

**AGENDA**  
**REGULAR MEETING OF THE BOARD OF DIRECTORS**  
**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**

**DATE:** January 18, 2023

**TIME:** 3:00 PM

**PLACE:** Join Zoom Meeting  
<https://us02web.zoom.us/j/6917934402>

Meeting ID: 691 793 4402  
One tap mobile  
(669) 900-9128, 6917934402# US

**1. Call to Order Regular Session and Roll Call**

**2. Public Comment**

*Note: This portion of the Agenda allows the public to speak to the Board on the various issues not itemized on this Agenda. A member of the public may also request that a matter appearing on the Consent Calendar be pulled and discussed separately. Pursuant to the Brown Act, the Board may not take action on any item that does not appear on the Agenda. Each speaker is limited to speak for a period of three (3) minutes regarding each item on the Agenda. Each speaker is limited to speak for a period of three (3) minutes during the PUBLIC COMMENT portion of the Agenda regarding items of special interest to the public not appearing on the Agenda that are within the subject matter jurisdiction of the Board of Directors. The three (3) minute time limit may not be transferred to other speakers. The three (3) minute time limit for each speaker may be extended by the President of the Board or the Presiding Member of the Board. The three (3) minute time limit for each speaker may be enforced by the President of the Board or the Presiding Member of the Board.*

**3. Consider Appointing Richard Marks to the Board of Directors of the Humboldt Bay Development Association as a Member of the Public**

**4. Consider Appointing Aaron Newman to the Board of Directors of the Humboldt Bay Development Association as a District Appointee**

**5. Consent Calendar**

- a) Adopt Minutes for December 21, 2022 Regular Board Meeting
- b) Approve Draft Audit for FY 2021/2022
- c) Receive Financial Statements for July through December 2022

**6. Unfinished Business**

- a) Restructure of Rental Agreement at RMT II

***Agenda for January 19, 2023 Regular Board Meeting***

- b)** Update on Samoa Peninsula Current and Long-Range Development Opportunities and the County's Enhanced Infrastructure Finance District
- c)** Update on New Market Tax Credit Loan Termination Timeline, Process, Preliminary Cost; Consider Appointing Weist Law Firm to Review the Dissolution Documents

**7. New Business**

- a)** Review Letter from the Peninsula Community Services District and Discuss Opportunities to Support the Samoa Peninsula Fire Protection District

**8. Communications and Reports**

- a)** Executive Director's Report
- b)** Staff Reports
- c)** Board Reports

**9. Adjournment**

**DRAFT MINUTES  
REGULAR MEETING OF THE BOARD OF DIRECTORS  
HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**

**December 21, 2022**

**PRESENT:**

Dale Unea  
Richard Marks  
Leroy Zerlang

**ABSENT:**

Patrick Higgins

The Meeting of the Board of Directors was called to order at 3:07 PM

**PUBLIC COMMENT:** None

**CONSENT CALENDAR**

**a) Adopt Minutes for September 21, 2022 Regular Board Meeting**

DIRECTOR ZERLANG MOVED TO APPROVE THE CONSENT CALENDAR.

DIRECTOR UNEA SECONDED.

ROLL CALL VOTE WAS CALLED, MOTION CARRIED.

AYES: MARKS, UNEA, ZERLANG

NOES: NONE

ABSENT: HIGGINS

ABSTAIN: NONE

**NON-AGENDA:** None

**UNFINISHED BUSINESS**

**a) Update on New Market Tax Credit Loan Termination Timeline, Process, Preliminary Cost**

Presented by District Staff.

The Board discussed the item.

Item was opened to public comment; no one commented.

Discussion only, no formal action was taken.

**NEW BUSINESS**

**a) Exercise of Option to Assign the Purchase and Sale of APN# 401-031-083 to the Humboldt Bay Harbor, Recreation and Conservation District**

Item presented by District Staff.

The Board Discussed the item.

Item was opened to public comment, no one commented.

DIRECTOR UNEA MOVED TO EXERCISE THE OPTION TO ASSIGN THE PURCHASE AND SALE OF APN 401-031-083 TO THE HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT.

DIRECTOR ZERLANG SECONDED.

ROLL CALL VOTE WAS CALLED, MOTION CARRIED WITHOUT DISSENT.

AYES: MARKS, UNEA, ZERLANG

NOES: NONE

ABSENT: HIGGINS

ABSTAIN: NONE

**COMMUNICATIONS AND REPORTS**

- a) Executive Director’s Report – None.
- b) Staff Reports – None.
- c) Board Reports  
Board members reported on recent activities.

**FUTURE AGENDA ITEMS**

- a) Evaluate Humboldt Bay Development Association financials and see if there is a way to contribute to the Samoa Peninsula Fire District

The meeting was adjourned at 3:20 PM

APPROVED BY:

RECORDED BY:

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Patrick Higgins  
Secretary  
Humboldt Bay Development Association

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Mindy Hiley  
Director of Administrative Services  
Humboldt Bay Harbor District



# **Humboldt Bay Development Association, Inc.**

**Financial Statements  
with Report of Independent Auditors**

**June 30, 2022 and 2021**

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
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## Report of Independent Auditors

To the Board of Directors of  
Humboldt Bay Development Association, Inc.:

### **Opinion**

We have audited the accompanying financial statements of Humboldt Bay Development Association, Inc., a California nonprofit public benefit corporation, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Humboldt Bay Development Association, Inc. as of June 30, 2022 and 2021, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Humboldt Bay Development Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Humboldt Bay Development Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Humboldt Bay Development Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Humboldt Bay Development Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Long Beach, California

<Report Date>

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2022 and 2021

|                                   | 2022         | 2021         |
|-----------------------------------|--------------|--------------|
| <b>ASSETS</b>                     |              |              |
| Current assets                    |              |              |
| Cash and cash equivalents         | \$ 12,130    | \$ 22,281    |
| Total current assets              | 12,130       | 22,281       |
| Noncurrent assets                 |              |              |
| Restricted cash (Note 4)          | 87,244       | 142,228      |
| Deposits                          | 50,000       | -            |
| Deferred rent asset (Note 7)      | 2,261,891    | 1,937,058    |
| Fixed assets, net (Note 2)        | 7,362,074    | 7,519,284    |
| Deferred charges, net (Note 2)    | 14,792       | 15,034       |
| Total noncurrent assets           | 9,776,001    | 9,613,604    |
| Total assets                      | \$ 9,788,131 | \$ 9,635,885 |
| <b>LIABILITIES AND NET ASSETS</b> |              |              |
| Current liabilities               |              |              |
| Accounts payable                  | \$ 7,500     | \$ 7,500     |
| Due to related parties (Note 5)   | 36,000       | -            |
| Notes payable, current            | 104,612      | -            |
| Total current liabilities         | 148,112      | 7,500        |
| Noncurrent liabilities            |              |              |
| Notes payable, net (Note 6)       | 8,220,479    | 8,302,327    |
| Total noncurrent liabilities      | 8,220,479    | 8,302,327    |
| Total liabilities                 | 8,368,591    | 8,309,827    |
| Net assets                        |              |              |
| Without donor restrictions        | 1,419,540    | 1,326,058    |
| Total net assets                  | 1,419,540    | 1,326,058    |
| Total liabilities and net assets  | \$ 9,788,131 | \$ 9,635,885 |

