.93	66.00	(29.07)	-44.05%	78.53	133.00	(54.47)	-40.959
5440-000	Interest Inc - Reserves	12.32	1,000.00	(987.68)	-98.77%	29.19	2,000.00	(1,970.81)	-98.549
Total Finan	cial Revenue	49.25	1,066.00	(1,016.75)	-95.38%	107.72	2,133.00	(2,025.28)	-94.959
Other Income									
5910-000	Laundry Income	0.00	400.00	(400.00)	-100.00%	0.00	800.00	(800.00)	-100.009
5920-000	NSF & Late Charges	15.00	244.00	(229.00)	-93.85%	15.00	488.00	(473.00)	-96.939
5925-000	Keys	0.00	69.00	(69.00)	-100.00%	130.00	140.00	(10.00)	-7.149
5930-000	Clean/Damage/Maintenance	0.00	86.00	(86.00)	-100.00%	0.00	180.00	(180.00)	-100.009
5940-000	Credit Report Fees	0.00	100.00	(100.00)	-100.00%	0.00	200.00	(200.00)	-100.009
Total Other	r Income	15.00	899.00	(884.00)	-98.33%	145.00	1,808.00	(1,663.00)	-91.98%
TOTAL RE	VENUE	260,629.25	252,771.00	7,858.25	3.11%	521,382.72	505,545.32	15,837.40	3.13%
PROJECT EX	PENSES								
Marketing Exp									
6210-000	Advertising	0.00	25.00	25.00	100.00%	0.00	50.00	50.00	100.009
6250-000	Marketing-Credit Reports	231.58	175.00	(56.58)	-32.33%	404.51	350.00	(54.51)	-15.579
	eting Expenses	231.58	200.00	(31.58)	-15.79%	404.51	400.00	(4.51)	-1.13

### Database: **JOHNSTEWART** ENTITY:

TV100

# Income Statement Tassafaranga Village Phase 1

Page: 2 3/16/2021 Date: 03:08 PM Time:

Format Id:

For the 2 months ending February 28, 2021 Report includes an open period. Entries are not final.

CASH Accrual

	<b>T</b>	Actual	Current Period Budget	Vodes		Actual	Year-To-Date Budget	Marian	
	Thru:	Feb 2021	Feb 2021	Variance		Feb 2021	Feb 2021	Variance	
A dominintes time	- Frances								
Administrative 6310-000	On-Site Administrative PR	2,914.48	3,258.00	343.52	10.54%	5,919.24	6,526.62	607.38	9.319
6310-020	PR-Asst. Administrator	2.881.88	3,225.00	343.12	10.64%	6,088.59	6,456.28	367.69	5.709
6311-000	Office Expenses	1,222.60	1,250.00	27.40	2.19%	2,419.29	2,500.00	80.71	3.239
6319-000	Payroll Processing Fee	405.43	436.00	30.57	7.01%	847.12	877.00	29.88	3.419
6320-000	Management Fees	7,946.00	8,105.00	159.00	1.96%	15,892.00	16,220.00	328.00	2.029
6330-000	Payroll - Manager	4,885.00	5,655.00	770.00	13.62%	10,470.76	11,320.64	849.88	7.519
6340-000	Legal/Mediation Expenses	0.00	750.00	750.00	100.00%	0.00	1,500.00	1,500.00	100.009
6350-000	CPA/Audit Services	8,715.00	1,000.00	(7,715.00)	-771.50%	8,715.00	2,000.00	(6,715.00)	
6351-000	Bookkeeping Services	1,233.00	1,235.00	2.00	0.16%	2,466.00	2,475.50	9.50	0.389
6360-000	Tel. & Answering Service	5,924.61	3,710.00	(2,214.61)	-59.69%	8,583.14	7,425.87	(1,157.27)	
6370-000	Collection Loss	0.00	100.00	100.00	100.00%	5,671.12	200.00	(5,471.12)	
6385-000	Mileage/Travel	0.00	40.00	40.00	100.00%	0.00	80.00	80.00	100.009
6390-010	Bank Charges	193.84	200.00	6.16	3.08%	390.35	400.00	9.65	2.419
6392-000	Seminars / Training	0.00	350.00	350.00	100.00%	0.00	700.00	700.00	100.009
6396-000	Computer Charges	27.19	395.00	367.81	93.12%	628.06	790.06	162.00	20.509
Total Admi	inistrative Expenses	36,349.03	29,709.00	(6,640.03)	-22.35%	68,090.67	59,471.97	(8,618.70)	-14.49%
Utilities									
6450-000	Electricity	6,141.12	6,242.00	100.88	1.62%	14,273.49	12,486.00	(1,787.49)	-14.329
6451-000	Water	8,542.79	9,385.00	842.21	8.97%	17,559.43	18,778.88	1,219.45	6.499
6452-000	Gas	6,130.36	4,898.00	(1,232.36)	-25.16%	18,747.80	9,802.10	(8,945.70)	-91.269
6453-000	Sewer	5,118.49	5,373.00	254.51	4.74%	10,778.39	10,754.16	(24.23)	-0.239
Total Utiliti	ies	25,932.76	25,898.00	(34.76)	-0.13%	61,359.11	51,821.14	(9,537.97)	-18.419
Operating and	Maintenance Expenses								
6510-000	Payroll - Maintenance	2,948.08	3,643.00	694.92	19.08%	6,620.17	7,295.62	675.45	9.269
6512-000	Payroll - Janitor	6,043.87	5,769.00	(274.87)	-4.76%	11,547.79	11,542.52	(5.27)	-0.059
6515-000	Janitorial Supplies	233.26	463.00	229.74	49.62%	681.42	933.03	251.61	26.979
6517-000	Janitorial Contract	0.00	1,041.00	1,041.00	100.00%	0.00	2,090.00	2,090.00	100.009
6519-000	Pest -Supp & Contracts	348.00	375.00	27.00	7.20%	1,096.00	750.00	(346.00)	-46.139
6519-010	Pest - Bed Bugs	0.00	62.00	62.00	100.00%	0.00	130.00	130.00	100.009
6521-000	Oper/Maint Rent Free Unit	942.00	942.00	0.00	0.00%	1,884.00	1,884.00	0.00	0.009
6525-000	Garbage Removal	11,668.73	10,791.00	(877.73)	-8.13%	21,960.65	21,592.80	(367.85)	-1.709

Database: JOHNSTEWART TV100

# Income Statement Tassafaranga Village Phase 1

Page: 3 Date: 3/16/2021 Time: 03:08 PM

Format Id:

CASH

Accrual

For the 2 months ending February 28, 2021 Report includes an open period. Entries are not final.

	Thru:	Actual Feb 2021	Current Period Budget Feb 2021	Variance		Actual Feb 2021	Year-To-Date Budget Feb 2021	Variance	
			4 500 00	420.00	27 220/	3,909.09	3,206.84	(702.25)	-21.90%
6529-000	Fire Alarm Contract	1,161.34	1,598.00	436.66 7,635.51	27.33% 39.18%	34,034.37	38,981.90	4,947.53	12.69%
6530-000	Security PR / Contract	11,851.49 0.00	19,487.00 50.00	50.00	100.00%	0.00	100.00	100.00	100.00%
6532-000	Security Supplies	16,595.73	1,250.00	(15,345.73)	-1227.66%	18,023.23	2.500.00	(15,523.23)	-620.93%
6533-000	Fire Protection Expenses	0.00	500.00	500.00	100.00%	0.00	1,000.00	1,000.00	100.00%
6535-000	Landscape Improvements	0.00	1,500.00	1,500.00	100.00%	0.00	3,000.00	3,000.00	100.00%
6536-000	Landscape Supplies		4,944.00	32.85	0.66%	9,952.36	9,888.00	(64.36)	-0.65%
6537-000	Landscape Contracts	4,911.15		2,638.63	93.80%	5,033.73	5,627.22	593.49	10.55%
6541-000	Repairs Materials/Supp	174.37	2,813.00		100.00%	0.00	9,206.49	9,206.49	100.00%
6542-000	Repairs Contract	0.00	4,601.00	4,601.00	100.00%	490.00	2,003.75	1,513.75	75.55%
6543-000	Plumbing Maintenance	0.00	997.00	997.00	100.00%	0.00	120.70	120.70	100.00%
6544-000	Electrical Maintenance	0.00	59.00	59.00		507.89	732.78	224.89	30.69%
6545-000	Elevator Maintenance	259.53	362.00	102.47	28.31%		12,586.94	(2,403.57)	-19.10%
6546-000	Heating/Cooling Repairs	1,126.13	6,291.00	5,164.87	82.10%	14,990.51	498.76	498.76	100.00%
6554-000	Window and Glass Repairs	0.00	248.00	248.00	100.00%	0.00			
6560-000	Deco/Painting Contract	0.00	1,582.00	1,582.00	100.00%	0.00	3,167.02	3,167.02	100.00%
6561-000	Deco/Painting Supplies	0.00	51.00	51.00	100.00%	0.00	108.00	108.00	100.00%
6569-000	COVID-19 Pandemic	282.53	0.00	(282.53)	0.00%	528.15	0.00	(528.15)	0.00%
6570-000	Maint-Vehicle Ops/Repair	0.00	25.00	25.00	100.00%	0.00	59.00	59.00	100.00%
6571-000	Maintenance Equip. Repair	0.00	105.00	105.00	100.00%	0.00	221.02	221.02	100.00%
6573-000	Uniforms/Laundry	588.34	453.00	(135.34)	-29.88%	1,412.38	908.40	(503.98)	-55.48%
Total Oper	rating and Maintenance Expenses	59,134.55	70,002.00	10,867.45	15.52%	132,671.74	140,134.79	7,463.05	5.33%
Taxes and Ins	surance								
6710-000	Real Estate Taxes	290.78	299.00	8.22	2.75%	581.56	606.76	25.20	4.15%
6711-000	Payroll Taxes	2,428.75	1,928.00	(500.75)	-25.97%	5,590.76	3,866.00	(1,724.76)	-44.61%
6720-000	Property Insurance	7,653.92	6,766.00	(887.92)	-13.12%	15,307.84	13,539.02	(1,768.82)	-13.06%
6721-000	Fidelity Bond	0.00	41.00	41.00	100.00%	0.00	90.00	90.00	100.00%
6722-000	Workers Comp.	814.27	1,144.00	329.73	28.82%	1,685.60	2,294.00	608.40	26.52%
6723-000	Health Ins. / EE Benefits	4,179.90	4,044.00	(135.90)	-3.36%	8,356.29	8,091.22	(265.07)	-3.28%
6723-010	401K Matching/EE Benefits	250.00	424.00	174.00	41.04%	500.00	850.95	350.95	41.24%
6790-000	Misc.Licenses/Permits	83.80	64.00	(19.80)	-30.94%	83.80	135.00	51.20	37.93%
Total Taxe	es and Insurance	15,701.42	14,710.00	(991.42)	-6.74%	32,105.85	29,472.95	(2,632.90)	-8.93%
Financial Exp	pense								
6820-000	Interest on Mortgage	25,802.30	24,895.00	(907.30)	-3.64%	51,787.09	49,796.00	(1,991.09)	-4.00%

# Income Statement Tassafaranga Village Phase 1

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ENTITY:

**JOHNSTEWART** 

TV100

For the 2 months ending February 28, 2021

Format Id: Accrual	CASH	Report includes an open period. Entries are not final.								
	Thru:	Actual Feb 2021	Current Period Budget Feb 2021	Variance		Actual Feb 2021	Year-To-Date Budget Feb 2021	Variance		
6825-000 6890-000	Mortgage Interest Subsidy Misc. Financial Expenses	3,500.00 648.13	3,500.00 284.00	0.00 (364.13)	0.00% -128.21%	7,000.00 1,297.92	7,000.00 579.00	0.00 (718.92)	0.00% -124.17%	
Total Finar	ncial Expense	29,950.43	28,679.00	(1,271.43)	-4.43%	60,085.01	57,375.00	(2,710.01)	-4.72%	
Service Exper		5 700 00	5.070.00	040.70			44.047.00	007.50	5.040/	
6993-000	Misc. Recreation Exp.	5,722.22	5,972.00	249.78	4.18%	11,249.44	11,947.00	697.56	5.84%	
Total Servi	ice Expense	5,722.22	5,972.00	249.78	4.18%	11,249.44	11,947.00	697.56	5.84%	
Corporate Exp	pense									
7131-000	State Income Tax	800.00	66.00	(734.00)	-1112.12%	800.00	140.00	(660.00)	-471.43%	
7133-000	Partnership Mgmt Fee	840.08	852.00	11.92	1.40%	1,680.16	1,707.90	27.74	1.62%	
7133-020	GP Fee	1,119.97	1,136.00	16.03	1.41%	2,239.94	2,279.26	39.32	1.73%	
Total Corp	orate Expense	2,760.05	2,054.00	(706.05)	-34.37%	4,720.10	4,127.16	(592.94)	-14.37%	
Replacement I	Expenditures									
7220-000	Appliance Replacements	617.74	1,500.00	882.26	58.82%	1,384.73	3,000.00	1,615.27	53.84%	
7230-000	Interior Replacements	0.00	7,500.00	7,500.00	100.00%	12,280.00	15,000.00	2,720.00	18.13%	
7240-000	Exterior Replacements	0.00	833.00	833.00	100.00%	0.00	1,670.00	1,670.00	100.00%	
Total Repla	acement Expenditures	617.74	9,833.00	9,215.26	93.72%	13,664.73	19,670.00	6,005.27	30.53%	
TOTAL EXI	PENSES	176,399.78	187,057.00	10,657.22	5.70%	384,351.16	374,420.01	(9,931.15)	-2.65%	
PROFIT/LO	oss	84,229.47	65,714.00	18,515.47	28.18%	137,031.56	131,125.31	5,906.25	4.50%	
ADD BACK DE PURCHASES ( RESERVES DI	EPREC & AMORT EFERRED INTEREST OF FIXED ASSETS RAWN (FUNDED) d Misc. Reserves	(13,532.28)	(6,850.00)	(6,682.28)	-97.55%	(27,069.11)	(13,700.00)	(13,369.11)	-97.58%	

**JOHNSTEWART** Income Statement
Tassafaranga Village Phase 1 TV100

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Thru:	Actual Feb 2021	Current Period Budget Feb 2021	Variance		Actual Feb 2021	Year-To-Date Budget Feb 2021	Variance	
Operating Reserves	193.84	0.00	193.84		390.35	0.00	390.35	
Total Reserves	(13,338.44)	(6,850.00)	(6,488.44)	-94.72%	(26,678.76)	(13,700.00)	(12,978.76)	-94.749
PRINCIPAL PAYMENTS  Long-Term Mortgage Principal Payment	(45,000.00)	(43,750.00)	(1,250.00)	-2.86%	(85,000.00)	(87,500.00)	2,500.00	2.869
Total Principal Payments	(45,000.00)	(43,750.00)	(1,250.00)	-2.86%	(85,000.00)	(87,500.00)	2,500.00	2.869
CF AFTER RESERVE, DEPR, PRINCIPAL AND DEF	25,891.03	15,114.00	10,777.03	71.30%	25,352.80	29,925.31	(4,572.51)	-15.28%
OTHER INDICATORS (Increase) Decrease in Prepaid Expenses (Increase) Decrease in Accounts Receivable	1,892.04 (8,812.75)	0.00 0.00	(1,892.04) 8,812.75		10,37 <b>4.24</b> (3,959.63)	0.00 0.00	(10,374.24) 3,959.63	

