

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

DATE: **May 22, 2024**

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 Special 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. Consent Calendar

- a) **Adopt Minutes for March 20, 2024 Regular Board Meeting**

4. New Business

- a) **Adopt Audit Report for Fiscal Year 2022-2023**
- b) **Adopt Budget for Fiscal Year 2023-2024**
- c) **Humboldt Bay Development Association Lease**

5. Adjournment

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

March 20, 2024

PRESENT:

Richard Marks
Dale Unea
Leroy Zerlang

ABSENT:

Patrick Higgins
Aaron Newman

The Regular Meeting of the Board of Directors was called to order at 3:00 PM

PUBLIC COMMENT: None

CONSENT CALENDAR

- a) **Adopt Minutes for February 21, 2024 Regular Board Meeting**
- b) **Authorize the Executive Director to Execute an Extension Agreement to Stay Rent and Loan Payments by and between the Humboldt Bay Development Association and the Humboldt Bay Harbor District**

DIRECTOR UNEA MOVED TO APPROVE THE CONSENT CALENDAR.

DIRECTOR MARKS SECONDED.

VOICE VOTE WAS CALLED, MOTION CARRIED.

AYES: MARKS, UNEA, ZERLANG

NOES: HIGGINS, NEWMAN

ABSENT: NONE

ABSTAIN: NONE

NEW BUSINESS

- a) **Receive an Update on Peninsula Infrastructure and Emergency Repairs**

Item presented by District Staff.

The Board Discussed the item.

Item was opened to public comment, no one commented.

Discussion item only, no formal action was taken.

- b) **Receive an Update on Bay Wide Projects as Offered by the Humboldt Bay Harbor District**

Item presented by District staff.

The Board Discussed the item.

Item was opened to public comment, no one commented.

Discussion item only, no formal action was taken.

The meeting was adjourned at 3:25 PM

APPROVED BY:

RECORDED BY:

Dale Unea
Secretary
Humboldt Bay Development Association

Mindy Hiley
Director of Administrative Services
Humboldt Bay Harbor District



Humboldt Bay Development Association, Inc.

**Financial Statements
with Report of Independent Auditors**

June 30, 2023 and 2022

HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITORS	3 - 4
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	5
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS	6
STATEMENTS OF FUNCTIONAL EXPENSES	7 - 8
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10 - 18

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, 2023 and 2022, 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, 2023 and 2022, 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.

Change in Accounting Principles

As discussed in Note 2 to the financial statements, Humboldt Bay Development Association, Inc. adopted accounting standards changes related to accounting for and disclosing lease arrangements. Our opinion is not modified with respect to those matters.



Long Beach, California
April 16, 2024

HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 92,313	\$ 12,130
Total current assets	92,313	12,130
Noncurrent assets		
Restricted cash (Note 4)	-	87,244
Deposits	-	50,000
Deferred rent asset (Note 7)	2,459,279	2,261,891
Fixed assets, net (Note 2)	7,204,864	7,362,074
Deferred charges, net (Note 2)	14,550	14,792
Total noncurrent assets	9,678,693	9,776,001
Total assets	\$ 9,771,006	\$ 9,788,131
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 8,917	\$ 7,500
Due to related parties (Note 5)	-	36,000
Accrued interest	23,769	-
Notes payable, current	71,367	104,612
Total current liabilities	104,053	148,112
Noncurrent liabilities		
Notes payable, net (Note 6)	8,277,098	8,220,479
Total noncurrent liabilities	8,277,098	8,220,479
Total liabilities	8,381,151	8,368,591
Net assets		
Without donor restrictions	1,389,855	1,419,540
Total net assets	1,389,855	1,419,540
Total liabilities and net assets	\$ 9,771,006	\$ 9,788,131

see accompanying notes

HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the years ended June 30, 2023 and 2022