see accompanying notes

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the years ended June 30, 2022 and 2021

|                                 | Without Donor Restrictions |              |
|---------------------------------|----------------------------|--------------|
|                                 | 2022                       | 2021         |
| <b>REVENUES</b>                 |                            |              |
| Rental income                   | \$ 536,633                 | \$ 538,634   |
| Interest income                 | 16                         | 52           |
| Total revenues                  | 536,649                    | 538,686      |
| <b>EXPENSES</b>                 |                            |              |
| Program services                | 397,425                    | 396,537      |
| Management and general          | 45,742                     | 46,337       |
| Total expenses                  | 443,167                    | 442,874      |
| Change in net assets            | 93,482                     | 95,812       |
| Net assets at beginning of year | 1,326,058                  | 1,230,246    |
| Net assets at end of year       | \$ 1,419,540               | \$ 1,326,058 |

see accompanying notes

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended June 30, 2022

| EXPENSES                           | <u>Program Services</u> | <u>Support Services</u>           |                    | Total             |
|------------------------------------|-------------------------|-----------------------------------|--------------------|-------------------|
|                                    | <u>Program</u>          | <u>Management<br/>and General</u> | <u>Fundraising</u> |                   |
| Interest expense                   | \$ 239,973              | \$ -                              | \$ -               | \$ 239,973        |
| Depreciation                       | 157,210                 | -                                 | -                  | 157,210           |
| Amortization                       | 242                     | -                                 | -                  | 242               |
| General and administrative expense | -                       | 36,692                            | -                  | 36,692            |
| Professional fees                  | -                       | 9,050                             | -                  | 9,050             |
| Total expenses                     | <u>\$ 397,425</u>       | <u>\$ 45,742</u>                  | <u>\$ -</u>        | <u>\$ 443,167</u> |

see accompanying notes

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended June 30, 2021

| EXPENSES                           | <u>Program Services</u> | <u>Support Services</u>   |             | Total             |
|------------------------------------|-------------------------|---------------------------|-------------|-------------------|
|                                    | Program                 | Management<br>and General | Fundraising |                   |
| Interest expense                   | \$ 239,327              | \$ -                      | \$ -        | \$ 239,327        |
| Depreciation                       | 157,210                 | -                         | -           | 157,210           |
| General and administrative expense | -                       | 37,047                    | -           | 37,047            |
| Professional fees                  | -                       | 9,290                     | -           | 9,290             |
| Total expenses                     | <u>\$ 396,537</u>       | <u>\$ 46,337</u>          | <u>\$ -</u> | <u>\$ 442,874</u> |

see accompanying notes

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
For the years ended June 30, 2022 and 2021

|   | 2022                 | 2021                  |
|---|----------------------|-----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                      |                       |
| Change in net assets  | \$ 93,482            | \$ 95,812             |
| Adjustments to reconcile change in net assets to net cash used in operating activities: |                      |                       |
| Interest expense - debt issuance cost   | 22,764               | 22,118                |
| Depreciation  | 157,210              | 157,210               |
| Amortization  | 242                  | -                     |
| Changes in operating assets and liabilities:  |                      |                       |
| Increase in deposits  | (50,000)             | -                     |
| Increase in deferred rent asset   | (324,833)            | (333,003)             |
| Increase (decrease) in due to related parties   | 36,000               | (36,000)              |
| Net cash used in operating activities   | (65,135)             | (93,863)              |
| <br>Net change in cash, cash equivalents and restricted cash                            | <br>(65,135)         | <br>(93,863)          |
| <br>Cash, cash equivalents and restricted cash at beginning of year                     | <br><u>164,509</u>   | <br><u>258,372</u>    |
| <br>Cash, cash equivalents and restricted cash at end of year                           | <br><u>\$ 99,374</u> | <br><u>\$ 164,509</u> |
| <br>Cash and cash equivalents   | <br>\$ 12,130        | <br>\$ 22,281         |
| Restricted cash   | 87,244               | 142,228               |
| Total cash, cash equivalents and restricted cash  | \$ 99,374            | \$ 164,509            |
| <br>Supplemental disclosure of cash flow information:                                   |                      |                       |
| Cash paid for interest  | \$ 217,209           | \$ 217,209            |

see accompanying notes

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

1. Organization and purpose

Humboldt Bay Development Association, Inc. (the “Organization”), a California nonprofit public benefit corporation, was incorporated on January 5, 2016, and was classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) of the Internal Revenue Code (“IRC”) of 1986. The purpose of the Organization is to support and implement improvements in Samoa, California, and, in conjunction with other public agencies and nonprofit organizations, as appropriate, to promote the health and well-being of residents of Humboldt County through the environmental improvement and development of the Humboldt Bay Eco-Industrial Park facilities.

2. Summary of significant accounting policies

Basis of accounting

The Organization prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Basis of presentation

The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, which will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Economic concentrations

The Organization leases out commercial space located in Samoa, California to Humboldt Bay Harbor, Recreation and Conservation District (“HBHRCD”), a California public entity. Future operations could be affected by changes in economic or other conditions in that geographical area.

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

2. Summary of significant accounting policies (continued)

Vulnerability – Impact of COVID-19

The severity of the impact of COVID-19 on the Organization’s operations will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Organization’s tenants, all of which are uncertain and cannot be predicted. The Organization’s future results could be adversely impacted by delays in rent collections. Management is unable to predict with absolutely certainty the impact of COVID-19 on its financial condition, results of operations or cash flows.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

Restricted cash is not considered cash and cash equivalents, and includes cash held with financial institutions for debt service. Restricted cash does not fall under the criteria for net assets with donor restrictions as these funds are held for operational purposes rather than donor imposed restrictions.

Concentration of credit risk

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

Fixed assets and depreciation

Purchases of property, equipment or improvements are recorded at cost. Major improvements are charged to the fixed asset account, while maintenance and repairs, which do not extend the life of the respective assets, are expensed. The fair value of donated fixed assets is capitalized. When fixed assets are retired or otherwise disposed, the cost of the fixed asset and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in income.