OTHER INDICATORS						
(Increase) Decrease in Prepaid Expenses	1,892.04	0.00	(1,892.04)	10,374.24	0.00	(10,374.24)
(Increase) Decrease in Accounts Receivable	(8,812.75)	0.00	8,812.75	(3,959.63)	0.00	3,959.63
Increase (Decrease) in Accounts Payable	6,211.21	0.00	(6,211.21)	25,838.19	0.00	(25,838.19)
Increase (Decrease) in Prepaid Liabilities	1,881.61	0.00	(1,881.61)	1,451.60	0.00	(1,451.60)

# THE JOHN STEWART COMPANY (AGENT) MONTHLY REPORT FOR ESTABLISHING NET INCOME Project Name: Tassafaronga Village Phase II Location: Oakland, CA Reporting for: February 2021 **Total Units:** 20 Prepared By: Helen Shek Telephone: 415-345-4400 Cash in the Bank - Beginning of Month 128,914.42 **NSF Checks** Cash Receipts: Tenant Rent 5,207.00 25,747.00 Tenant Assistance - Oakland Housing Authority Retained Security Deposit \$ 72.00 Late/NSF Fees \$ Clean/Damage/Maintenance \$ Key Replacement Fee \$ Laundry Income 31,026.00 2) Total Receipts Disbursements made during the month **Routine Operations** \$ (32,360.93) Other: 3) Total Disbursements (32,360.93)

a

b

C

3

a

b

С

d

ı			
4	Cash in the Bank - End of Month		\$ 127,579.49
5 6 7	Monthly Rent Potential	\$	35,000.00
6	Rent Loss on Vacant Units	\$	2,025.00
7	Tenant Accounts Receivable	\$	1,871.00
	Subsidy Receivable	\$	3,969.00
8	Accounts Payable: Routine	\$	17,370.84
9			
а	Number of Units Vacant	1	5%
b	Number of Units Occupied	18	
С	Number of Rent-Free Units	1	
10	Tenants' Security Deposits:		
а	Liability to date	\$ 4,527.00	
b	Security Deposits Interest	\$ -	

I hereby certify that all the information stated herein is true and accurate to the best of my knowledge.

Helen Shek

Staff Accountant for The John Stewart Company

Reviewed by:

Security Deposit in Transit

Security Deposits On Hand

\$

\$ 4,527.00

# TASSAFARONGA VILLAGE PHASE II ANALYSIS OF FINANCIAL CASH ACCOUNTS FEBRUARY 2021

TYPE OF ACCOUNT RA	Last + Digits of	LOCATION	OPENING CASH	DEPOSITS	INTEREST	DISBURSEMENTS	BALANCE
1120-010 OPERATING A/C CASH CHECKING	***9207	CITIBANK NSF	128,914.42	31,026.00	150	(32,360.93)	127,579.49
TOTAL OPERATING			128,914.42	31,026.00	•	(32,360.93)	127,579.49
1191 SECURITY A/C CASH CHECKING	***4819	CITIBANK	4,326.00	273.00	¥	(72.00)	4,527.00
TOTAL SECURITY			4,326.00	273.00	/# h	(72.00)	4,527.00
1320 REPLACEMENT 0. RESERVES	10% ***1492	UNION BANK OHA	97,168.81	1,000.00	2.21	(157.69)	98,013.33
1365 OPERATING 0. RESERVES	10% ***1506	UNION BANK OHA	161,643.82	(5)	3.70	5.	161,647.52
1369 DEFICIT RESERVE 0.	10% ***1522	UNION BANK OHA	296,381.75	-	6.80	¥	296,388.55
TOTAL RESERVES			555,194.38	1,000.00	12.71	(157.69)	556,049.40
TOTAL CASH			688,434.80	32,299.00	12.71	(32,590.62)	688,155.89

Reviewed by: IK

# Database: JOHNS ENTITY: TV200

**JOHNSTEWART** 

Income Statement
Tasafaronga Partners II, LP

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CASH

For the 2 months ending February 28, 2021 Report includes an open period. Entries are not final.

Accrual	CASH	Nope	on morado an opon p	onod. Entires an					
	Thru:	Actual Feb 2021	Current Period Budget Feb 2021	Variance		Actual Feb 2021	Year-To-Date Budget Feb 2021	Variance	
PROJECT RE	VENUE								
Gross Rent Po									
5120-000	Rental Income - Tenant	8,642.00	9,207.00	(565.00)	-6.14%	17,284.00	18,414.00	(1,130.00)	-6.14%
5122-000	Housing Authority Income	26,358.00	25,668.00	690.00	2.69%	52,716.00	51,336.00	1,380.00	2.69%
Total Gros	s Rent Potential	35,000.00	34,875.00	125.00	0.36%	70,000.00	69,750.00	250.00	0.36%
Vacancies									
5220-000	Vacancy-Residential	2,025.00	871.00	(1,154.00)	-132.49%	4,050.00	1,753.00	(2,297.00)	-131.03%
Total Vaca	ncies	2,025.00	871.00	(1,154.00)	-132.49%	4,050.00	1,753.00	(2,297.00)	-131.03%
Financial Rev	enue					ou e tronversion	non rates	Solice	(SETTINGENERAL)
5440-000	Interest Inc - Reserves	12.71	0.00	12.71	0.00%	25.89	0.00	25.89	0.00%
Total Final	ncial Revenue	12.71	0.00	12.71		25.89	0.00	25.89	
Other Income							100100	000000000	145510150
5910-000	Laundry Income	0.00	50.00	(50.00)	-100.00%	0.00	100.00		-100.00%
5920-000	NSF & Late Charges	0.00	20.00	(20.00)	-100.00%	0.00	40.00	(40.00)	
5925-000	Keys	10.00	10.00	0.00	0.00%	10.00	20.00	(10.00)	-50.00%
5930-000	Clean/Damage/Maintenance	0.00	12.00	(12.00)	-100.00%	0.00	30.00	(30.00)	-100.00%
Total Othe	er Income	10.00	92.00	(82.00)	-89.13%	10.00	190.00	(180.00)	-94.74%
TOTAL RE	VENUE	32,997.71	34,096.00	(1,098.29)	-3.22%	65,985.89	68,187.00	(2,201.11)	-3.23%
PROJECT EX	PENSES								
Marketing Ex			05.05	40.50	50.400/	40.45	60.00	40.55	22 500/
6250-000	Marketing-Credit Reports	12.47	25.00	12.53	50.12%	40.45	60.00	19.55	32.58%
Total Mark	keting Expenses	12.47	25.00	12.53	50.12%	40.45	60.00	19.55	32.58%
Administrativ	e Expenses								
6310-000	On-Site Administrative PR	435.52	487.00	51.48	10.57%	884.09	974.00	89.91	9.23%
6310-020	PR-Asst. Administrator	430.30	482.00	51.70	10.73%	909.00	964.00	55.00	5.71%

# JOHNSTEWART TV200

# Income Statement Tasafaronga Partners II, LP

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For the 2 months ending February 28, 2021

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	Thru:	Actual Feb 2021	Current Period Budget Feb 2021	Variance		Actual Feb 2021	<b>Year-To-Date</b> Budget Feb 2021	Variance	
6311-000	Office Expenses	239.40	175.00	(64.40)	-36.80%	415.77	350.00	(65.77)	-18.79%
6319-000	Payroll Processing Fee	59.99	68.00	8.01	11.78%	126.23	143.00	16.77	11.73%
6320-000	Management Fees	1,160.00	1,183.00	23.00	1.94%	2,320.00	2,370.00	50.00	2.11%
6330-000	Payroll - Manager	763.40	845.00	81.60	9.66%	1,565.04	1,692.00	126.96	7.50%
6331-000	Administrator's Unit	850.00	850.00	0.00	0.00%	1,700.00	1,700.00	0.00	0.00%
6340-000	Legal/Mediation Expenses	0.00	200.00	200.00	100.00%	0.00	400.00	400.00	100.00%
6350-000	CPA/Audit Services	3,515.00	916.00	(2,599.00)	-283.73%	8,715.00	1,840.00	(6,875.00)	-373.64%
6351-000	Bookkeeping Services	180.00	185.00	5.00	2.70%	360.00	380.00	20.00	5.26%
6360-000	Tel. & Answering Service	593.20	452.00	(141.20)	-31.24%	1,315.85	906.00	(409.85)	-45.24%
6370-000	Collection Loss	0.00	50.00	50.00	100.00%	53.00	100.00	47.00	47.00%
6385-000	Mileage/Travel	0.00	9.00	9.00	100.00%	0.00	25.00	25.00	100.00%
6390-000	Misc. Admin. Expenses	0.00	30.00	30.00	100.00%	0.00	60.00	60.00	100.00%
6390-010	Bank Charges	157.69	250.00	92.31	36.92%	323.59	500.00	176.41	35.28%
6392-000	Seminars / Training	0.00	50.00	50.00	100.00%	0.00	100.00	100.00	100.00%
6396-000	Computer Charges	4.06	66.00	61.94	93.85%	93.84	140.00	46.16	32.97%
Total Admi	inistrative Expenses	8,388.56	6,298.00	(2,090.56)	-33.19%	18,781.41	12,644.00	(6,137.41)	-48.54%
<b>Jtilities</b>									
6450-000	Electricity	52.00	19.00	(33.00)	-173.68%	138.74	44.00	(94.74)	-215.32%
6451-000	Water	1,956.79	1,532.00	(424.79)	-27.73%	5,047.43	3,069.00	(1,978.43)	-64.46%
6452-000	Gas	1,035.19	659.00	(376.19)	-57.08%	2,552.48	1,319.00	(1,233.48)	-93.52%
6453-000	Sewer	1,886.40	706.00	(1,180.40)	-167.20%	3,204.30	1,418.00	(1,786.30)	-125.97%
Total Utilit	ies	4,930.38	2,916.00	(2,014.38)	-69.08%	10,942.95	5,850.00	(5,092.95)	-87.06%
Operating and	Maintenance Expenses								
6510-000	Payroll - Maintenance	536.43	544.00	7.57	1.39%	1,085.39	1,094.00	8.61	0.79%
6512-000	Payroll - Janitor	903.12	843.00	(60.12)	-7.13%	1,726.20	1,692.00	(34.20)	-2.02%
6515-000	Janitorial Supplies	34.86	69.00	34.14	49.48%	101.83	146.00	44.17	30.25%
6519-000	Pest -Supp & Contracts	52.00	52.00	0.00	0.00%	104.00	104.00	0.00	0.00%
6519-010	Pest - Bed Bugs	0.00	50.00	50.00	100.00%	0.00	100.00	100.00	100.00%
6525-000	Garbage Removal	1,865.13	1,737.00	(128.13)	-7.38%	3,597.46	3,474.00	(123.46)	-3.55%
6529-000	Fire Alarm Contract	2,531.00	203.00	(2,328.00)	-1146.80%	2,680.00	412.00	(2,268.00)	-550.49%
6530-000	Security PR / Contract	2,435.91	2,877.00	441.09	15.33%	5,186.47	5,756.00	569.53	9.89%
6532-000	Security Supplies	0.00	9.00	9.00	100.00%	0.00	23.00	23.00	100.00%
6533-000	Fire Protection Expenses	238.94	269.00	30.06	11.17%	667.94	547.00	(120.94)	-22.11%

**Income Statement** Tasafaronga Partners II, LP

**JOHNSTEWART** Database: ENTITY: TV200

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For the 2 months ending February 28, 2021

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	Thru:	Actual Feb 2021	Current Period Budget Feb 2021	Variance		Actual Feb 2021	Year-To-Date Budget Feb 2021	Variance	
6537-000	Landscape Contracts	733.85	900.00	166.15	18.46%	1,487.14	1,800.00	312.86	17.38%
6541-000	Repairs Materials/Supp	26.04	372.00	345.96	93.00%	734.60	746.00	11.40	1.53%
6542-000	Repairs Contract	0.00	414.00	414.00	100.00%	470.00	829.00	359.00	43.31%
6543-000	Plumbing Maintenance	295.00	45.00	(250.00)	-555.56%	295.00	100.00	(195.00)	-195.00%
6544-000	Electrical Maintenance	0.00	1.00	1.00	100.00%	0.00	9.00	9.00	100.00%
6545-000	Elevator Maintenance	271.53	258.00	(13.53)	-5.24%	519.89	518.00	(1.89)	-0.36%
6546-000	Heating/Cooling Repairs	289.87	954.00	664.13	69.62%	1,810.87	1,908.00	97.13	5.09%
6560-000	Deco/Painting Contract	1,150.00	118.00	(1,032.00)	-874.58%	1,150.00	239.00	(911.00)	-381.17%
6569-000	COVID-19 Pandemic	42.21	8.00	(34.21)	-427.63%	78.91	20.00	(58.91)	-294.55%
6571-000	Maintenance Equip. Repair	0.00	13.00	13.00	100.00%	0.00	32.00	32.00	100.00%
6573-000	Uniforms/Laundry	87.91	68.00	(19.91)	-29.28%	211.04	138.00	(73.04)	-52.93%
Total Opera	ating and Maintenance Expenses	11,493.80	9,804.00	(1,689.80)	-17.24%	21,906.74	19,687.00	(2,219.74)	-11.28%
Taxes and Ins	urance								
6710-000	Real Estate Taxes	0.00	41.00	41.00	100.00%	0.00	90.00	90.00	100.00%
6711-000	Payroll Taxes	362.82	486.00	123.18	25.35%	835.43	976.00	140.57	14.40%
6720-000	Property Insurance	1,926.17	1,888.00	(38.17)	-2.02%	3,852.34	3,780.00	(72.34)	-1.91%
6721-000	Fidelity Bond	0.00	6.00	6.00	100.00%	0.00	18.00	18.00	100.00%
6722-000	Workers Comp.	110.87	215.00	104.13	48.43%	230.27	435.00	204.73	47.06%
6723-000	Health Ins. / EE Benefits	624.60	606.00	(18.60)	-3.07%	1,248.66	1,212.00	(36.66)	-3.02%
6723-010	401K Matching/EE Benefits	33.00	63.00	30.00	47.62%	65.00	126.00	61.00	48.41%
6790-000	Misc.Licenses/Permits	20.95	9.00	(11.95)	-132.78%	20.95	19.00	(1.95)	-10.26%
Total Taxe	s and Insurance	3,078.41	3,314.00	235.59	7.11%	6,252.65	6,656.00	403.35	6.06%
Financial Exp	ense								
6820-000	Interest on Mortgage	0.00	953.00	953.00	100.00%	0.00	1,916.00	1,916.00	100.00%
Total Finar	ncial Expense	0.00	953.00	953.00	100.00%	0.00	1,916.00	1,916.00	100.00%
Service Exper	nse Misc. Recreation Exp.	855.00	1,021.00	166.00	16.26%	1,680.87	2,050.00	369.13	18.01%
	ice Expense	855.00	1,021.00	166.00	16.26%	1,680.87	2,050.00	369.13	18.01%

Corporate Expense

Database:

**JOHNSTEWART** 

CASH

Income Statement Tasafaronga Partners II, LP Page: Date: Time:

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ENTITY: TV200

For the 2 months ending February 28, 2021

Format Id: Accrual

Report includes an open period. Entries are not final.