Depreciation for building is computed on the straight-line method over 40 years. Depreciation for the capital lease building is amortized on the straight-line method over the term of the lease of 65 years and is included in depreciation expense. Depreciation expense for the years ended June 30, 2022 and 2021 was \$157,210 for both years. As of June 30, 2022 and 2021, fixed assets consist of:

|                                | <u>2022</u>         | <u>2021</u>         |
|--------------------------------|---------------------|---------------------|
| Building                       | \$ 4,320,729        | \$ 4,320,729        |
| Building – capital lease       | 3,197,457           | 3,197,457           |
| Land – capital lease           | <u>708,543</u>      | <u>708,543</u>      |
| Total fixed assets             | 8,226,729           | 8,226,729           |
| Less: accumulated depreciation | <u>(864,655)</u>    | <u>(707,445)</u>    |
| Fixed assets, net              | <u>\$ 7,362,074</u> | <u>\$ 7,519,284</u> |

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

2. Summary of significant accounting policies (continued)

Deferred charges and amortization

Deferred charges are recorded at cost and amortized over the life of the Ground Lease, as defined in Note 7, of 780 months using the straight-line method. Amortization expense for the years ended June 30, 2022 and 2021 was \$242 and \$0, respectively. As of June 30, 2022 and 2021, deferred charges consist of:

|                                | 2022      | 2021      |
|--------------------------------|-----------|-----------|
| Lease costs                    | \$ 15,760 | \$ 15,760 |
| Less: accumulated amortization | (968)     | (726)     |
| Deferred charges, net          | \$ 14,792 | \$ 15,034 |

Impairment of long-lived assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flows expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. There was no impairment losses recognized as of June 30, 2022 and 2021.

Debt issuance costs

The Organization presents debt issuance costs as an offset against debt on its financial statements. Debt issuance costs are amortized to interest expense using the effective interest method over the life of the associated loan.

Revenue recognition for tenant leases and tenant charges

Pursuant to Statement of Financial Accounting Standards Board Accounting Standards Codification (“FASB-ASC”) 840-20, *Operating Leases*, lease revenue is recognized on a straight-line basis over the lease term. Rental payments are due quarterly, partially in advance and partially in arrears.

Functional expenses

The costs of providing program services and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services, administrative and support, and fundraising services benefited. Such allocations are determined by management on an equitable basis.

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

2. Summary of significant accounting policies (continued)

Functional expenses (continued)

The expenses that are allocated include the following:

| <u>Expense</u>                     | <u>Method of Allocation</u> |
|------------------------------------|-----------------------------|
| Interest expense                   | Purpose                     |
| Depreciation                       | Purpose                     |
| Amortization                       | Purpose                     |
| Management fee                     | Time and effort             |
| Professional fees                  | Time and effort             |
| General and administrative expense | Purpose                     |

Income taxes

The Organization is exempt from federal income taxes under IRC Section 501(c)(3) and from California income and franchise taxes under Revenue and Taxation Code Section 23701(d).

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. The Organization has determined whether any tax positions have met the recognition threshold and have measured the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal tax authorities generally have the right to examine and audit the previous three years of tax returns filed. California tax authorities generally have the right to examine and audit the previous four years of tax returns filed. Any interest or penalties assessed to the Organization are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Subsequent events

Subsequent events have been evaluated through **<Report Date>**, which is the date the consolidated financial statements were available to be issued, and there are no subsequent events requiring disclosure.

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

3. Liquidity and availability of financial assets

The following represents the Organization’s financial assets as of June 30, 2022 and 2021:

|   | 2022      | 2021      |
|---|-----------|-----------|
| Financial assets at year end:   |           |           |
| Cash and cash equivalents   | \$ 12,130 | \$ 22,281 |
| Restricted cash   | 87,244    | 142,228   |
| Total financial assets  | 99,374    | 164,509   |
| Less amounts not available to be used within one year:                              |           |           |
| Restricted cash   | 66,311    | 87,228    |
| Total assets not available  | 66,311    | 87,228    |
| Financial assets available to meet general expenditures over the next twelve months | \$ 33,063 | \$ 77,281 |

The Organization generally maintains operating cash reserves to meet at least 30 days of operating expenses.

4. Restricted cash

Restricted cash includes reserve accounts established for debt service. The Organization’s restricted cash balance as of June 30, 2022 and 2021 was \$87,244 and \$142,228, respectively.

5. Transactions with related parties

Accounting and administrative fee

On July 1, 2019 the Organization entered into an agreement with HBHRCD for a term of three years ending on June 30, 2022 for HBHRCD to provide general accounting duties, preparation of interim financial statements, attendance at Board Meetings, participation in annual audit, and compliance reporting for New Market Tax Credits (“NMTC”) as well as other administrative and clerical duties. The Organization shall pay HBHRCD \$36,000 per year for this service. For the years ended June 30, 2022 and 2021, the accounting and administrative fee was \$36,000 for both years. As of June 30, 2022 and 2021, the Organization owed \$36,000 and \$0, respectively.

6. Notes payable

Pursuant to the Credit Agreement dated March 9, 2016 (the “Credit Agreement”), the Organization entered into a loan agreement with CNMC Sub-CDE 69, LLC (“CNMC”) and New Markets Community Capital XVII, LLC (“NMCC”) as evidenced by four promissory notes in the amounts of \$1,169,875 (“CNMC Note A2”), \$580,125 (“CNMC Note B2”), \$4,679,500 (“NMCC Note A1”), and \$2,250,500 (“NMCC Note B1”). The Credit Agreement is secured by the Collateral and Collateral Documents, as defined in the Credit Agreement.

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

6. Notes payable (continued)

*CNMC Sub-CDE 69, LLC*

CNMC Note A2

Interest on CNMC Note A2 accrues at a rate of 2.7565% per annum. Commencing on June 5, 2016, and continuing on the fifth day of each March, June, September and December (the "Payment Dates") thereafter through March 5, 2023, accrued and unpaid interest is due and payable quarterly, partially in arrears, partially in advance through the last day of the month in which payment is made. Commencing on June 5, 2023, and continuing on the Payment Dates thereafter through and including March 9, 2046 (the "Maturity Date"), payments of principal and interest in the amount of \$17,184 will be due and payable such that the loan fully amortizes upon the Maturity Date.

CNMC Note B2

Interest on CNMC Note B2 accrues at a rate of 1.9900% per annum. Commencing on June 5, 2016, and continuing on the Payment Dates thereafter through March 5, 2023, accrued and unpaid interest is due and payable quarterly, partially in arrears, partially in advance through the last day of the month in which payment is made. Commencing on June 5, 2023, and continuing on the Payment Dates thereafter through and including the Maturity Date, payments of principal and interest in the amount of \$7,864 will be due and payable such that the loan fully amortizes upon the Maturity Date.

*New Markets Community Capital XVII, LLC*

NMCC Note A1

Interest on NMCC Note A1 accrues at a rate of 2.5024% per annum. Commencing on June 5, 2016, and continuing on the Payment Dates thereafter through March 5, 2023, accrued and unpaid interest is due and payable quarterly, partially in arrears, partially in advance through the last day of the month in which payment is made. Commencing on June 5, 2023, and continuing on the Payment Dates thereafter through and including the Maturity Date, payments of principal and interest in the amount of \$66,950 will be due and payable such that the loan fully amortizes upon the Maturity Date.

NMCC Note B1

Interest on NMCC Note B1 accrues at a rate of 2.5024% per annum. Commencing on June 5, 2016, and continuing on the Payment Dates thereafter through March 5, 2023, accrued and unpaid interest is due and payable quarterly, partially in arrears, partially in advance through the last day of the month in which payment is made. On the seventh anniversary of NMCC Note B1, principal payment in the amount of \$35,000 will be due and payable. Commencing on June 5, 2023, and continuing on the Payment Dates thereafter through and including the Maturity Date, payments of principal and interest in the amount of \$31,697 will be due and payable such that the loan fully amortizes upon the Maturity Date.

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

6. Notes payable (continued)

As of June 30, 2022 and 2021, the notes payable were as follows:

|                          | <u>2022</u>         | <u>2021</u>         |
|--------------------------|---------------------|---------------------|
| CNMC Note A2             | \$ 1,169,875        | \$ 1,169,875        |
| CNMC Note B2             | 580,125             | 580,125             |
| NMCC Note A1             | 4,679,500           | 4,679,500           |
| NMCC Note B1             | <u>2,250,500</u>    | <u>2,250,500</u>    |
| Total notes payable      | 8,680,000           | 8,680,000           |
| Less: debt issuance cost | <u>(354,909)</u>    | <u>(377,673)</u>    |
| Notes payable, net       | <u>\$ 8,325,091</u> | <u>\$ 8,302,327</u> |

As of June 30, 2022 and 2021, there was no interest payable for both years.

For the years ended June 30, 2022 and 2021, the effective interest rate were as follows:

|              | <u>2022</u> | <u>2021</u> |
|--------------|-------------|-------------|
| CNMC Note A2 | 3.1480%     | 3.1480%     |
| CNMC Note B2 | 2.3579%     | 2.3579%     |
| NMCC Note A1 | 2.8859%     | 2.8859%     |
| NMCC Note B1 | 2.8895%     | 2.8895%     |

For the years ended June 30, 2022 and 2021, debt issuance costs amortized into interest expense were \$22,764 and \$22,118, respectively.

Annual principal payments are as follows:

| Year ending June 30, |                     |
|----------------------|---------------------|
| 2023                 | \$ 104,612          |
| 2024                 | 282,821             |
| 2025                 | 289,959             |
| 2026                 | 297,275             |
| 2027                 | 304,774             |
| Thereafter           | <u>7,400,559</u>    |
| Total                | <u>\$ 8,680,000</u> |

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

7. Commitment and contingencies

Leases

*Ground Lease*

Pursuant to the Ground Lease between the Organization and HBHRCD dated March 9, 2016 (the “Ground Lease Commencement Date”) (the “Ground Lease”), the Organization agreed to pay a total fixed rent amount of \$3,906,000 on the Ground Lease Commencement Date for the interest in two parcels of land located in Samoa, California and the improvements located thereon (the “Premises”). The term of the lease is for sixty-five years. The Organization recognizes the Ground Lease as a capital lease and reports the leased building and land as fixed assets (see Note 2). On March 9, 2016, the Organization paid the fixed rent amount in full.

*Operating Lease*

Pursuant to the Operating Lease between the Organization and HBHRCD dated March 9, 2016, the Organization and HBHRCD entered into a thirty year lease agreement for the Premises, all tenant improvements, and any appurtenant easements. HBHRCD agreed to pay the Organization monthly installments of rent based on the amounts set forth in Exhibit B of the Operating Lease. The total rent over the term is \$16,099,014. For the years ended June 30, 2022 and 2021, lease revenue were \$536,633 and \$538,634, respectively. As of June 30, 2022 and 2021, there was no lease receivable for both years.

Future annual base rent lease payments are as follows:

|                      |    |                      |
|----------------------|----|----------------------|
| Year ending June 30, |    |                      |
| 2023                 | \$ | 339,246              |
| 2024                 |    | 492,900              |
| 2025                 |    | 527,460              |
| 2026                 |    | 538,008              |
| 2027                 |    | 548,772              |
| Thereafter           |    | <u>12,515,838</u>    |
| Total                |    | <u>\$ 14,962,224</u> |

Pursuant to FASB-ASC 840-20, lease revenue for the non-cancellable lease term is required to be recognized on a straight-line basis. For the years ended June 30, 2022 and 2021, included in lease revenue was an increase in deferred rent asset of \$324,833 and \$333,003, respectively. As of June 30, 2022 and 2021, deferred rent asset was \$2,261,891 and \$1,937,058, respectively.

New markets tax credits

On March 9, 2016, the Organization secured loans from CNMC and NMCC (collectively, the “NMTC Lenders”). As a result of making the loans, the NMTC Lenders are eligible for federal income tax credits under the NMTC program implemented by Congress in December 2000.

**HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

7. Commitment and contingencies (continued)

New markets tax credits (continued)

Pursuant to the Indemnification Agreement (QALICB) dated March 9, 2016 (the “Indemnification Agreement”), in the occurrence of an event or condition that results in a recapture of all or any portion of NMTCs (“Recapture Event”), the Organization and HBHRCDC (collectively, the “Indemnitors”), shall pay the NMTC Recapture Amount, as defined in the Indemnification Agreement, to JPMorgan Chase Bank, N.A., a national banking association, but only if and to the extent that such Recapture Event is the result of:

- i. The Organization failing to satisfy the requirement for being and continuing to be a qualified active low-income community business;
- ii. Any tenant of the Organization failing to be a “qualified business”;
- iii. The loans failing to constitute a QLICI (in whole or in part);
- iv. A default by the Organization under the loan documents pursuant to which the loans were made; or
- v. Any fraud, gross negligence, or willful misconduct of any Indemnitor

As of June 30, 2022 and 2021, no claims or payments had been made relative to the indemnity and the Organization is not aware of the occurrence of any recapture event. The Organization has determined the likelihood of a recapture event to be remote after considering the historical rate of recapture and related factors. Accordingly, no liability has been recorded relative to the indemnity.