	Thru:	Actual Feb 2021	Current Period Budget Feb 2021	Variance		Actual Feb 2021	Year-To-Date Budget Feb 2021	Variance	
7131-000	State Income Tax	800.00	66.00	(734.00)	-1112.12%	800.00	140.00	(660.00)	-471.439
7133-000	Partnership Mgmt Fee	576.76	0.00	(576.76)	0.00%	1,153.52	0.00	(1,153.52)	0.009
7133-020	GP Fee	432.94	0.00	(432.94)	0.00%	865.88	0.00	(865.88)	0.009
Total Corp	orate Expense	1,809.70	66.00	(1,743.70)	-2641.97%	2,819.40	140.00	(2,679.40)	-1913.869
	Expenditures								
7220-000	Appliance Replacements	0.00	365.00	365.00	100.00%	0.00	730.00	730.00	100.009
7230-000	Interior Replacements	2,720.00	833.00	(1,887.00)	-226.53%	2,720.00	1,670.00	(1,050.00)	-62.879
Total Repla	cement Expenditures	2,720.00	1,198.00	(1,522.00)	-127.05%	2,720.00	2,400.00	(320.00)	-13.339
TOTAL EX	PENSES	33,288.32	25,595.00	(7,693.32)	-30.06%	65,144.47	51,403.00	(13,741.47)	-26.73%
PROFIT/LO	ss	(290.61)	8,501.00	(8,791.61)	-103.42%	841.42	16,784.00	(15,942.58)	-94.999
DD BACK DE URCHASES ( ESERVES DE	PREC & AMORT FERRED INTEREST DF FIXED ASSETS RAWN (FUNDED) nt Reserves Reserves	(844.52) (3.70)	(1,000.00) 0.00	155.48 (3.70)	15.55%	(680.93) (7.53)	(2,000.00) 0.00	1,319.07 (7.53)	65.95%
Total Reser	ves	(848.22)	(1,000.00)	151.78	15.18%	(688.46)	(2,000.00)	1,311.54	65.58%
RINCIPAL PA	YMENTS								
Total Princ	ipal Payments	0.00	0.00	0.00	£1	0.00	0.00	0.00	

**JOHNSTEWART** Database: ENTITY:

TV200

Income Statement Tasafaronga Partners II, LP Page: Date: Time:

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Format Id:

Accrual

CASH

For the 2 months ending February 28, 2021

Report includes an open period. Entries are not final.

		<b>Current Period</b>			Year-To-Date	
Thru:	Actual Feb 2021	Budget Feb 2021	Variance	Actual Feb 2021	Budget Feb 2021	Variance
(Increase) Decrease in Prepaid Expenses	1,926.17	0.00	(1,926.17)	3,852.34	0.00	(3,852.34)
(Increase) Decrease in Accounts Receivable	(1,173.00)	0.00	1,173.00	(1,689.00)	0.00	1,689.00
Increase (Decrease) in Accounts Payable	(1,006.47)	0.00	1,006.47	954.95	0.00	(954.95)
Increase (Decrease) in Prepaid Liabilities	(8.00)	0.00	8.00	2.513.20	0.00	(2.513.20)

ITEM: V. A

# Tassafaronga Housing Corporation

MEMORANDUM

To: Board of Directors

From: Patricia Wells, Chief Executive Officer

Subject: Review and Approval of the Fiscal Year 2020 Audited Financial

Statements of Tassafaronga Partners, L.P. and Tassafaronga

PW

Partners II, L.P.

Date: March 23, 2021

This memorandum forwards a resolution approving the Fiscal Year 2020 Audited Financial Statements of Tassafaronga Partners, L.P and Tassafaronga Partners II, L.P. for consideration by the Board.

# Background

Tassafaronga Housing Corporation (THC) is the General Partner of Tassafaronga Partners, L.P. and Tassafaronga Partners II, L.P. Armanino LLP completed the Fiscal Year 2020 Audited Financial Statements of Tassafaronga Partners, L.P and Tassafaronga Partners II, L.P., which are attached for your review. The financial statements have been reviewed and approved by the Limited Partner, the National Equity Fund, Inc. (NEF).

# Proposed Action

It is recommended that the Board of Directors adopt the attached resolutions to approve the Fiscal Year 2020 Audited Financial Statements of Tassafaronga Partners, L.P. and Tassafaronga Partners II, L.P.

Attachments: Fiscal Year 2020 Audited Financial Statements of Tassafaronga

Partners, L.P. and Tassafaronga Partners II, L.P.

Resolution #81

# TASSAFARONGA HOUSING CORPORATION CORPORATE AUTHORIZING RESOLUTION

At a duly constituted meeting of the Board of Directors of Tassafaronga Housing Corporation, a California nonprofit public benefit corporation (the "Corporation"), held on April 1, 2021, the following resolution was adopted:

WHEREAS, the Tassafaronga Housing Corporation Board of Directors must approve the Fiscal Year 2020 Audited Financial Statements for Tassafaronga Partners, L.P. and Tassafaronga Partners II, L.P.; and

WHEREAS, the Board of Directors and Treasurer have reviewed the Fiscal Year 2019 Audited Financial Statements for Tassafaronga Partners, L.P. and Tassafaronga Partners II, L.P.; and

WHEREAS, the Fiscal Year 2020 Audited Financial Statements for Tassafaronga Partners, L.P. and Tassafaronga Partners II, L.P. were prepared by Armanino LLP; and

WHEREAS, the Fiscal Year 2020 Audited Financial Statements for Tassafaronga Partners, L.P. and Tassafaronga Partners II, L.P. were reviewed and approved by the limited partner, the National Equity Fund, Inc. (NEF);

# NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF TASSAFARONGA HOUSING CORPORATION:

THAT, the Fiscal Year 2020 Audited Financial Statements for Tassafaronga Partners, L.P. and Tassafaronga Partners II, L.P. are approved; and

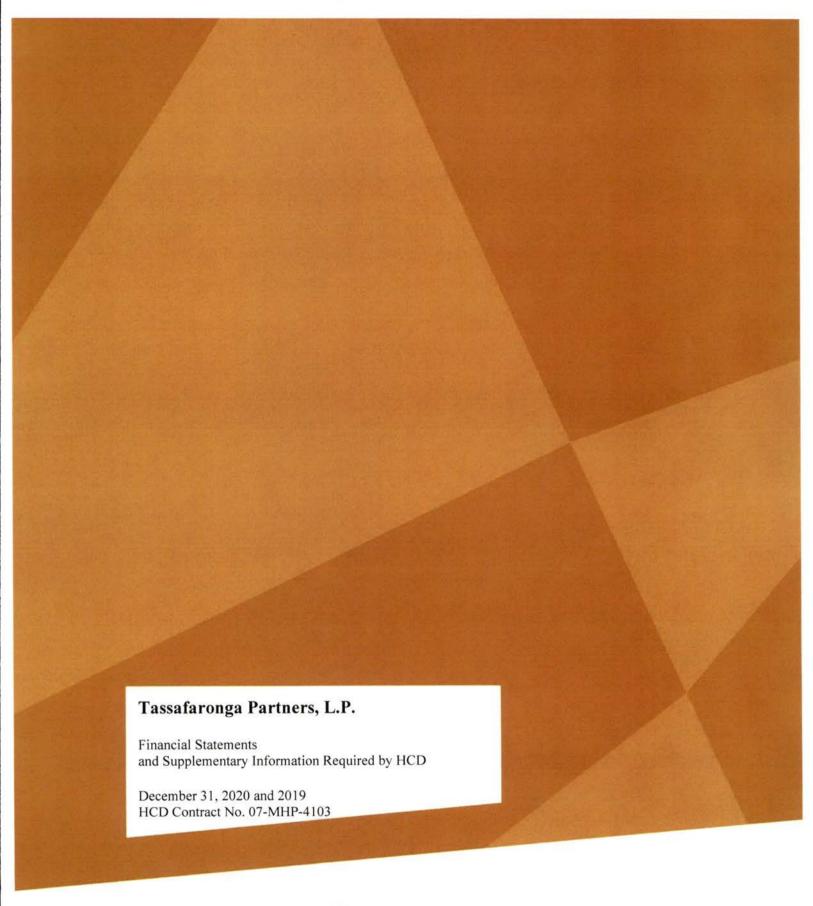
THAT, this resolution shall become effective immediately.

# SECRETARY'S CERTIFICATE

I, the undersigned, hereby certify that the foregoing is a true copy of the Resolution adopted by the Board of Directors of Tassafaronga Housing Corporation at meeting held on the aforementioned date, and that said Resolution is in full force an effect.	а
Dated:	

Anna Kaydanovskaya, Secretary

Resolution #81





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# INDEPENDENT AUDITOR'S REPORT

To the Partners Tassafaronga Partners, L.P. Oakland, California

We have audited the accompanying financial statements of Tassafaronga Partners, L.P. (a California limited partnership) HCD Contract No. 07-MHP-4103 (the "Partnership"), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, changes in partners' capital, and cash flows for the years then ended, and the related notes to the financial statements.

# Management's Responsibility for the Financial Statements

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

# Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and requirements of the Audited Financial Statements Handbook for Multifamily Rental Housing of the California Department of Housing and Community Development and the California Housing Finance Agency. 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 Tassafaronga Partners, L.P. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

# **Emphasis of Matter**

As discussed in Note 9 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. However, the ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

### Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 31 - 36, as required by the *California Department of Housing and Community Development*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

# Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards and the requirements of the Audited Financial Statements Handbook for Multifamily Rental Housing of the California Department of Housing and Community Development and the California Housing Finance Agency, we have also issued our report dated February 25, 2021, on our consideration of Tassafaronga Partners, L.P.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and the requirements of the Audited Financial Statements Handbook for Multifamily Rental Housing of the California Department of Housing and Community Development and the California Housing Finance Agency in considering Tassafaronga Partners, L.P.'s internal control over financial reporting and compliance.

Armanino LLP

Armanino<sup>LLP</sup> San Jose, California

February 25, 2021

# Tassafaronga Partners, L.P. Balance Sheets December 31, 2020 and 2019

	:	2020	-	2019
ASSETS				
Current assets				
Cash	\$	509,553	\$	341,523
Tenants accounts receivable		43,659		31,581
Prepaid expenses		29,187		24,628
Total current assets	-	582,399	8	397,732
Property and equipment, net	8	33,521,390		35,653,722
Restricted deposits and funded reserves				
Operating reserve		480,225		468,760
Replacement reserve		706,102		704,684
Revenue deficit reserve		1,020,279		1,014,832
Escrow insurance reserve		48,222		60,030
Bond reserve		74,346		71,015
Tenant security deposits		91,991	_	84,401
Total restricted deposits and funded reserves		2,421,165	_	2,403,722
Deferred costs, net	_	23,820		29,367
Total assets	<u>\$</u>	36,548,774	\$	38,484,543
LIABILITIES AND PARTNERS' CAPIT	AL			
Current liabilities				
Accounts payable	\$	102,748	\$	86,540
Accrued expenses		10,422		9,143
Current portion of related party payables		180,532		153,405
Rents received in advance		82,217		80,114
Current portion of accrued interest		223,954		63,133
Current portion of mortgages and notes payable		550,319		495,000
Total current liabilities		1,150,192		887,335
Long-term liabilities				
Related party payables		/-		157,012
Accrued interest		2,989,637		2,855,518
Mortgages and notes payable		32,075,234		32,613,073
Tenant security deposits		91,013	-	84,158
Total long-term liabilities		35,155,884		35,709,761
Total liabilities		36,306,076		36,597,096
Partners' capital	-	242,698	-	1,887,447
Total liabilities and partners' capital	<u>\$</u>	36,548,774	\$	38,484,543

# Tassafaronga Partners, L.P. Statements of Operations For the Years Ended December 31, 2020 and 2019

	2020	2019
Operating income		
Gross residential rent potential	\$ 1,345,259 \$	1,260,503
Tenant assistance payments	1,745,496	1,574,436
Vacancies - apartments	(126,278)	(102,422)
Net residential rental income	2,964,477	2,732,517
Laundry and vending revenue	1,183	3,183
Tenant charges	5,443	10,325
Miscellaneous interest income	795	804
Total operating income	2,971,898	2,746,829
Operating expenses		
Administrative expenses	415,312	405,501
Utilities expenses	318,844	279,628
Operating and maintenance expenses	837,221	799,998
Taxes and insurance	171,751	151,598
Total operating expenses	1,743,128	1,636,725
Net operating income	1,228,770	1,110,104
Other income (expense)		
Restricted interest income	5,746	19,579
Depreciation and amortization	(2,137,882)	(2,127,748)
Interest expense	(710,579)	(738,984)
Miscellaneous financial expenses	(7,283)	(9,011)
Partnership management fee	(13,440)	(13,048)
Asset management fee	(10,080)	(9,787)
Ground lease	(1)	(1)
Total other income (expense)	(2,873,519)	(2,879,000)
Net loss	<u>\$ (1,644,749)</u> <u>\$</u>	(1,768,896)

# Tassafaronga Partners, L.P. Statements of Changes in Partners' Capital For the Years Ended December 31, 2020 and 2019

	Tassafaro Housin Corpora (Gener Partne	ng tion ral	NEF Assignment Corporation (Limited Partner)		Total
Partnership interest	0	.01 %	99.99 %	_	100.00 %
Balance, January 1, 2019	\$ (	,811) \$	3,658,154	\$	3,656,343
Net loss	·	(177)	(1,768,719)		(1,768,896)
Balance, December 31, 2019	(	,988)	1,889,435		1,887,447
Net loss		(164)	(1,644,585)		(1,644,749)
Balance, December 31, 2020	\$ (2	2,152) \$	244,850	\$	242,698