# Humboldt Bay Development Association, Inc.

Year End: June 30, 2022

Audited Trial Balance

| Account   | PP-FINAL<br>6/30/2021 | UNDAJ<br>6/30/2022  | AJEs                | RJEs               | FINAL<br>6/30/2022  |
|---|-----------------------|---------------------|---------------------|--------------------|---------------------|
| 1000 PNC Bank (HBDA operating)                                | 22,281.00             | 12,130.00           | -                   | -                  | 12,130.00           |
| <b>4110 Cash &amp; Equivalents</b>                            | <b>22,281.00</b>      | <b>12,130.00</b>    | -                   | -                  | <b>12,130.00</b>    |
| <b>Total Current Assets</b>                                   | <b>22,281.00</b>      | <b>12,130.00</b>    | -                   | -                  | <b>12,130.00</b>    |
| 1001 Cash in Fee Reserve                                      | 142,228.00            | 87,244.00           | -                   | -                  | 87,244.00           |
| <b>4210 Restricted Cash</b>                                   | <b>142,228.00</b>     | <b>87,244.00</b>    | -                   | -                  | <b>87,244.00</b>    |
| 1420 Deposits   | -                     | -                   | 50,000.00           | -                  | 50,000.00           |
| <b>4250 Deposits</b>  | -                     | -                   | <b>50,000.00</b>    | -                  | <b>50,000.00</b>    |
| 1600 Deferred Rent Asset                                      | 1,937,058.00          | 1,725,258.00        | 536,633.00          | -                  | 2,261,891.00        |
| <b>4315 FAS 13 - Operating Lease - SL Deferred Rent Asset</b> | <b>1,937,058.00</b>   | <b>1,725,258.00</b> | <b>536,633.00</b>   | -                  | <b>2,261,891.00</b> |
| 1700 Building   | 4,320,729.00          | 4,320,729.00        | -                   | -                  | 4,320,729.00        |
| 1701 Capital asset - building                                 | 3,197,457.00          | 3,197,457.00        | -                   | -                  | 3,197,457.00        |
| <b>4610.4611 Building</b>                                     | <b>7,518,186.00</b>   | <b>7,518,186.00</b> | -                   | -                  | <b>7,518,186.00</b> |
| 1702 Capital asset - land                                     | 708,543.00            | 708,543.00          | -                   | -                  | 708,543.00          |
| <b>4610.4613 Land</b>   | <b>708,543.00</b>     | <b>708,543.00</b>   | -                   | -                  | <b>708,543.00</b>   |
| 1710 Accumulated Depreciation                                 | (707,445.00)          | (707,445.00)        | (157,210.00)        | -                  | (864,655.00)        |
| <b>4610.4617 Accumulated Depreciation</b>                     | <b>(707,445.00)</b>   | <b>(707,445.00)</b> | <b>(157,210.00)</b> | -                  | <b>(864,655.00)</b> |
| 1416 Accumulated Amortization                                 | (726.00)              | (726.00)            | (242.00)            | -                  | (968.00)            |
| <b>4710 Intangible Assets</b>                                 | <b>(726.00)</b>       | <b>(726.00)</b>     | <b>(242.00)</b>     | -                  | <b>(968.00)</b>     |
| 1451 Other Leasehold Improvements                             | 182.00                | 182.00              | -                   | -                  | 182.00              |
| 1500 Deferred Charges, net                                    | 15,578.00             | 15,578.00           | -                   | -                  | 15,578.00           |
| <b>4750 Lease costs</b>                                       | <b>15,760.00</b>      | <b>15,760.00</b>    | -                   | -                  | <b>15,760.00</b>    |
| <b>Total Non-Current Assets</b>                               | <b>9,613,604.00</b>   | <b>9,346,820.00</b> | <b>429,181.00</b>   | -                  | <b>9,776,001.00</b> |
| <b>Total Assets</b>   | <b>9,635,885.00</b>   | <b>9,358,950.00</b> | <b>429,181.00</b>   | -                  | <b>9,788,131.00</b> |
| 2000 Accounts Payable   | (7,500.00)            | (36,000.00)         | (7,500.00)          | 36,000.00          | (7,500.00)          |
| <b>5110 Accounts payable</b>                                  | <b>(7,500.00)</b>     | <b>(36,000.00)</b>  | <b>(7,500.00)</b>   | <b>36,000.00</b>   | <b>(7,500.00)</b>   |
| 2001 Due to HBHRCD  | -                     | -                   | -                   | (36,000.00)        | (36,000.00)         |
| <b>5510 Due to related parties</b>                            | -                     | -                   | -                   | <b>(36,000.00)</b> | <b>(36,000.00)</b>  |

# Humboldt Bay Development Association, Inc.

Year End: June 30, 2022

Audited Trial Balance

| Account                                    | PP-FINAL<br>6/30/2021 | UNDAJ<br>6/30/2022    | AJEs                | RJEs                | FINAL<br>6/30/2022    |
|--|-----------------------|-----------------------|---------------------|---------------------|-----------------------|
| 2050 Loan Payable - Current Portion        | -                     | -                     | -                   | (104,612.00)        | (104,612.00)          |
| <b>5645 Loans Payable - Current</b>        | -                     | -                     | -                   | (104,612.00)        | (104,612.00)          |
| <b>Total Current Liabilities</b>           | <b>(7,500.00)</b>     | <b>(36,000.00)</b>    | <b>(7,500.00)</b>   | <b>(104,612.00)</b> | <b>(148,112.00)</b>   |
| 2100 CNMCSUB-CDE69,LLC - Note A2           | (1,169,875.00)        | (1,169,875.00)        | -                   | 9,123.00            | (1,160,752.00)        |
| 2101 CNMCSUB-CDE69,LLC - Note B2           | (580,125.00)          | (580,125.00)          | -                   | 4,977.00            | (575,148.00)          |
| 2102 New Markets Community Cap - Note A1   | (4,679,500.00)        | (4,679,500.00)        | -                   | 37,676.00           | (4,641,824.00)        |
| 2103 New Markets Community Cap - Note B1   | (2,250,500.00)        | (2,250,500.00)        | -                   | 52,836.00           | (2,197,664.00)        |
| 2200 Debt Issuance Cost                    | 377,673.00            | 377,673.00            | (22,764.00)         | -                   | 354,909.00            |
| <b>5650 Long Term Debt</b>                 | <b>(8,302,327.00)</b> | <b>(8,302,327.00)</b> | <b>(22,764.00)</b>  | <b>104,612.00</b>   | <b>(8,220,479.00)</b> |
| <b>Total Non-Current Liabilities</b>       | <b>(8,302,327.00)</b> | <b>(8,302,327.00)</b> | <b>(22,764.00)</b>  | <b>104,612.00</b>   | <b>(8,220,479.00)</b> |
| <b>Total Liabilities</b>                   | <b>(8,309,827.00)</b> | <b>(8,338,327.00)</b> | <b>(30,264.00)</b>  | <b>-</b>            | <b>(8,368,591.00)</b> |
| 3000 Retained Earnings                     | (1,230,246.00)        | (1,333,558.00)        | 7,500.00            | -                   | (1,326,058.00)        |
| <b>6110 Net Assets</b>                     | <b>(1,230,246.00)</b> | <b>(1,333,558.00)</b> | <b>7,500.00</b>     | <b>-</b>            | <b>(1,326,058.00)</b> |
| <b>Net Assets</b>                          | <b>(1,230,246.00)</b> | <b>(1,333,558.00)</b> | <b>7,500.00</b>     | <b>-</b>            | <b>(1,326,058.00)</b> |
| <b>Change in Net Assets</b>                | <b>(95,812.00)</b>    | <b>312,935.00</b>     | <b>(406,417.00)</b> | <b>-</b>            | <b>(93,482.00)</b>    |
| <b>Total Net Assets</b>                    | <b>(1,326,058.00)</b> | <b>(1,020,623.00)</b> | <b>(398,917.00)</b> | <b>-</b>            | <b>(1,419,540.00)</b> |
| <b>Total Liabilities and Net Assets</b>    | <b>(9,635,885.00)</b> | <b>(9,358,950.00)</b> | <b>(429,181.00)</b> | <b>-</b>            | <b>(9,788,131.00)</b> |
| 4001 Interest Income                       | (52.00)               | (16.00)               | -                   | -                   | (16.00)               |
| <b>7110.7120 Interest Income</b>           | <b>(52.00)</b>        | <b>(16.00)</b>        | <b>-</b>            | <b>-</b>            | <b>(16.00)</b>        |
| 4000 Rental Income                         | (538,634.00)          | -                     | (536,633.00)        | -                   | (536,633.00)          |
| <b>7110.7140 Rental Revenue</b>            | <b>(538,634.00)</b>   | <b>-</b>              | <b>(536,633.00)</b> | <b>-</b>            | <b>(536,633.00)</b>   |
| <b>Total Revenue</b>                       | <b>(538,686.00)</b>   | <b>(16.00)</b>        | <b>(536,633.00)</b> | <b>-</b>            | <b>(536,649.00)</b>   |
| 5200 Audit fees                            | 8,000.00              | 8,000.00              | -                   | -                   | 8,000.00              |
| 5201 Tax Preparation                       | 1,290.00              | 1,050.00              | -                   | -                   | 1,050.00              |
| <b>7310.7355 Legal and other prof fees</b> | <b>9,290.00</b>       | <b>9,050.00</b>       | <b>-</b>            | <b>-</b>            | <b>9,050.00</b>       |

# Humboldt Bay Development Association, Inc.

Year End: June 30, 2022

Audited Trial Balance

| Account   | PP-FINAL<br>6/30/2021 | UNDAJ<br>6/30/2022 | AJEs                | RJEs          | FINAL<br>6/30/2022 |
|---|-----------------------|--------------------|---------------------|---------------|--------------------|
| 5100 Bank Charges/Fees                          | 897.00                | 508.00             | -                   | (1.00)        | 507.00             |
| 5101 Licenses & Fees                            | 150.00                | 75.00              | -                   | -             | 75.00              |
| 5102 Other General & Admin Fees                 | 36,000.00             | 36,110.00          | -                   | -             | 36,110.00          |
| 5103 Operating Expenses                         | -                     | 50,000.00          | (50,000.00)         | -             | -                  |
| <b>7310.7360 General &amp; Admin</b>            | <b>37,047.00</b>      | <b>86,693.00</b>   | <b>(50,000.00)</b>  | <b>(1.00)</b> | <b>36,692.00</b>   |
| 6000 Interest Expense:Cnmc Sub-Cde 69           | 43,792.00             | 43,792.00          | -                   | -             | 43,792.00          |
| 6001 Interest Expense:New Markets Comm Cap Xvii | 173,417.00            | 118,416.00         | -                   | 55,001.00     | 173,417.00         |
| 6002 Interest Expense:NMCC fee reserve          | -                     | 55,000.00          | -                   | (55,000.00)   | -                  |
| 6003 Interest Expense:Loan Amortization         | 22,118.00             | -                  | 22,764.00           | -             | 22,764.00          |
| <b>7510.7512 Interest Expense</b>               | <b>239,327.00</b>     | <b>217,208.00</b>  | <b>22,764.00</b>    | <b>1.00</b>   | <b>239,973.00</b>  |
| 5015 Depreciation Expense                       | 157,210.00            | -                  | 157,210.00          | -             | 157,210.00         |
| 5016 Amortization Expense                       | -                     | -                  | 242.00              | -             | 242.00             |
| <b>7510.7513 Depr &amp; Amort</b>               | <b>157,210.00</b>     | <b>-</b>           | <b>157,452.00</b>   | <b>-</b>      | <b>157,452.00</b>  |
| <b>Total Expenses</b>                           | <b>442,874.00</b>     | <b>312,951.00</b>  | <b>130,216.00</b>   | <b>-</b>      | <b>443,167.00</b>  |
| <b>Change in Net Assets</b>                     | <b>(95,812.00)</b>    | <b>312,935.00</b>  | <b>(406,417.00)</b> | <b>-</b>      | <b>(93,482.00)</b> |