# Tassafaronga Partners, L.P. Statements of Cash Flows For the Years Ended December 31, 2020 and 2019

	9 <del></del>	2020	_	2019
Cash flows from operating activities				
Revenues				
Rental receipts	\$	2,936,450	\$	2,739,620
Other receipts	0.50	19,708		33,891
Total revenues		2,956,158		2,773,511
Expenses				
Administrative		419,309		402,163
Utilities		291,088		280,831
Management fees		12,000		12,000
Operating and maintenance		825,229		785,539
Taxes and insurance		176,211		153,355
Interest		403,159		418,528
Financial expenses		7,283		9,011
Ground lease		1		1
Total expenses	-	2,134,280		2,061,428
Net cash provided by operating activities		821,878		712,083
Cash flows from investing activities				
Developer fee paid		(141,405)		(97,155)
Purchase of property and equipment		-		(7,503)
Net cash used in investing activities	_	(141,405)		(104,658)
Cash flows from financing activities				
Principal payments on mortgages and notes payable		(495,000)		(470,000)
Net cash used in financing activities		(495,000)		(470,000)
Net increase in cash and restricted cash		185,473		137,425
Cash and restricted cash, beginning of year	-	2,745,245	_	2,607,820
Cash and restricted cash, end of year	\$	2,930,718	\$	2,745,245

# Tassafaronga Partners, L.P. Statements of Cash Flows For the Years Ended December 31, 2020 and 2019

		2020		2019
Cash and restricted cash consisted of the following:				
Cash	\$	509,553	\$	341,523
Operating reserve		480,225		468,760
Replacement reserve		706,102		704,684
Revenue deficit reserve		1,020,279		1,014,832
Escrow insurance reserve		48,222		60,030
Bond reserve		74,346		71,015
Tenant security deposits	_	91,991	_	84,401
	<u>\$</u>	2,930,718	<u>\$</u>	2,745,245
Cook flours from amounting activities				
Cash flows from operating activities Net loss	\$	(1,644,749)	•	(1,768,896)
Adjustments to reconcile changes in net loss to net cash provided by	Ф	(1,044,749)	Φ	(1,700,090)
operating activities				
Depreciation and amortization		2,137,882		2,127,748
Accrued interest		297,175		310,120
Amortization of debt issuance costs		12,480		12,480
Changes in operating assets and liabilities		12,100		12,100
Tenants accounts receivable		(12,078)		(1,278)
Prepaid and other current assets		(4,559)		(1,783)
Accounts payable		16,208		982
Accrued expenses		1,276		2,336
Related party payables		11,520		10,835
Rents received in advance		2,103		19,685
Accrued interest		(2,235)		(2,144)
Tenant security deposits		6,855	_	1,998
Net cash provided by operating activities	\$	821,878	\$	712,083
Supplemental disclosure of cash flow infor	mati	on		
Cash paid during the year for taxes	\$	800	\$	800

Tassafaronga Partners, L.P. Notes to Financial Statements December 31, 2020 and 2019

### NATURE OF OPERATIONS

Tassafaronga Partners, L.P., a California limited partnership (the "Partnership"), was organized on February 27, 2008. Tassafaronga Housing Corporation is the 0.01% General Partner (GP) and NEF Assignment Corporation is the 99.99% Limited Partner (LP).

### Purpose

The purpose of the Partnership is to acquire, rehabilitate, construct, own, maintain and operate a low-income apartment project, located in Oakland, California, which qualifies for low-income housing tax credits under Section 42 of the Internal Revenue Code and Sections 12206, 17058 and 23610.5 of the California Code. These credits pass through to the Partners.

# Operations

The Partnership operates Tassafaronga Village Phase I (the "Project"), which consists of 137 units, 136 units are made available to low-income tenants, and one unit is set aside as a manager's unit.

# Affiliated organizations

Oakland Housing Authority (OHA), a public body corporate and politic, is the developer of the Project and is affiliated with Tassafaronga Housing Corporation, the General Partner.

# 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

# Method of accounting

The Partnership uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, consistent with accounting principles generally accepted in the United States of America.

# Change in accounting principle

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue From Contracts with Customers (Topic 606), which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Partnership adopted ASU 2014-09 with a date of the initial application of January 1, 2020, using the full retrospective method.

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Change in accounting principle (continued)

The adoption of ASU 2014-09 did not have a significant impact on the Partnership's financial position, result of operations, or cash flows. The majority of the Partnership's revenue stream is rental income from residential units under leases with durations of less than one year, including rent charges and rental subsidy income. The Partnership believes that both rental and subsidy income streams are exempted from compliance with ASU 2014-09 due to their inclusion under current and future lease standards. Revenue stream subject to ASU 2014-09 includes costs paid by the Project on behalf of tenants like utilities, laundry, and vending income. Such fees are ancillary to the lease process and are recognized as revenue at the point in time such fees are incurred. No changes were required to previously reported revenue as a result of the adoption of this standard.

#### Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

#### Economic concentrations

The future operations of the Partnership could be affected by changes in the economic or other conditions in the geographic area of Oakland, California or by changes in federal low-income housing subsidies or the demand for such housing.

#### Cash and cash equivalents

Cash consists of cash on hand and cash in demand deposit accounts. Not included in cash are funds restricted as to their use, regardless of their liquidity, such as security deposits and replacement reserves. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. There were no cash equivalents as of December 31, 2020 and 2019.

The Partnership maintains its cash in bank deposit accounts which, at times may exceed federally insured limits. The Partnership has not experienced any losses in such accounts and management believes it is not exposed to any significant risk relating to the cash accounts.

#### Allowance for doubtful accounts

The Partnership uses the specific write-off method to provide for doubtful accounts since past experience and management's estimation indicates an allowance for such accounts is immaterial.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## Property and equipment

Property and equipment are stated at cost of acquisition or construction. Acquisitions and improvements greater than \$5,000 that add value to the property are capitalized. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets, which range from 5 to 27.5 years.

## Impairment of long-lived assets

The Partnership reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of December 31, 2020 and 2019, there were no events or changes in circumstances indicating that the carrying amount of the property and equipment may not be recoverable.

#### Deferred costs

Deferred costs are amortized over their estimated useful lives.

#### Accrued vacation

The Partnership recognizes a liability for employees' rights to receive compensation vacation pay which has been accounted for in the operating expenses.

## Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of the debt issuance costs is calculated using the straight line method, which approximates the effective interest method and is included as a component of interest expense. Debt issuance costs will be amortized to financial expense as interest over the life of the related instrument.

#### Security deposits

The property management company collects security deposits from the tenants upon move-in.

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue recognition

Rental income is shown at its maximum gross potential. Vacancy loss is shown as a reduction in rental income. Rental units occupied by employees are included in rental income and as an expense of operations. Other income includes fees for late payments, cleaning, damages, laundry facilities, and other charges and is recorded when earned.

## Cost allocation with adjacent project

The Project is adjacent to another project, known as Tassafaronga Village Phase II. The two projects share certain operating costs, which are allocated among the two projects based upon the total number of units of each project.

## Advertising

The Partnership's policy is to expense advertising costs as the costs are incurred.

#### Ground lease

The ground lease is for 99 years with annual payments of \$1 due each year (see Note 10).

#### Property taxes

The Partnership has filed and received an exemption from certain property taxes in accordance with Section 214 of the California Code.

#### Income taxes

No provision has been made for income taxes, except for the \$800 minimum franchise tax required by California for limited partnerships, since the income or loss of the Partnership is to be included in the tax returns of the individual Partners. Income for financial statement purposes differs from that which is allocated to the Partners primarily because of book to tax depreciation and amortization differences.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Partnership in its federal and state tax returns are more likely than not to be sustained upon examination.

The Partnership files tax returns in the U.S. federal jurisdiction and state of California. The Partnership's federal returns for the tax years 2017 and beyond remain subject to examination by the Internal Revenue Service. The Partnership's California returns for the tax years 2016 and beyond remain subject to examination by the Franchise Tax Board.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## Allocation of partnership income/loss and tax credits

Income or loss of the Partnership is allocated .01% to the General Partner and 99.99% to the Limited Partner. Low-income housing tax credits are allocated in the same manner as income or loss. Because the Limited Partner's losses are limited to its investments, the Limited Partner's equity will not be reduced below zero unless future capital contributions will be made in an amount sufficient to absorb the losses. Allocation of gain or loss from the sale of the Project, if applicable, is subject to different terms, as described in the Amended and Restated Partnership Agreement (the "Partnership Agreement") dated October 23, 2008.

## Reclassifications

Certain 2019 amounts have been reclassified to conform to the HCD approved surplus cash distribution.

#### Subsequent events

Management of the Partnership has evaluated events and transactions subsequent to December 31, 2020, for potential recognition or disclosure in the financial statements. The Partnership did not have subsequent events that required recognition or disclosure in the financial statements for the year ended December 31, 2020. Subsequent events have been evaluated through the date the financial statements became available to be issued, February 25, 2021.

## PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	_	2020	_	2019
Leasehold improvements*				
Buildings	\$	53,598,222	\$	53,598,222
Site improvements		2,513,563		2,513,563
Furniture and fixtures		1,637,065		1,637,065
Automobiles	-	7,503		7,503
		57,756,353		57,756,353
Accumulated depreciation and amortization	-	(24,234,963)	_	(22,102,631)
	\$	33,521,390	\$	35,653,722

<sup>\*</sup> Leasehold improvements were made to the land leased from OHA under the ground lease agreement discussed in Note 10.

Depreciation expense for the years ended December 31, 2020 and 2019, was \$2,132,332 and \$2,122,198, respectively.

#### FUNDED RESERVES

## Operating reserve

In accordance with the Partnership Agreement and HCD Regulatory Agreement, the General Partner shall maintain the operating reserve account at an amount equal to at least \$482,307 ("operating reserve target"). If the account is reduced by withdrawals, it shall be replenished from surplus cash (see Note 13). Withdrawals from the operating reserve account will require the written approval of the General Partner and the Asset Manager. The Partnership will deposit \$2,082 to the operating reserve from available net cash flow to replenish the required balance (see Note 13).

Operating reserve activity consisted of the following:

		2020	1):	2019
Balance, beginning of year	\$	468,760	\$	471,027
Funding		13,547		_
Bank charges	( <del></del>	(2,082)		(2,267)
Balance, end of year	<u>\$</u>	480,225	\$	468,760

#### Replacement reserve

In accordance with the Partnership Agreement and HCD Regulatory Agreement, the Partnership is required to fund a replacement reserve account to be used for replacement of the Project assets. The reserve for replacement shall be funded based on an initial amount of \$600 per apartment unit per year, which amount will increase annually by 3%. Starting from 2015, HCD requires annual funding of \$82,200. If the General Partner and/or Asset Manager determine that funding the replacement reserve at \$82,200 annually is inadequate, the General Partner will commission an independent third party to complete a reserve study. If the reserve study indicates the need for a higher reserve, the study will be provided to HCD per the terms outlined in the HCD Regulatory Agreement. As of December 31, 2020, the General Partner and/or Asset Manager has determined that the funding is adequate and hence a reserve study is not considered necessary. Withdrawals from the replacement reserve account in excess of \$10,000 in the aggregate in any given month (unless such withdrawal was provided for in the approved Project budget) will require the written approval or email approval of the General Partner and the Asset Manager.

## 4. FUNDED RESERVES (continued)

#### Replacement reserve (continued)

Replacement reserve activity consisted of the following:

	<u> </u>	2020	_	2019
Balance, beginning of year	\$	704,684	\$	622,195
Funding		82,200		82,200
Withdrawals		(81,014)		-
Bank interest	· ·	232		289
Balance, end of year	<u>\$</u>	706,102	\$	704,684

#### Revenue deficit reserve

In accordance with the Partnership Agreement and HCD Regulatory Agreement, the General Partner shall have deposited into the revenue deficit reserve account an amount equal to at least \$971,748. The revenue deficit reserve has been established to fund shortfalls that could occur if rental assistance subsidies are reduced or not renewed.

Revenue deficit reserve activity consisted of the following:

		2020	_	2019
Balance, beginning of year	\$	1,014,832	\$	995,919
Bank interest	_	5,447	_	18,913
Balance, end of year	\$	1,020,279	\$	1,014,832

## Escrow insurance reserve

In accordance with the Loan Agreement relating to the Housing Authority of the City of Oakland Multifamily Housing Revenue Bonds, the Partnership is required to make monthly deposits to a separate escrow insurance account.

#### 4. FUNDED RESERVES (continued)

#### Escrow insurance reserve (continued)

Escrow insurance reserve activity consisted of the following:

	0	2020	11	2019
Balance, beginning of year	\$	60,030	\$	54,507
Funding		80,040		81,751
Withdrawals		(91,848)		(76,228)
Balance, end of year	<u>\$</u>	48,222	\$	60,030

## Bond reserves

In accordance with the Loan Agreement relating to the Housing Authority of the City of Oakland Multifamily Housing Revenue Bonds, the Partnership is required to make monthly deposits of principal and interest payments to a separate bond reserve account. These funds are maintained in accounts held by the Trustee until debt service payments and related fees are paid. As of December 31, 2020 and 2019, the amount in these accounts totaled \$74,346 and \$71,015, respectively.

## DEFERRED COSTS

## Tax credit fees

The Partnership incurred fees totaling \$83,246 to apply for and ultimately obtain a final reservation of low-income housing tax credits. The tax credit fees are being amortized over the 15-year credit period beginning April 15, 2010.

Deferred costs consisted of the following:

	-	2020	_	2019
Deferred costs Accumulated amortization	\$	83,246 (59,426)	\$	83,246 (53,879)
	\$	23,820	\$	29,367

## 5. DEFERRED COSTS (continued)

Estimated annual amortization expense is as follows:

## Year ending December 31,

2020	\$ 5,550
2021	5,550
2022	5,550
2023	5,550
2024	1,620
	\$ 23,820

Amortization expense for the years ended December 31, 2020 and 2019, was \$5,550 and \$5,550, respectively.

## 6. MORTGAGES AND NOTES PAYABLE

Agreement (see Note 12).