# Humboldt Bay Development Association, Inc.

Year End: June 30, 2022

Adjusting journal entries

Date: 7/1/2021 To 6/30/2022

| JE # | Account No | Name  | Reference | Debit             | Credit              |
|------|------------|---|-----------|-------------------|---------------------|
| 1    | 3000       | Retained Earnings   | ZZ.03     | 7,500.00          |                     |
| 1    | 2000       | Accounts Payable  | ZZ.03     |                   | (7,500.00)          |
|      |            | To roll retained earnings.  |           |                   |                     |
| 2    | 1600       | Deferred Rent Asset   | 200.01    | 536,633.00        |                     |
| 2    | 4000       | Rental Income   | 200.01    |                   | (536,633.00)        |
|      |            | To propose adjustment to lease<br>income and deferred rent.             |           |                   |                     |
| 3    | 5015       | Depreciation Expense  | E.03      | 157,210.00        |                     |
| 3    | 1710       | Accumulated Depreciation  | E.03      |                   | (157,210.00)        |
|      |            | To propose adjustment to<br>depreciation expense.                       |           |                   |                     |
| 4    | 5016       | Amortization Expense  | F.03      | 242.00            |                     |
| 4    | 1416       | Accumulated Amortization  | F.03      |                   | (242.00)            |
|      |            | To propose adjustment to<br>amortization expense.                       |           |                   |                     |
| 6    | 6003       | Interest Expense:Loan Amortization                                      | BB.04     | 22,764.00         |                     |
| 6    | 5100       | Bank Charges/Fees   | BB.04     |                   |                     |
| 6    | 2200       | Debt Issuance Cost  | BB.04     |                   | (22,764.00)         |
|      |            | To propose adjustment to debt<br>issuance cost amortization.            |           |                   |                     |
| 9    | 1420       | Deposits  | JE.05     | 50,000.00         |                     |
| 9    | 5103       | Operating Expenses  | JE.05     |                   | (50,000.00)         |
|      |            | To reclass security deposit paid<br>as a deposit instead of an expense. |           |                   |                     |
|      |            |   |           | <b>774,349.00</b> | <b>(774,349.00)</b> |

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## Humboldt Bay Development Association, Inc.

## Balance Sheet

As of December 31, 2022

01/11/23

Accrual Basis

|   | Dec 31, 22          |
|---|---------------------|
| <b>ASSETS</b>                               |                     |
| <b>Current Assets</b>                       |                     |
| <b>Checking/Savings</b>                     |                     |
| Cash & Equivalents                          |                     |
| PNC Bank (HBDA operating)                   | 33,934.27           |
| <b>Total Cash &amp; Equivalents</b>         | 33,934.27           |
| <b>Restricted Cash</b>                      |                     |
| Cash in Fee Reserve                         | 59,968.98           |
| <b>Total Restricted Cash</b>                | 59,968.98           |
| <b>Total Checking/Savings</b>               | 93,903.25           |
| <b>Other Current Assets</b>                 |                     |
| Deferred Asset-Operating Lease              |                     |
| Deferred Rent Asset                         | 1,617,791.60        |
| <b>Total Deferred Asset-Operating Lease</b> | 1,617,791.60        |
| <b>Total Other Current Assets</b>           | 1,617,791.60        |
| <b>Total Current Assets</b>                 | 1,711,694.85        |
| <b>Fixed Assets</b>                         |                     |
| <b>Building.</b>                            |                     |
| Building                                    | 4,320,729.00        |
| Capital asset - building                    | 3,197,457.00        |
| <b>Total Building.</b>                      | 7,518,186.00        |
| <b>Depreciation Accum - Bldg</b>            |                     |
| Accumulated Depr                            | -707,445.29         |
| <b>Total Depreciation Accum - Bldg</b>      | -707,445.29         |
| <b>Land</b>                                 |                     |
| Capital asset - land                        | 708,543.00          |
| <b>Total Land</b>                           | 708,543.00          |
| <b>Leasehold Improvements</b>               |                     |
| <b>Soft Costs</b>                           |                     |
| <b>Intangible Assets</b>                    |                     |
| Intangible Assets Amortization              | -726.00             |
| <b>Total Intangible Assets</b>              | -726.00             |
| <b>Total Soft Costs</b>                     | -726.00             |
| Leasehold Improvements - Other              | 182.00              |
| <b>Total Leasehold Improvements</b>         | -544.00             |
| <b>Total Fixed Assets</b>                   | 7,518,739.71        |
| <b>Other Assets</b>                         |                     |
| Deferred Charges, net                       | 15,577.66           |
| <b>Total Other Assets</b>                   | 15,577.66           |
| <b>TOTAL ASSETS</b>                         | <b>9,246,012.22</b> |
| <b>LIABILITIES &amp; EQUITY</b>             |                     |
| <b>Liabilities</b>                          |                     |
| <b>Current Liabilities</b>                  |                     |
| Accounts Payable                            |                     |
| Accounts Payable                            | 36,000.00           |
| <b>Total Accounts Payable</b>               | 36,000.00           |
| <b>Total Current Liabilities</b>            | 36,000.00           |

## Humboldt Bay Development Association, Inc.

01/11/23

## Balance Sheet

Accrual Basis

As of December 31, 2022

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|                                       | Dec 31, 22                 |
|---------------------------------------|----------------------------|
| <b>Long Term Liabilities</b>          |                            |
| <b>Long Term Debt</b>                 |                            |
| Debt Issuance Cost                    | -377,673.16                |
| NewMarketsCommCap-Note A1             | 4,679,500.00               |
| NewMarketsCommCap-Note B1             | 2,250,500.00               |
| NMCSUB-CDE69,LLC - Note A2            | 1,169,875.00               |
| NMCSUB-CDE69,LLC - NoteB2             | 580,125.00                 |
| <b>Total Long Term Debt</b>           | <u>8,302,326.84</u>        |
| <b>Total Long Term Liabilities</b>    | <u>8,302,326.84</u>        |
| <b>Total Liabilities</b>              | 8,338,326.84               |
| <b>Equity</b>                         |                            |
| Retained Earnings                     | 1,020,621.49               |
| Net Income                            | -112,936.11                |
| <b>Total Equity</b>                   | <u>907,685.38</u>          |
| <b>TOTAL LIABILITIES &amp; EQUITY</b> | <u><u>9,246,012.22</u></u> |

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**Humboldt Bay Development Association, Inc.**

01/11/23

**Profit & Loss YTD Comparison**

Accrual Basis

July through December 2022

|  | <u>Jul - Dec 22</u> | <u>Jul - Dec 22</u> |
|--|---------------------|---------------------|
| <b>Income</b>                            |                     |                     |
| Interest Income                          | 225.23              | 225.23              |
| <b>Total Income</b>                      | 225.23              | 225.23              |
| <b>Expense</b>                           |                     |                     |
| <b>Interest Expense</b>                  |                     |                     |
| Cnmc Sub-Cde 69                          | 21,896.06           | 21,896.06           |
| New Markets Comm Cap Xvii                | 59,208.13           | 59,208.13           |
| NMCC fee reserve                         | 27,500.00           | 27,500.00           |
| <b>Total Interest Expense</b>            | 108,604.19          | 108,604.19          |
| <b>Operating Expenses</b>                |                     |                     |
| <b>General &amp; Admin</b>               |                     |                     |
| Bank Charges/Fees                        | 307.15              | 307.15              |
| <b>Total General &amp; Admin</b>         | 307.15              | 307.15              |
| <b>Legal &amp; other prof fees</b>       |                     |                     |
| Audit fees                               | 4,250.00            | 4,250.00            |
| <b>Total Legal &amp; other prof fees</b> | 4,250.00            | 4,250.00            |
| <b>Total Operating Expenses</b>          | 4,557.15            | 4,557.15            |
| <b>Total Expense</b>                     | 113,161.34          | 113,161.34          |
| <b>Net Income</b>                        | <b>-112,936.11</b>  | <b>-112,936.11</b>  |



## Peninsula Community Services District

PO Box 234 1982 Gass Avenue Samoa, CA 95564-9509

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December 5, 2022

To all stakeholders interested in the Samoa Peninsula

### **Overview:**

CalPERS intends to cancel their contract with the Peninsula Community Services District (PCSD). This action will negatively impact the PCSD's ability to secure 20 million dollars of State funding to build an integrated wastewater system that is critical for economic development on the Samoa Peninsula. This action by CalPERS will also result in the termination of retirement benefits for eight community members who served the Samoa Peninsula Fire Protection District (SPFPD), the agency that was reorganized into the PCSD. It also violates an existing agreement between CalPERS and the PCSD to resolve this issue through a repayment plan.

### **Background:**

The Samoa Peninsula Fire Protection District suffered from declining revenue for many years as the pulp mills and other industries closed on the peninsula. Ten years ago, I forecast that within five to seven years, our revenue would not be sufficient to operate the fire department while also making the continuously increasing employer contributions to CalPERS. Therefore, I began the process to reorganize the SPFD into a community services district to both grow our revenue sources while also supporting economic development on the peninsula.

The Samoa Peninsula Fire Protection District was reorganized into the Peninsula Community Services District in 2019 through a Local Agency Formation Commission action in 2019. The process took longer than expected, about 7 years, because it was tied to, and funded by, the Samoa Town Master Plan project. Similarly, the increases in revenue that we anticipated are only now beginning to come online. In the meantime, our employer contribution to CalPERS increased to the point where our total annual revenue was not adequate to cover our CalPERS obligation. In 2020, I negotiated a reduced payment plan with CalPERS based on the premise that our revenue would increase in the near future and therefore we would be able to both resume our full CalPERS obligation and begin a repayment plan for our delinquent receivables that accrued during the period of reduced payments. That agreement was extended by mutual agreement to a second year. It expires at the end of 2022. We have made all of our payments according to this agreement.

### **Current Situation and Crisis:**

An internal audit at CalPERS revealed that our repayment plan violated their internal policies, for reasons that I am not clear on. The result is that CalPERS has demanded that the PCSD repay our entire delinquent receivables, approximately 300k, immediately and that we begin making our full monthly employer contribution payment, approximately 9k per month. We are not able to meet their demands with our

current revenue and reserves. We have offered to sell fixed assets to ensure that we are able to honor our commitment to make our full monthly payment and also make payments towards our delinquent receivables, but they will not accept any terms other than immediate full payment. The cancellation of our contract with CalPERS has far reaching impacts beyond the PCSD because of the role it plays in economic development on the peninsula, specifically regarding wastewater treatment.

The PCSD has been working on securing funding from the California State Water Resources Control Board to plan, design, and build an integrated wastewater treatment system for the peninsula. The planning phase of this project has been completed and we are now finalizing the proposal for 20 million dollars in construction funding. The staff at the Water Board are very supportive of this project, but one of the next steps to secure this funding involves a financial review of the PCSD. If our CalPERS contract is cancelled, then we can expect to be sued by the retirees.

We have been told by our consultant that these outcomes will eliminate the PCSD from consideration for Water Board funding. This will be an unfortunate consequence of CalPER's action because this wastewater treatment project will have significant water quality benefits for the waters of Humboldt Bay. This project will also provide a wastewater treatment solution for economic development activities that are targeting the peninsula. These include projects being advanced by the Humboldt Bay Harbor, Conservation, and Recreation district, such as a full-service facility to support offshore wind development along the entire West Coast, and a 500 million dollar land-based fish farm. Additional economic development activities that require wastewater treatment are being advanced by other land owners on the peninsula. The Peninsula can, once again, be an economic engine for the region while also playing a key role in California's drive towards renewable wind energy. These projects will be much more challenging to move forward without a wastewater treatment solution because on-site treatment on the peninsula is very challenging due to its sandy soils, high water table, and proximity to Humboldt Bay, essentially requiring treatment to drinking water standards before being disposed on-site.

**Request:**

The PCSD needs help. This help can be in the form of political pressure on CalPERS to negotiate a reasonable repayment plan, or it can be in the form of a loan to get us through this challenging period. Frankly, this current challenge is simply beyond our abilities to address – from both a financial perspective and a staff expertise perspective. We don't have a general manager yet. As the board president, I have led the effort to reorganize into a CSD and I have led the effort to secure State funding for wastewater treatment. We are very grateful to the consultants who have helped us with these efforts, and we are grateful to the private developer who funded the CSD formation, but we don't have the internal capacity to address this CalPERS crisis.

**Current and Projected Revenue:**

Our current revenue is primarily derived from a special tax for fire and medical services. It produces approximately 70k per year and covers the fire department needs. Our future projected revenue comes from several sources, many of which are associated with, or derived from the Samoa Town Master Plan. Find attached our rate studies that outline revenue and cost projections for water and sewer, parks and recreation, and streets and lighting. The prop 218 processes have been completed for sewer and water and they will be completed for the other services in approximately 60 days. Note that the Samoa Town developer is making the CSD whole during the early years where there is a deficit. Also note that our projected revenues are adequate to make our full employer contribution to CalPERS.

We are also in the process of increasing our special tax for fire and medical to produce an additional 40k per year. An additional source of future income is revenue from the operation of an event facility that is being provided by the Samoa Town developer as a no-cost lease for 10 years. We project that we can

produce 20k in revenue from this facility. And finally, the CSD owns a residence in Fairhaven that we intend to sell. We expect to net 200k from this sale.

Respectfully,

A handwritten signature in black ink, appearing to read "Troy Nicolini". The signature is fluid and cursive, with a long horizontal stroke at the beginning.

Troy Nicolini  
Peninsula Community Services District  
Board Chair  
707-496-5959  
troy.nicolini@gmail.com