Mortgages and notes payable are detailed as follows:

	2020	p-	2019
Multifamily Housing Revenue bonds - The Partnership has a first mortgage payable in the original amount of \$31,305,000 issued by the Housing Authority of the City of Oakland from the proceeds of its Multifamily Housing Revenue Bonds Series 2008 A1 (\$24,000,000), A2 (\$1,305,000) and B (\$6,000,000). On February 11, 2011, the loan converted to a permanent financing with two tranches: Tranche A (Series A) with an original amount of \$3,910,000, bears interest at 5.65%, matures on May 1, 2046 and is payable in monthly installments of \$21,383 until maturity; Tranche B (Series B) with an original amount of \$5,580,000, bears interest at 5.45% and matures on May 1, 2026, and is payable in monthly installments of \$46,993 until maturity.	\$ 5,605,000	\$	6,100,000
Redevelopment Agency of the City of Oakland loan - On October 21, 2008, the Partnership entered into a loan agreement with the Redevelopment Agency of the City of Oakland (RDA) in the amount of \$3,000,000. The loan is non-interest bearing and matures on October 21, 2063. The Partnership shall make additional principal payments based on the surplus cash as defined in the HCD's Regulatory Agreement (see Note 12).	3,000,000		3,000,000
The California Department of Housing and Community Development loan - On January 31, 2011, the Partnership entered into a loan agreement with the California Department of Housing and Community Development (HCD) under its Multifamily Housing Program in the amount of \$10,000,000. The loan accrues interest on the unpaid principal at the simple interest rate of 3%. Payments in the amount of 0.42% per annum on the unpaid principal balance are payable on the last day of the operating year and matures on February 10, 2066. The Partnership shall make additional interest payments based on the surplus cash as defined in the HCD's Regulatory			
	10 000 000		10 000 000

10,000,000

10,000,000

## 6. MORTGAGES AND NOTES PAYABLE (continued)

	2020	2019
The Housing Authority of the City of Oakland loan - On October 1, 2008, the Partnership obtained a loan from the Housing Authority of the City of Oakland (OHA), an affiliate of the general partner, up to the amount of \$2,000,000. The loan does not bear interest, is secured by the Project and matures on October 1, 2063.	2,000,000	2,000,000
The Housing Authority of the City of Oakland loan - On October 1, 2008, the Partnership obtained another loan from OHA, up to the amount of \$14,164,614. The loan bears simple interest at 0.60%, is secured by the Project and matures on April 13, 2065. The Partnership shall make additional interest payments based on the surplus cash as defined in the HCD's Regulatory Agreement (see		
Note 12).	12,313,793	12,313,793
	32,918,793	33,413,793
Less unamortized debt issuance costs	(293,240)	(305,720)
	32,625,553	33,108,073
Current portion	(550,319)	(495,000)
	\$ 32,075,234 \$	32,613,073

Debt issuance costs, net of accumulated amortization, of \$293,240 and \$305,720 as of December 31, 2020 and 2019, respectively, are amortized using the straight line method over the life of the related mortgage notes payable, which approximates the effective interest method. During the years ended December 31, 2020 and 2019, the Partnership amortized \$12,480 of debt issuance costs in both years.

The future maturities of the mortgages and notes payable are as follows:

## Year ending December 31,

2021	\$ 550,051
2022	555,000
2023	590,000
2024	615,000
2025	225,000
Thereafter	30,383,742
	\$ 32,918,793

#### ACCRUED INTEREST

8.

Accrued interest consisted of the following:

	£	2020		2019
Current accrued interest				
Multifamily housing revenue bonds	\$	26,190	\$	28,425
HCD loan		72,047		34,708
OHA loan - \$12,313,793	V	125,717	_	
	_	223,954	_	63,133
Long-term accrued interest				
HCD loan		2,255,011		2,069,058
OHA loan - \$12,313,793		734,626		786,460
	-	2,989,637	_	2,855,518
	\$	3,213,591	\$	2,918,651
INTEREST EXPENSE				
Interest expense consisted of the following:				
		2020		2019
Multifamily housing revenue bonds	\$	324,216	\$	352,621
HCD loan		300,000		300,000

## COMMITMENTS AND CONTINGENCIES

Amortization of debt issuance costs

## Low-income housing tax credits

OHA loan - \$12,313,793

The Project has been allocated low-income housing tax credits under Section 42 of the Internal Revenue Code (IRC) and under Sections 12206, 17058, and 23610.5 of the California Revenue and Taxation Code. Provisions under IRC Section 42 require that the Project maintain its low-income status for 15 years. It is also bound by the terms of the California Tax Credit Allocation Committee Regulatory Agreement and a long-term debt agreement both of which include a 55-year low-income affordability requirement.

73,883

12,480

710,579

73,883 12,480

738,984

The Partnership expects to receive a total of \$25,042,810 of low-income housing tax credits.

## COMMITMENTS AND CONTINGENCIES (continued)

### Low-income housing tax credits (continued)

The Partnership has received or expects to receive future federal tax credits as follows:

#### Year ending December 31,

\$ 1,563,163
2,504,281
2,504,281
2,504,281
2,504,281
2,504,281
2,504,281
2,504,281
2,504,281
2,504,281
941,118
\$ 25,042,810

#### Affordability restrictions

In connection with its permanent financing loan agreements and the California Tax Credit Allocation Committee Regulatory Agreement, it is required that the Project have 136 units affordable to households whose income is at or below 60% of area median income.

#### Right of first refusal and purchase option agreement

The Partnership has entered into a Purchase Option and Right of First Refusal Agreement with the Housing Authority of the City of Oakland ("Sponsor") and the General Partner. The agreement grants Sponsor an option to either (a) Purchase the real estate, fixtures and personal property of the Project owned by the Partnership ("Project Option"), or (b) Purchase the Limited Partner's limited partnership interest in the Partnership ("Partnership Interest Option") during the option period. The option period shall be the period beginning immediately after year 12 of the compliance period and expiring sixty days after the end of the compliance period. The compliance period shall be the 15-year compliance period for the low-income housing tax credits.

The Partnership will not sell the Project without first providing the Sponsor with a written notice offering to the Sponsor a right of first refusal to purchase the Project (the "Refusal Right") after the close of the compliance period, on the terms and conditions set forth in Purchase Option and Right of First Refusal Agreement.

#### COMMITMENTS AND CONTINGENCIES (continued)

#### Risk and uncertainties

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. During the COVID-19 pandemic, the Partnership's operations have generally been considered essential in nature and have not been materially interrupted. As the situation continues to evolve, the Partnership is closely monitoring the impact of the COVID-19 pandemic on all aspects of its business, including how it impacts its tenants, contractors and subcontractors, suppliers and vendors, in addition to how the COVID-19 pandemic impacts its ability to provide services to its tenants. The Partnership believes the ultimate impact of the COVID-19 pandemic on its operating results, cash flows and financial conditions is likely to be determined by factors which are uncertain, unpredictable, and outside of its control. The situation surrounding the COVID-19 pandemic remains fluid, and if disruptions do arise, they could materially adversely impact the business of the Partnership.

#### 10. RELATED PARTY TRANSACTIONS

Pursuant to the Partnership Agreement and various other agreements, the General Partner and the Limited Partner, are to perform services for the Partnership as follows (see also Note 9):

#### Ground lease agreement

The Partnership entered into an agreement with OHA to lease the use of the ground for construction, development, operation, marketing, and leasing of the Project. The lease shall be in effect until October 1, 2107. The Partnership is required to make an annual lease payment of \$1 for the entire term of the ground lease.

### Developer fee

The Partnership entered into the Development Agreement with OHA for services rendered in overseeing the development of the Project until all development work is complete. The developer fee, currently subject to payment from surplus cash, shall be paid in full no later than December 31, 2021. As of December 31, 2020 and 2019, developer fee of \$52,899 and \$194,304 remains payable, respectively.

#### Asset management fee

Pursuant to the Partnership Agreement, the Partnership agreed to pay NEF Community Investments, Inc., an affiliate of the Limited Partner an annual fee of \$7,500 for an annual review of the operations of the Partnership and the Project. The fee amount shall be increased 3% annually. The Partnership incurred \$10,080 and \$9,787 of asset management fee expense for the years ended December 31, 2020 and 2019, respectively.

## 10. RELATED PARTY TRANSACTIONS (continued)

## Partnership management fee

In consideration for providing standard management services, the Partnership has agreed to pay the General Partner, an annual partnership management fee of \$10,000 on a cumulative basis until the year ending December 31, 2025. The amount shall increase annually by 3%. The Partnership incurred \$13,440 and \$13,048 of partnership management fee expense for the years ended December 31, 2020 and 2019, respectively.

## OHA loans

See Note 6.

## Related party transactions

Related party payables consisted of the following:

		2020	2019
Current portion			
Due to NEF Community Investments, Inc.			
Asset management fee	\$	10,080	\$ 9,787
Due to THC			
Partnership management fee		117,553	2,213
Due to OHA		010 000000000000	10780.032
Developer fee payable		52,899	141,405
Total related party payables, current portion		180,532	153,405
Long-term portion			
Due to THC			
Partnership management fee		200	104,113
Due to OHA			
Developer fee payable			52,899
Total related party payables, long-term portion	)		157,012
Total related party payables	\$	180,532	\$ 310,417

## 11. MANAGEMENT AGREEMENT

The Partnership entered into a management agreement with The John Stewart Company, an unrelated party, to manage the operations of the Project. Effective June 1, 2019, the management fee increased to \$58 per unit per month from \$55 per unit per month. During the years ended December 31, 2020 and 2019, management fee of \$95,352 and \$93,297, respectively, was incurred and charged to operations.

#### 12. PARTNERSHIP PROFITS AND LOSSES AND DISTRIBUTIONS

Income or loss of the Partnership is allocated 0.01% to the General Partner, 99.99% to the Limited Partner.

Income from Operations, as defined by the partnership agreement, except where superseded by the California Department of Housing and Community Development (HCD) regulatory agreement, is to be paid in the following order:

- 1) Deposits to required reserve accounts
- 2) Deferred development fee up to \$187,666
- Payment of asset management fees and partnership management fees to a maximum of \$12,000.
- 4) After the distribution of net cash flow from items 1 through 3 have been satisfied, payment will be
  - a) Fifty percent (50%) of remaining cash to the lenders as follows:
    - 36.60% due to HCD for payment of principal and interest
    - 52.40% due to OHA loan (\$12,313,793) for payment of principal and interest
    - 11% due to RDA loan for payment of principal
  - b) Fifty percent (50%) of remaining cash to the borrowers as follows:
    - First, to the Limited Partner to the extent of any amount which the Limited Partner is entitled to receive to satisfy any credit reduction payment required pursuant to the Partnership Agreement
    - · Second, to the payment of any accrued asset management fee
    - · Third, to pay any unpaid balance of the deferred development fee
    - Fourth, to the operating reserve account until such time as such account is equal to the operating reserve target amount as defined by the Partnership Agreement
    - Fifth, to pay any accrued and unpaid interest and unpaid principal on loans made by the Limited Partner pursuant to the Partnership Agreement
    - Sixth, to repay any accrued and unpaid interest and unpaid principal on loans made by the General Partner pursuant to the Partnership Agreement
    - Seventh, to the General Partner (in the order of loans made, with earlier loans repaid
      in full before subsequent loans are repaid) to repay any amounts treated as loans to
      the Partnership (without interest) by the General Partner pursuant to the Partnership
      Agreement
    - Eight, to pay to the General Partner any unpaid and accrued partnership management fee

## 12. PARTNERSHIP PROFITS AND LOSSES AND DISTRIBUTIONS (continued)

- Ninth, to the repayment of subordinate loans:
  - OHA loan (\$12,313,793) for payment of principal and interest
  - · RDA loan for payment of principal

## 13. COMPUTATION OF SURPLUS CASH / NET CASH FLOW

Cash flow calculation as per the State of California Department of Housing and Community Development (HCD) Regulatory Agreement are as follows:

	_	2020	_	2019
Operating income				
Operating income	\$	2,971,898	\$	2,746,829
Operating expenses		(1,743,128)		(1,636,725)
	_	1,228,770	_	1,110,104
Adjustments				
HCD interest payment		(42,000)		(42,000)
OHA bond interest payments		(324,216)		(352,621)
OHA bond principal payments		(495,000)		(470,000)
Funding of replacement reserve		(82,200)		(82,200)
Replacement reserve withdrawals for expensed items		81,014		14
Service coordinator salary disallowed by HCD		39,329	-	38,377
		(823,073)		(908,444)
Net cash flow	_	405,697	_	201,660
Allowable payment of management fees				
Asset management fee		10,080		9,787
Partnership management fee		1,920		2,213
		12,000		12,000
Net cash flow to be distributed	\$	393,697	\$	189,660

## 13. COMPUTATION OF SURPLUS CASH / NET CASH FLOW (continued)

## Distribution of net cash flow:

		2020		2019	
Distribution to lenders - 50%					
36.6% of 50% due to HCD - interest	\$	72,047	\$	34,708	
52.4% of 50% due to OHA loan \$12,313,793 - interest		103,149			
11% of 50% due to City of Oakland RDA - principal		21,653			
* D. T. C.	_	196,849		34,708	
Distribution to borrowers - 50%					
Replenishment of operating reserve		2,082		13,547	
Developer fees		52,899		141,405	
Partnership management fees		115,633		=	
OHA loan \$12,313,793 - interest		22,568		=	
City of Oakland RDA loan - principal		3,666			
1000 \$ 1000 Section (1000 Sect	-	196,848		154,952	
Total distributions of available cash flow	\$	393,697	\$	189,660	

OTHER AUDIT REPORT



## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Partners Tassafaronga Partners, L.P. Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tassafaronga Partners, L.P. (a California limited partnership) ("Partnership"), which comprise the statement of financial position as of December 31, 2020, and the related statements of operations, changes in partners' capital, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 25, 2021.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Partnership's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Partnership's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Partnership's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Partnership's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Armanino LLP

Armanino<sup>LLP</sup> San Jose, California

February 25, 2021

## Tassafaronga Partners, L.P. Summary of Audit Findings and Recommendations For the Year Ended December 31, 2020

## SECTION I - STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

There were no findings and recommendations reported in the December 31, 2019 financial statements.

## SECTION II - CURRENT YEAR FINDINGS AND RECOMMENDATIONS

There were no findings and recommendations reported in the December 31, 2020 financial statements.

SUPPLEMENTARY INFORMATION REQUIRED BY HCD

## Tassafaronga Partners, L.P. Schedule of Revenues and Expenses For the Years Ended December 31, 2020 and 2019

			2020	_	2019
Revenues 5120 5121	Rent revenue - gross potential Tenant assistance payments	\$	1,345,259 1,745,496	\$	1,260,503 1,574,436
5100T	Total rent revenue		3,090,755		2,834,939
Vacancies 5220	Apartments		126,278		102,422
5152N	Net rental revenue (rent revenue less vacancies)	_	2,964,477		2,732,517
Financial revenue 5410 5430	Financial revenue - project operations Revenue from investments - reserves		795 5,746	0	804 19,579
5400T	Total financial revenue	:-	6,541		20,383
Other revenue 5910 5920	Laundry and vending revenue Tenant charges	_	1,183 5,443	() <u> </u>	3,183 10,325
5900T	Total other revenue	_	6,626	_	13,508
5000T	Total revenue	\$	2,977,644	\$	2,766,408
Administrative 6203 6210 6311 6320 6330 6340 6350 6351 6370 6390 6390	Conventions and meetings Advertising and marketing Office expenses Management fee Manager or superintendent salaries Legal expense - project Audit expense Bookkeeping fees/accounting services Bad debts Miscellaneous expenses - recreation expenses Miscellaneous expenses - bank charges Miscellaneous expenses - administrative expenses	\$	1,521 3,831 66,316 95,352 136,189 3,793 16,118 14,796 6,748 66,139 2,076 2,433	\$	2,547 4,730 69,647 93,297 120,489 6,075 20,662 14,454 5,511 64,155 2,267 1,667
6263T	Total administrative expenses	-	415,312		405,501
Utilities 6450 6451 6452 6453	Electricity Water Gas Sewer		73,906 116,790 60,521 67,627	_	70,308 96,552 55,759 57,009
5200T	Total utilities	_	318,844	_	279,628

## Tassafaronga Partners, L.P. Schedule of Revenues and Expenses For the Years Ended December 31, 2020 and 2019

		2020	2019
Other operatin	g and maintenance expenses		
6510	Payroll	105,991	101,540
6515	Supplies	5,027	5,761
6520	Contracts	361,650	358,359
6521	Operating and maintenance rent free unit	11,304	11,304
6525	Garbage and trash removal	125,793	122,936
6570	Vehicle and maintenance equipment operation and		
	repairs	145,633	143,189
6590	Miscellaneous expenses - appliance replacements	17,341	20,310
6590	Miscellaneous expenses - interior replacements	64,482	36,599
6500T	Total other operating and maintenance expenses	837,221	799,998
Taxes and insu	ırance		
6710	Real estate taxes	3,585	3,970
6711	Payroll taxes (project's share)	19,519	18,947
6720	Property and liability insurance (hazard)	87,292	74,183
6722	Workmen's compensation	10,218	9,340
6723	Health insurance and other employee benefits	46,424	39,913
6790	Miscellaneous taxes, licenses, permits, and insurance	4,713	5,245
6700T	Total taxes and insurance	171,751	151,598
Financial expe	enses		
6820	Interest on first mortgages and notes payable	710,579	738,984
6890	Miscellaneous financial expenses	7,283	9,011
6800T	Total financial expenses	717,862	747,995
6000T	Total aget of aparations before depreciation and		
00001	Total cost of operations before depreciation and amortization	2,460,990	2,384,720
5060T	Profit (loss) before depreciation and		
	amortization	516,654	381,688
Depreciation a	and amortization		
6600	Depreciation expense	2,132,332	2,122,198
6610	Amortization expense	5,550	5,550
6600T	Total depreciation and amortization	2,137,882	2,127,748
5060N	Operating profit or (loss)	(1,621,228)	(1,746,060)
Net entity expe	enses		
7190	Other expenses - Asset management fee	10,080	9,787
7190	Other expenses - Partnership management fee	13,440	13,048
7190	Ground lease	13,440	13,048
7100T	Total net entity expenses	23,521	22,836
3250			
3230	Change in total net assets from operations	<u>\$ (1,644,749)</u>	\$ (1,768,896)

## Tassafaronga Partners, L.P. Other Supplementary Information December 31, 2020

#### Cash on Hand and in Banks

Cash on hand and in banks consisted of the following:

	2020
Unrestricted accounts	
Checking accounts - operations	\$ 509,553
TOSINICO NEON TO <del>SI</del> CONOS NONOS ESPOCI. SENS SELES NEON SENS SE	509,553
Restricted accounts	
Operating reserve	480,225
Replacement reserve	706,102
Revenue deficit reserve	1,020,279
Escrow insurance reserve	48,222
Bond reserve	74,346
Tenant security deposits	91,991
	2,421,165
	\$ 2,930,718

Tenant security deposits are maintained in a separate account and interest earned on these deposits is credit to a liability account to be refunded or applied for the benefit of tenants.

## Mortgage Impound Accounts

Mortgage impound activity consisted of the following:

Balance at January 1, 2020	\$	60,030
Monthly deposits		
Twelve months at \$6,670		80,040
	,	80,040
Payments for insurance and taxes		(91,848)
Balance at December 31, 2020	\$	48,222

Reserves for Replacement and Operating Expenses

See Note 4 for information on the Partnership's Funded Reserves.

## Tassafaronga Partners, L.P. Other Supplementary Information December 31, 2020

## Property, Equipment and Improvements

		Balance at nuary 1, 2020	7. Y <del></del>	Additions	_	Disposals	I _	Balance at December 31, 2020
Buildings and building								
improvements	\$	53,598,222	\$	=	\$	-	\$	53,598,222
Site improvements		2,513,563		-		-		2,513,563
Furniture and fixtures		1,637,065		-		-		1,637,065
Automobiles	-	7,503	\		-		-	7,503
	\$	57,756,353	\$		\$		\$	57,756,353

## Accounts Payable and Accrued Expenses

Accounts payables are payable to vendors and are being paid on a current basis. Accrued expenses are expenses incurred but have not been billed by vendors.

## Details are as follows:

Accounts payable - trade Accounts payable	\$ 102,748
Accrued expenses Accrued expenses	10,422
	<u>\$ 113,170</u>
Gross Potential R	ents
Gross potential rents consisted of the following:	
Tenant rental payments Housing assistance payments	\$ 1,345,259 1,745,496
	\$ 3,090,755

## Management Fee

See Note 10 for information on the Partnership's related party transactions.

Computation of Operating Cash Flow/Surplus Cash

See Note 13 for information on the Partnership's computation of surplus cash.

## Tassafaronga Partners, L.P. Management Agent's Certification For the Year Ended December 31, 2020

I hereby certify that I have examined the accompanying financial statements and supplementary information of Tassafaronga Partners, L.P. as of and for the year ended December 31, 2020, and to the best of my knowledge and belief, the financial statements and supplementary information is complete and accurate.

Signature:	RON BOWEN
	Ron Bowen
Title:	
Date:	2/19/2021

## Tassafaronga Partners, L.P. Certification of Officer For the Year Ended December 31, 2020

I, as an officer of Tassafaronga Housing Corporation, General Partner for Tassafaronga Partners, L.P., hereby certify that I have examined the accompanying financial statements and supplementary information of Tassafaronga Partners, L.P. as of and for the year ended December 31, 2020, and to the best of my knowledge and belief, the financial statements and supplementary information is complete and accurate.

Tassafaronga Housing Corporation Tax Identification Number 26-1358548

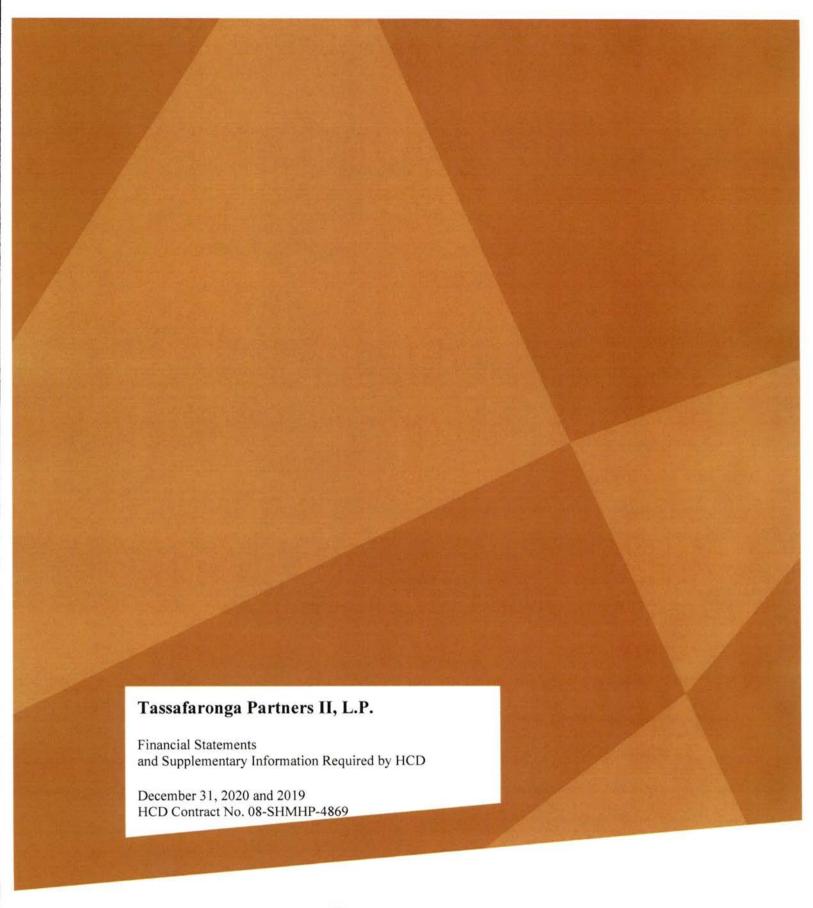
Signature:

Victor Madamba

Title:

Date:

February 24, 2021





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#### INDEPENDENT AUDITOR'S REPORT

To the Partners Tassafaronga Partners II, L.P. Oakland, CA

We have audited the accompanying financial statements of Tassafaronga Partners II, L.P. (a California limited partnership) HCD Contract No. 08-SHMHP-4869 (the "Partnership"), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, changes in partners' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

## Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and requirements of the *Audited Financial Statements Handbook for Multifamily Rental Housing of the California Department of Housing and Community Development and the California Housing Finance Agency*. 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 Tassafaronga Partners II, L.P. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 9 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. However, the ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

#### Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 28 - 34, as required by the *California Department of Housing and Community Development*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

#### Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards and the requirements of the Audited Financial Statements Handbook for Multifamily Rental Housing of the California Department of Housing and Community Development and the California Housing Finance Agency, we have also issued our report dated February 25, 2021, on our consideration of Tassafaronga Partners II, L.P.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and the requirements of the Audited Financial Statements Handbook for Multifamily Rental Housing of the California Department of Housing and Community Development and the California Housing Finance Agency in considering Tassafaronga Partners II, L.P.'s internal control over financial reporting and compliance.

Armanino LLP

Armanino<sup>LLP</sup> San Jose, California

February 25, 2021

## Tassafaronga Partners II, L.P. Balance Sheets December 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets		
Cash	\$ 122,809	\$ 135,931
Tenant accounts receivable	793	102
Other receivables	3,420	28,884
Prepaid expenses	8,885	7,679
Total current assets	135,907	172,596
Property and equipment, net	4,767,448	5,056,934
Restricted deposits and funded reserves		
Operating reserve	161,640	161,352
Replacement reserve	97,332	87,893
Revenue deficit reserve	296,375	295,846
Tenant security deposits	4,326	4,225
Total restricted deposits and funded reserves	559,673	549,316
Deferred costs	3,848	4,724
Total assets	\$ 5,466,876	\$ 5,783,570
LIABILITIES AND PARTNERS' DEFI	ICIT	
Current liabilities		
Accounts payable	\$ 22,829	\$ 80,508
Other accrued expenses	1,557	1,236
Current portion of related party payables	101,023	84,734
Rents received in advance	6,004	4,346
Total current liabilities	131,413	170,824
Long-term liabilities		
Related party payables	240,140	329,403
Accrued interest	1,018,561	918,254
Mortgages and notes payable	5,572,545	5,570,088
Tenant security deposits	4,326	4,225
Total long-term liabilities	6,835,572	6,821,970
Total liabilities	6,966,985	6,992,794
Partners' deficit	(1,500,109)	(1,209,224)
Total liabilities and partners' deficit	\$ 5,466,876	\$ 5,783,570

# Tassafaronga Partners II, L.P. Statements of Operations For the Years Ended December 31, 2020 and 2019

	2020	2019	
Operating income			
Gross residential rent potential	\$ 123,558	\$ 127,179	
Tenant assistance payments	288,067	249,467	
Vacancies - apartments	(10,975)	(13,994)	
Net residential rental income	400,650	362,652	
Laundry and vending revenue	177	476	
Tenant charges	605	1,080	
Total operating income	401,432	364,208	
Operating expenses			
Administrative expenses	83,662	94,746	
Utilities expenses	35,145	32,310	
Operating and maintenance expenses	123,470	109,100	
Taxes and insurance	34,686	29,462	
Total operating expenses	276,963	265,618	
Net operating income	124,469	98,590	
Other income (expense)			
Restricted interest income	983	2,695	
Depreciation and amortization	(290,362)	(290,197)	
Interest expense	(114,210)	(114,210)	
Partnership management fee	(6,720)	(6,524)	
Asset management fee	(5,044)	(4,893)	
Ground lease	(1)	(1)	
Total other income (expense)	(415,354)	(413,130)	
Net loss	\$ (290,885)	\$ (314,540)	

## Tassafaronga Partners II, L.P. Statements of Changes in Partners' Deficit For the Years Ended December 31, 2020 and 2019

		Assafaronga Housing Corporation (General Partner)	Co (	NEF ssignment proporation (Limited Partner)		Total
Partnership interest	-	0.01 %		99.99 %	_	100.00 %
Balance, January 1, 2019	\$	(894,684)	\$	<u> </u>	\$	(894,684)
Net loss		(31)		(314,509)		(314,540)
Reallocation of loss	-	(314,509)		314,509		
Balance, December 31, 2019		(1,209,224)		360		(1,209,224)
Net loss		(29)		(290,856)		(290,885)
Reallocation of loss	_	(290,856)	-	290,856	_	
Balance, December 31, 2020	<u>\$</u>	(1,500,109)	\$		\$	(1,500,109)

## Tassafaronga Partners II, L.P. Statements of Cash Flows For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Revenues		
Rental receipts	\$ 416,881	\$ 380,305
Other receipts	1,765	4,251
Total revenues	418,646	384,556
Expenses		
Administrative	102,139	49,448
Utilities	29,328	33,842
Operating and maintenance	143,784	99,976
Taxes and insurance	36,061	30,308
Interest	11,445	11,448
Management fees	25,920	25,621
Total expenses	348,677	250,643
Net cash provided by operating activities	69,969	133,913
Cash flows from investing activities Payment of developer fee	(72,734)	(67,420)
Purchase of property and equipment		(1,121)
Net cash used in investing activities	(72,734)	(68,541)
Net increase (decrease) in cash and restricted cash	(2,765)	65,372
Cash and restricted cash, beginning of year	685,247	619,875
Cash and restricted cash, end of year	\$ 682,482	\$ 685,247
Cash and restricted cash consisted of the following:		
Cash	\$ 122,809	\$ 135,931
Operating reserve	161,640	161,352
Replacement reserve Revenue deficit reserve	97,332	87,893
	296,375	295,846
Tenant security deposits	4,326	4,225
	\$ 682,482	\$ 685,247

# Tassafaronga Partners II, L.P. Statements of Cash Flows For the Years Ended December 31, 2020 and 2019

		2020		2019
Cash flows from operating activities				
Net loss	\$	(290,885)	\$	(314,540)
Adjustments to reconcile changes in net loss to net cash provided by operating activities				
Depreciation and amortization		290,362		290,197
Accrued interest		100,307		100,307
Amortization of debt issuance costs		2,458		2,458
Changes in operating assets and liabilities				
Tenant accounts receivable		(691)		17,802
Prepaid expenses		24,258		(13,899)
Accounts payable and accrued expenses		(57,359)		62,510
Related party payables		(240)		(583)
Rents received in advance		1,658		(10,655)
Tenant security deposits	s-	101		316
Net cash provided by operating activities	\$	69,969	\$	133,913
Supplemental disclosure of cash flow infor	matic	on		
Cash paid during the year for taxes	\$	800	•	800
Cash paid during the year for taxes	Ф	800	Φ	800

#### NATURE OF OPERATIONS

Tassafaronga Partners II, L.P., a California limited partnership (the "Partnership"), was organized on July 9, 2008. Tassafaronga Housing Corporation is the 0.01% General Partner (GP) and NEF Assignment Corporation is the 99.99% Limited Partner (LP).

#### **Purpose**

The purpose of the Partnership is to acquire, construct, own, finance, lease, and operate a low-income apartment project, located in Oakland, California, which qualifies for low-income housing tax credits under Section 42 of the Internal Revenue Code and Sections 12206, 17058, and 23610.5 of the California Code. These credits pass through to the Partners.

#### **Operations**

The Partnership operates Tassafaronga Village Phase II (the "Project"), which consists of 20 units, of which 19 units are made available to low income tenants, and one unit is set aside as a manager's unit.

#### Affiliated organizations

Oakland Housing Authority (OHA), a public body corporate and politic, is the developer of the Project and is affiliated with Tassafaronga Housing Corporation, the General Partner.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Method of accounting

The Partnership uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, consistent with accounting principles generally accepted in the United States of America.

#### Change in accounting principle

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606), which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Partnership adopted ASU 2014-09 with a date of the initial application of January 1, 2020, using the full retrospective method.

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Change in accounting principle (continued)

The adoption of ASU 2014-09 did not have a significant impact on the Partnership's financial position, result of operations, or cash flows. The majority of the Partnership's revenue stream is rental income from residential units under leases with durations of less than one year, including rent charges and rental subsidy income. The Partnership believes that both rental and subsidy income streams are exempted from compliance with ASU 2014-09 due to their inclusion under current and future lease standards. Revenue stream subject to ASU 2014-09 includes costs paid by the Project on behalf of tenants like utilities, laundry, and vending income. Such fees are ancillary to the lease process and are recognized as revenue at the point in time such fees are incurred. No changes were required to previously reported revenue as a result of the adoption of this standard.

#### Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

#### Economic concentrations

The future operations of the Partnership could be affected by changes in the economic or other conditions in the geographic area of Oakland, California or by changes in federal low-income housing subsidies or the demand for such housing.

#### Cash and cash equivalents

Cash consists of cash on hand and cash in demand deposit accounts. Not included in cash are funds restricted as to their use, regardless of their liquidity, such as security deposits and replacement reserves. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. There were no cash equivalents as of December 31, 2020 and 2019.

The Partnership maintains its cash in bank deposit accounts which, at times may exceed federally insured limits. The Partnership has not experienced any losses in such accounts and management believes it is not exposed to any significant risk relating to the cash accounts.

#### Allowance for doubtful accounts

The Partnership uses the specific write-off method to provide for doubtful accounts since past experience and management's estimation indicates an allowance for such accounts is immaterial.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property and equipment

Property and equipment are stated at cost of acquisition or construction. Acquisitions and improvements greater than \$5,000 that add value to the property are capitalized. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets, which range from 5 to 27.5 years.

#### Impairment of long-lived assets

The Partnership reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of December 31, 2020 and 2019, there were no events or changes in circumstances indicating that the carrying amount of the property and equipment may not be recoverable.

#### Deferred costs

Deferred costs are amortized over their estimated useful lives.

#### Accrued vacation

The Partnership recognizes a liability for employees' rights to receive compensation vacation pay which has been accounted for in the operating expenses.

#### Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of the debt issuance costs is calculated using the straight line method, which approximates the effective interest method and is included as a component of interest expense. Debt issuance costs will be amortized to financial expense as interest over the life of the related instrument.

#### Security deposits

The property management company collects security deposits from the tenants upon move-in.

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue recognition

Rental income is shown at its maximum gross potential. Vacancy loss is shown as a reduction in rental income. Rental units occupied by employees are included in rental income and as an expense of operations. Other income includes fees for late payments, cleaning, damages, laundry facilities, and other charges and is recorded when earned.

#### Cost allocation with adjacent project

The Project is adjacent to another project, known as Tassafaronga Village Phase I. The two projects share certain operating costs, which are allocated among the two projects based upon the total number of units of each project.

#### Advertising

The Partnership's policy is to expense advertising costs as the costs are incurred.

#### Ground lease

The ground lease is for 99 years with annual payments of \$1 due each year (see Note 10).

#### Property taxes

The Partnership has filed and received an exemption from certain property taxes in accordance with Section 214 of the California Code.

#### Income taxes

No provision has been made for income taxes, except for the \$800 minimum franchise tax required by California for limited partnerships, since the income or loss of the Partnership is to be included in the tax returns of the individual Partners. Income for financial statement purposes differs from that which is allocated to the Partners primarily because of book to tax depreciation and amortization differences.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Partnership in its federal and state tax returns are more likely than not to be sustained upon examination.

The Partnership files tax returns in the U.S. federal jurisdiction and state of California. The Partnership's federal returns for the tax years 2017 and beyond remain subject to examination by the Internal Revenue Service. The Partnership's California returns for the tax years 2016 and beyond remain subject to examination by the Franchise Tax Board.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Allocation of partnership income/loss and tax credits

Income or loss of the Partnership is allocated .01% to the General Partner and 99.99% to the Limited Partner. Low-income housing tax credits are allocated in the same manner as income or loss. Because the limited partnership's losses are limited to its investments, the Limited Partner's equity will not be reduced below zero unless future capital contributions will be made in an amount sufficient to absorb the losses. Allocation of gain or loss from the sale of the Project, if applicable, is subject to different terms, as described in the Amended and Restated Partnership Agreement (the "Partnership Agreement") dated August 20, 2009.

#### Reclassifications

Certain 2019 amounts have been reclassified to conform to the HCD approved surplus cash distribution.

#### Subsequent events

Management of the Partnership has evaluated events and transactions subsequent to December 31, 2020, for potential recognition or disclosure in the financial statements. The Partnership did not have subsequent events that required recognition or disclosure in the financial statements for the year ended December 31, 2020. Subsequent events have been evaluated through the date the financial statements became available to be issued, February 25, 2021.

#### 3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	-	2020	_	2019
*Leasehold improvements				
Buildings	\$	7,696,933	\$	7,696,933
Site improvements		140,615		140,615
Furniture and fixtures		219,892		219,892
Automobiles	-	1,121	25.1	1,121
		8,058,561		8,058,561
Accumulated depreciation and amortization	-	(3,291,113)		(3,001,627)
	\$	4,767,448	\$	5,056,934

<sup>\*</sup> Leasehold improvements were made to the land leased from OHA under the ground lease agreement discussed in Note 10.

Depreciation expense for the years ended December 31, 2020 and 2019, was \$289,486 and \$289,319, respectively.

#### 4. FUNDED RESERVES

#### Operating reserve

In accordance with the Partnership Agreement and HCD Regulatory Agreement, the General Partner shall establish an operating reserve to fund the operating deficits incurred by the Partnership during the operating deficit guarantee period. The operating reserve shall be funded in the amount of at least \$121,900, held in a separate bank account controlled by the General Partner, and maintained until the end of the Project's compliance period, as defined in the Partnership Agreement. Withdrawals from the operating reserve account will require the written approval of the General Partner and the Asset Manager. As of December 31, 2020 and 2019, the operating reserve account balance was \$161,640 and \$161,352, respectively.

Operating reserve activity consisted of the following:

	·	2020	_	2019
Balance, beginning of year	\$	161,352	\$	160,547
Bank interest		288		805
Balance, end of year	<u>\$</u>	161,640	\$	161,352

#### Replacement reserve

In accordance with the Partnership Agreement and HCD Regulatory Agreement, the Partnership is required to fund a replacement reserve account to fund capital improvements and repairs to the Project. The reserve for replacement shall be funded based on an amount of \$600 per apartment unit per year. Withdrawals from the replacement reserve account in excess of \$5,000 in the aggregate in any given month (unless such withdrawal was provided for in the approved Project budget) will require the written approval or email approval of the General Partner and the Asset Manager.

Replacement reserve activity consisted of the following:

		2020	80	2019
Balance, beginning of year	\$	87,893	\$	77,994
Funding		12,000		12,000
Bank fees		(2,727)		(2,516)
Bank interest	-	166		415
Balance, end of year	\$	97,332	\$	87,893

#### FUNDED RESERVES (continued)

#### Revenue deficit reserve

In accordance with the Partnership Agreement and HCD Regulatory Agreement, the General Partner shall have deposited into the revenue deficit reserve account an amount equal to at least \$100,800. The revenue deficit reserve has been established to fund shortfalls that could occur if rental assistance subsidies are reduced or not renewed.

Transactions affecting the revenue deficit reserve consisted of the following:

	-	2020	_	2019
Balance, beginning of year	\$	295,846	\$	294,371
Bank interest	_	529	_	1,475
Balance, end of year	<u>\$</u>	296,375	\$	295,846

#### DEFERRED COSTS

#### Tax credit fees

The Partnership incurred fees totaling \$13,166 to apply for and ultimately obtain a final reservation of low-income housing tax credits. The tax credit fees are being amortized over the 15-year credit period beginning May 20, 2010.

Deferred costs consisted of the following:

	-	2020	 2019
Deferred costs Accumulated amortization	\$	13,166 (9,318)	\$ 13,166 (8,442)
	\$	3,848	\$ 4,724

#### DEFERRED COSTS (continued) 5.

Estimated annual amortization expense is as follows:

# Year ending December 31,

2021	\$	876
2022		876
2023	*.	876
2024		876
2025		344
	\$	3,848

Amortization expense for both the years ended December 31, 2020 and 2019 was \$876.

#### 6. MORTGAGES AND NOTES PAYABLE

Mortgages and notes payable are detailed as follows:

	<u> </u>	2020	_	2019
The California Department of Housing and Community Development loan - On April 29, 2011, the Partnership entered into a loan agreement with the California Department of Housing and Community Development (HCD) for \$2,725,055. The mortgage is collateralized by a first deed of trust on the Partnership's real property as well as an assignment of rents. The loan bears simple interest at 3% per annum and is payable annually in the amount of 0.42% of the principal balance of the loan until maturity in April 2066. The Partnership shall make additional principal payments based on the surplus cash as defined in the HCD's Regulatory Agreement (see Note 12).	\$	2,725,055	\$	2,725,055
Citibank loan - On August 1, 2009, the Partnership obtained a loan from Citibank in the amount of \$200,000. The loan was obtained under the Federal Home Loan Bank Affordable Housing Program (AHP), and the Project is subject to the AHP regulations. The loan does not bear interest, is secured by the Project and matures on August 1, 2064. The principal balance will be due and payable in full on the maturity date.		200,000		200,000

## 6. MORTGAGES AND NOTES PAYABLE (continued)

	2020	2019
County of Alameda loan - On August 1, 2009, the Partnership entered into loan agreement with the County of Alameda (County) in the amount of \$500,000. The loan is secured by the Project, bears simple interest at 3% per annum, and matures in August 1, 2064. The Partnership is required to make annual payment of 10.2% of surplus cash as defined in the loan agreement starting June 1, 2011. The Partnership shall make additional principal payments based on the surplus cash as defined in the HCD's Regulatory Agreement (see Note 12).	500,000	500,000
California Tax Credit Allocation Committee loan - On July 11, 2010, the Partnership entered into loan agreement with the California Tax Credit Allocation Committee (TCAC) in the amount of \$388,241 under the Tax Credit Assistance Program. The Project is subject to the Regulatory Agreement executed between the Partnership and TCAC. The loan is secured by the Project, noninterest bearing, and matures on July 21, 2065. The principal balance will be due and payable in full on the maturity date. The Partnership shall make additional principal payments based on the surplus cash as defined in the HCD's Regulatory Agreement (see Note 12).	388,241	388,241
The Housing Authority of the City of Oakland loan - On August 1, 2009, the Partnership obtained a loan from the Housing Authority of the City of Oakland (OHA) in an amount up to \$2,343,368. The loan has two components: i) the HELP component in the amount of \$500,000 with interest at 3%; and ii) the Authority component in the amount up to \$1,843,368 bearing no interest. The loan matures on May 20, 2065. Repayments are based on the residual receipts and shall be credited first against accrued interest, then against outstanding principal attributable to the HELP Component, and then against outstanding principal attributable to the Authority Component. The Partnership shall make additional interest and principal payments based on the surplus cash as defined in the HCD's Regulatory Agreement (see Note 12).		1,819,688 5,632,984
Less unamortized debt issuance costs	(60,439)	(62,896)

#### 6. MORTGAGES AND NOTES PAYABLE (continued)

There are no scheduled maturities for the above mortgages payable for next five years.

Debt issuance costs, net of accumulated amortization, of \$60,439 and \$62,896 as of December 31, 2020 and 2019, respectively, are amortized using the straight-line method over the life of the related mortgage notes payable, which approximates the effective interest method. During the years ended December 31, 2020 and 2019, the Partnership amortized \$2,458 of debt issuance costs in both years.

#### ACCRUED INTEREST

Accrued interest consisted of the following:

	(g	2020	0.0	2019
HCD loan	\$	678,882	\$	608,575
County of Alameda loan		169,747		154,747
OHA loan	y. <del></del>	169,932		154,932
	<u>\$</u>	1,018,561	\$	918,254

#### 8. INTEREST EXPENSE

Interest expense consisted of the following:

	_	2020	 2019
HCD loan	\$	81,752	\$ 81,752
County of Alameda loan		15,000	15,000
OHA loan		15,000	15,000
Amortization of debt issuance costs	-	2,458	2,458
	\$	114,210	\$ 114,210

#### 9. COMMITMENTS AND CONTINGENCIES

#### Low-income housing tax credits

The Project has been allocated low-income housing tax credits under Section 42 of the Internal Revenue Code (IRC) and under Sections 12206, 17058, and 23610.5 of the California Revenue and Taxation Code. Provisions under IRC Section 42 require that the Project maintain its low-income status for 15 years. It is also bound by the terms of the California Tax Credit Allocation Committee Regulatory Agreement and a long-term debt agreement both of which include a 55-year low-income affordability requirement.

#### 9. COMMITMENTS AND CONTINGENCIES (continued)

#### Low-income housing tax credits (continued)

The Partnership expects to receive a total of \$3,474,790 of low-income housing tax credits.

The Partnership has received or expects to receive future federal tax credits as follows:

#### Year ending December 31,

2010	\$ 193,305
2011	347,479
2012	347,479
2013	347,479
2014	347,479
2015	347,479
2016	347,479
2017	347,479
2018	347,479
2019	347,479
2020	154,174
	\$ 3,474,790

#### Affordability restrictions

In connection with its permanent financing loan agreements and the California Tax Credit Allocation Committee Regulatory Agreement, it is required that the Project have 19 units affordable to households whose income is at or below 50% of area median income.

#### Right of first refusal and purchase option agreement

The Partnership has entered into a Purchase Option and Right of First Refusal Agreement with the Housing Authority of the City of Oakland ("Sponsor") and the General Partner. The agreement grants Sponsor an option to either (a) Purchase the real estate, fixtures and personal property of the Project owned by the Partnership ("Project Option"), or (b) Purchase the Limited Partner's limited partnership interest in the Partnership ("Partnership Interest Option") during the option period. The option period shall be the period beginning immediately after year 12 of the compliance period and expiring sixty days after the end of the compliance period. The compliance period shall be the 15-year compliance period for the low-income housing tax credits.

The Partnership will not sell the Project without first providing the Sponsor with a written notice offering to the Sponsor a right of first refusal to purchase the Project (the "Refusal Right") after the close of the compliance period, on the terms and conditions set forth in Purchase Option and Right of First Refusal Agreement.

#### COMMITMENTS AND CONTINGENCIES (continued)

#### Risk and uncertainties

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. During the COVID-19 pandemic, the Partnership's operations have generally been considered essential in nature and have not been materially interrupted. As the situation continues to evolve, the Partnership is closely monitoring the impact of the COVID-19 pandemic on all aspects of its business, including how it impacts its tenants, contractors and subcontractors, suppliers and vendors, in addition to how the COVID-19 pandemic impacts its ability to provide services to its tenants. The Partnership believes the ultimate impact of the COVID-19 pandemic on its operating results, cash flows and financial conditions is likely to be determined by factors which are uncertain, unpredictable and outside of its control. The situation surrounding the COVID-19 pandemic remains fluid, and if disruptions do arise, they could materially adversely impact the business of the Partnership.

#### 10. RELATED PARTY TRANSACTIONS

Pursuant to the Partnership Agreement and various other agreements, the General Partner and the Limited Partner, are to perform services for the Partnership as follows (see also Note 9):

#### Ground lease agreement

The Partnership entered into an agreement with OHA to lease the use of the ground for construction, development, operation, marketing and leasing of the Project. The lease shall be in effect until July 1, 2108. The Partnership is required to make an annual lease payment of \$1 for the entire term of the ground lease.

#### Developer fee

The Partnership entered into the Development Agreement with OHA for services rendered in overseeing the development of the Project until all development work is complete. The developer fee shall be paid in full no later than December 31, 2022. As of December 31, 2020 and 2019, developer fee of \$293,817 and \$366,551 remains payable, respectively.

#### Asset management fee

Pursuant to the Partnership Agreement, the Partnership agreed to pay NEF Community Investments, Inc., an affiliate of the Limited Partner an annual fee of \$3,750 for an annual review of the operations of the Partnership and the Project. The fee amount shall be increased 3% annually. The Partnership incurred \$5,044 and \$4,893 of asset management fee expense for the years ended December 31, 2020 and 2019, respectively.

#### 10. RELATED PARTY TRANSACTIONS (continued)

#### Partnership management fee

In consideration for providing standard management services, the Partnership has agreed to pay the General Partner, an annual partnership management fee of \$5,000 on a cumulative basis until the year ending December 31, 2025. The amount shall increase annually by 3%. The Partnership incurred \$6,720 and \$6,524 of partnership management fee expense for the years ended December 31, 2020 and 2019, respectively.

#### OHA Loans

See Note 6.

#### Related party transactions

Related party payables consisted of the following:

	2020	 2019
Current portion		
Due to NEF Community Investments, Inc.		
Asset management fee	\$ 5,044	\$ 4,893
Due to THC	52	7500000
Partnership management fee	6,956	7,107
Due to OHA		- XX-4.000 XX
Developer fee payable	89,023	72,734
Total related party payables, current portion	101,023	84,734
Long-term portion		
Due to THC		
Partnership management fee	35,346	35,586
Due to OHA	100 m to 10 <b>2</b> 00 00 10 10 10 10 10 10 10 10 10 10 10 1	100 m 1 m 1 m 1 m 1 m 1 m 1 m 1 m 1 m 1
Developer fee	204,794	293,817
Total related party payables, long-term portion	240,140	329,403
Total related party payables	\$ 341,163	\$ 414,137

#### 11. MANAGEMENT AGREEMENT

The Partnership entered into a management agreement with The John Stewart Company, an unrelated party, to manage the operations of the Project. Effective June 1, 2019, the management fee increased to \$58 per unit per month from \$55 per unit per month. During the years ended December 31, 2020 and 2019, management fee of \$13,920 and \$13,620 for each year was incurred and charged to operations.

#### 12. PARTNERSHIP PROFITS AND LOSSES AND DISTRIBUTIONS

Income or loss of the Partnership is allocated 0.01% to the General Partner, 99.99% to the Limited Partner.

Income from Operations, as defined by the partnership agreement, except where superseded by the California Department of Housing and Community Development (HCD) regulatory agreement, is to be paid in the following order:

- Deposits to required reserve accounts
- 2) Deferred development fee up to \$471,541
- Payment of asset management fees and partnership management fees to a maximum of \$12,000.
- After the distribution of net cash flow from items 1 through 3 have been satisfied, payment will be
  - a) Fifty percent (50%) of remaining cash to the lenders as follows:
    - 55.2% due to HCD for payment of principal and interest
    - 10.2% due to County of Alameda (HOPWA) loan for payment of principal and interest
    - 34.6% due to OHA loan for payment of principal
  - b) Fifty percent (50%) of remaining cash to the lenders as follows:
    - First, to the Limited Partner to the extent of any amount which the Limited Partner
      is entitled to receive to satisfy any credit reduction payment required pursuant to the
      Partnership Agreement
    - · Second, to the payment of any accrued asset management fee
    - · Third, to pay any unpaid balance of the deferred development fee
    - Fourth, to the operating reserve account until such time as such account is equal to the operating reserve target amount as defined by the Partnership Agreement
    - Fifth, to pay any accrued and unpaid interest and unpaid principal on loans made by the Limited Partner pursuant to the Partnership Agreement
    - Sixth, to repay any accrued and unpaid interest and unpaid principal on loans (which
      have been approved by the lender of the HOPWA subordinate loan) made by the
      General Partner pursuant to the Partnership Agreement
    - Seventh, to the General Partner (in the order of loans made, with earlier loans repaid
      in full before subsequent loans are repaid) to repay any amounts treated as loans to
      the Partnership (without interest) by the General Partner pursuant to the Partnership
      Agreement

#### 12. PARTNERSHIP PROFITS AND LOSSES AND DISTRIBUTIONS (continued)

- Eight, to pay to the General Partner any unpaid and accrued partnership management fee
- · Ninth, to the repayment of subordinate loans:
  - HOPWA loan for payment of principal and interest
  - OHA \$500,000 loan for payment of principal and interest
  - OHA \$1,319,688 loan for payment of principal
  - Citibank (AHP) loan for payment of principal
  - · TCAC loan for payment of principal
- Tenth, to the repay any accrued and unpaid principal and interest on loans (which have not been approved by the lender of the HOPWA subordinate loan) made by the General Partner

#### 13. COMPUTATION OF SURPLUS CASH / NET CASH FLOW

Cash flow calculation as per the State of California Department of Housing and Community Development (HCD) Regulatory Agreement are as follows:

	2020	2019
Operating income	,	
Operating income	\$ 401,432	\$ 364,208
Operating expenses	(276,964)	(265,615)
	124,468	98,593
Adjustments		
HCD interest payment	(11,445)	(11,445)
Funding of replacement reserve	(12,000)	(12,000)
Service coordinator salary disallowed by HCD		9,586
	(23,445)	(13,859)
Net cash flow	101,023	84,734
Allowable payments:		
Asset management fee	5,044	4,893
Partnership management fee	6,956	7,107
Developer fee	89,023	72,734
	101,023	84,734
Net cash flow to be distributed	\$	<u>\$</u>

OTHER AUDIT REPORT



# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Partners Tassafaronga Partners II, L.P. Oakland, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tassafaronga Partners II, L.P. (a California limited partnership) ("Partnership"), which comprise the statement of financial position as of December 31, 2020, and the related statements of operations, changes in partners' deficit, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 25, 2021.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Partnership's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Partnership's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Partnership's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Partnership's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Armanino<sup>LLP</sup>

Armanino LLP

San Jose, California

February 25, 2021

# Tassafaronga Partners II, L.P. Summary of Audit Findings and Recommendations For the Year Ended December 31, 2020

#### SECTION I - STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

There were no findings and recommendations reported in the December 31, 2019 financial statements.

#### SECTION II - CURRENT YEAR FINDINGS AND RECOMMENDATIONS

There were no findings and recommendations reported in the December 31, 2020 financial statements.

SUPPLEMENTARY INFORMATION REQUIRED BY HCD

# Tassafaronga Partners II, L.P. Schedule of Revenues and Expenses For the Years Ended December 31, 2020 and 2019

		à	2020	_	2019
Revenues 5120 5121	Rent revenue - gross potential Tenant assistance payments	\$	123,558 288,067	\$	127,179 249,467
5100T	Total rent revenue		411,625	_	376,646
Vacancies 5220	Apartments		10,975		13,994
5200T	Total vacancies		10,975		13,994
5152N	Net rental revenue (rent revenue less vacancies)		400,650		362,652
Financial reven 5430	ue Revenue from investments - reserves		983		2,695
5400T	Total financial revenue		983		2,695
Other revenue	Total Intalesa Tevenae	-	705		2,075
5910 5920	Laundry and vending revenue Tenant charges	B0	177 605		476 1,080
5900T	Total other revenue		782	_	1,556
5000T	Total revenue	\$	402,415	\$	366,903
Administrative	expenses				
6203	Conventions and meetings	\$	223	\$	352
6210	Advertising and marketing		275		362
6250	Insurance claim expense		(1,068)		6,442
6311	Office expenses		8,149		9,528
6320	Management fee		13,920		13,620
6330	Manager or superintendent salaries		20,706		15,474
6331	Administrative rent free unit		10,200		10,200
6340	Legal expense - project		12		50
6350	Audit and tax expense		16,118		20,797
6351	Bookkeeping fees/accounting services		2,160		2,110
6370	Bad debts		-		3,426
6390	Miscellaneous expenses - recreation expenses		9,882		9,586
6390	Miscellaneous expenses - administrative expenses		230		283
6390	Miscellaneous expenses - bank charges		2,724		2,516
6390	Miscellaneous expenses - recreational supplies	_	143		
6263T	Total administrative expenses	<u> </u>	83,662		94,746

# Tassafaronga Partners II, L.P. Schedule of Revenues and Expenses For the Years Ended December 31, 2020 and 2019

		2020	2019
Utilities			
6450	Electricity	336	225
6451	Water	17,981	17,514
6452	Gas	8,066	7,202
6453	Sewer	8,762	7,369
5200T	Total utilities	35,145	32,310
Other operat	ing and maintenance expenses		
6510	Payroll	16,162	12,953
6515	Supplies	750	838
6520	Contracts	46,177	52,518
6525	Garbage and trash removal	24,779	17,777
6570	Vehicle and maintenance equipment operation and		
	repairs	24,621	23,581
6590	Miscellaneous - appliance replacements	10,981	1,433
6500T	Total other operating and maintenance expenses	123,470	109,100
Taxes and in	surance		
6711	Payroll taxes (project's share)	2,999	2,315
6720	Property and liability insurance (hazard)	21,840	19,182
6722	Workmen's compensation	1,420	1,059
6723	Health insurance and other employee benefits	6,981	5,298
6790	Miscellaneous taxes, licenses, permits and insurance	1,446	1,608
6700T	Total taxes and insurance	34,686	29,462
Financial ex	penses		
6820	Interest on first mortgages and notes payable	114,210	114,210
6800T	Total financial expenses	114,210	114,210
6000T	Total cost of operations before depreciation and amortization	391,173	379,828
5060T	Profit (loss) before depreciation and amortization	11,242	(12,925)

# Tassafaronga Partners II, L.P. Schedule of Revenues and Expenses For the Years Ended December 31, 2020 and 2019

		2020	2019
Depreciatio	n and amortization		
6600	Depreciation expense	289,486	289,319
6610	Amortization expense	876	878
6600T	Total depreciation and amortization	290,362	290,197
5060N	Operating profit or (loss)	(279,120)	(303,122)
Net entity e	xpenses		
7190	Other expenses - Partnership management fee	6,720	6,524
7190	Other expenses - Asset management fee	5,044	4,893
7190	Ground lease	1	1
7100T	Total net entity expenses	11,765	11,418
3250	Change in total net assets from operations	\$ (290,885)	\$ (314,540)

# Tassafaronga Partners II, L.P. Other Supplementary Information December 31, 2020

#### Cash on Hand and in Banks

Cash on hand and in banks consisted of the following:

× 4	2020
Unrestricted accounts	
Checking accounts - operations	\$ 122,809
Technological distribution of the state of t	122,809
Restricted accounts	
Operating reserve	161,640
Replacement reserve	97,332
Revenue deficit reserve	296,375
Tenant security deposits	4,326
	559,673
	\$ 682,482

Tenant security deposits are maintained in a separate account and interest earned on these deposits is credited to a liability account to be refunded or applied for the benefit of tenants.

#### Reserves for Replacement and Operating Expenses

See Note 4 for information on the Partnership's Funded Reserves.

#### Property, Equipment and Improvements

	Balance at uary 1, 2020	Ac	dditions	Disp	osals	Balance at ecember 31, 2020
Buildings Site improvements Furniture and fixtures Automobiles	\$ 7,696,933 140,615 219,892 1,121	\$	9 8	\$	-	\$ 7,696,933 140,615 219,892 1,121
Automobiles	\$ 8,058,561	\$		\$		\$ 8,058,561

### Tassafaronga Partners II, L.P. Other Supplementary Information December 31, 2020

#### Accounts Payable and Accrued Expenses

Accounts payables are payable to vendors and are being paid on a current basis. Accrued expenses are expenses incurred but have not been billed by vendors.

Details are as follows:

Accounts payable - trade Accounts payable

\$ 22,829

Accrued expenses

Other accrued expenses

1,557

\$ 24,386

#### Gross Potential Rents

Gross potential rents consisted of the following:

Tenant rental payments Housing assistance payments \$ 123,558

288,067

\$ 411,625

#### Management Fee

See Note 10 for information on the Partnership's related party transactions.

Computation of Operating Cash Flow/Surplus Cash

See Note 13 for information on the Partnership's computation of surplus cash.

# Tassafaronga Partners II, L.P. Management Agent's Certification For the Year Ended December 31, 2020

I hereby certify that I have examined the accompanying financial statements and supplementary information of Tassafaronga Partners II, LP as of and for the year ended December 31, 2020, and to the best of my knowledge and belief, the financial statements and supplementary information is complete and accurate.

Signature:	-	
	Ron Bowen	
Title:		
Date:		

## Tassafaronga Partners II, L.P. Certification of Officer For the Year Ended December 31, 2020

I, as an officer of Tassafaronga Housing Corporation, General Partner for Tassafaronga Partners II, LP, hereby certify that I have examined the accompanying financial statements and supplementary information of Tassafaronga Partners II, LP as of and for the year ended December 31, 2020, and to the best of my knowledge and belief, the financial statements and supplementary information is complete and accurate.

Tax Identification Number 26-1358548

Signature:

Victor Madamba

Title:

Date:

Tassafaronga Housing Corporation