	Without Donor Restrictions	
	2023	2022
REVENUES		
Rental income	\$ 420,744	\$ 536,633
Interest income	395	16
Total revenues	421,139	536,649
EXPENSES		
Program services	343,733	397,425
Management and general	107,091	45,742
Total expenses	450,824	443,167
Change in net assets	(29,685)	93,482
Net assets at beginning of year	1,419,540	1,326,058
Net assets at end of year	\$ 1,389,855	\$ 1,419,540

see accompanying notes

HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2023

EXPENSES	<u>Program Services</u>	<u>Support Services</u>		<u>Total</u>
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	
Interest expense	\$ 186,281	\$ -	\$ -	\$ 186,281
Depreciation	157,210	-	-	157,210
Amortization	242	-	-	242
General and administrative expense	-	96,985	-	96,985
Professional fees	-	10,106	-	10,106
Total expenses	<u>\$ 343,733</u>	<u>\$ 107,091</u>	<u>\$ -</u>	<u>\$ 450,824</u>

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>		<u>Total</u>
	<u>Program</u>	<u>Management 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.

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (29,685)	\$ 93,482
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Interest expense - debt issuance cost	23,374	22,764
Depreciation	157,210	157,210
Amortization	242	242
Changes in operating assets and liabilities:		
Decrease (increase) in deposits	50,000	(50,000)
Increase in deferred rent asset	(197,388)	(324,833)
Increase in accounts payable	1,417	-
(Decrease) increase in due to related parties	(36,000)	36,000
Increase in accrued expenses	23,769	-
Net cash used in operating activities	(7,061)	(65,135)
Net change in cash, cash equivalents and restricted cash	(7,061)	(65,135)
Cash, cash equivalents and restricted cash at beginning of year	99,374	164,509
Cash, cash equivalents and restricted cash at end of year	\$ 92,313	\$ 99,374
Cash and cash equivalents	\$ 92,313	\$ 12,130
Restricted cash	-	87,244
Total cash, cash equivalents and restricted cash	\$ 92,313	\$ 99,374
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 139,138	\$ 217,209

see accompanying notes

HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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, 2023 and 2022

2. Summary of significant accounting policies (continued)

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, 2023 and 2022 was \$157,210 for both years. As of June 30, 2023 and 2022, fixed assets consist of:

	<u>2023</u>	<u>2022</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>(1,021,865)</u>	<u>(864,655)</u>
Fixed assets, net	<u>\$ 7,204,864</u>	<u>\$ 7,362,074</u>

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, 2023 and 2022 was \$242 for both years. As of June 30, 2023 and 2022, deferred charges consist of:

	<u>2023</u>	<u>2022</u>
Lease costs	\$ 15,760	\$ 15,760
Less: accumulated amortization	<u>(1,210)</u>	<u>(968)</u>
Deferred charges, net	<u>\$ 14,550</u>	<u>\$ 14,792</u>

HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

2. Summary of significant accounting policies (continued)

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 were no impairment losses recognized as of June 30, 2023 and 2022.

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

The Organization accounts for leases as operating leases. The Organization determines if a contract is a lease or contains a lease at inception. At the commencement of an operating lease, no income is recognized; subsequently, lease payments received are recognized on a straight-line basis over the lease term. Rental revenue attributable to operating leases is recorded when due from tenants, generally upon the first day of each month. Leases are for periods set forth in the respective lease agreements, with rental payments due monthly. Advance receipts are deferred and classified as liabilities until earned.

Functional expenses

Generally Accepted Accounting Principles require that costs of providing program services and other activities are summarized on a functional basis in the statements of activities. Accordingly, certain costs are allocated among program services, administrative and support, and fundraising services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Interest expense	Direct allocation
Depreciation	Direct allocation
Amortization	Direct allocation
Professional fees	Time and effort
General and administrative expense	Direct allocation

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).

HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

2. Summary of significant accounting policies (continued)

Income taxes

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.

Changes in accounting principles

In February 2016, the Financial Accounting Standards Board ("FASB") issues Accounting Standards Codification ("ASC") 842, Leases ("FASB ASC 842") to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the balance sheet by lessees and the disclosure of key information about leasing arrangements.

FASB ASC 842 was adopted July 1, 2022, and any adjustment necessary, if any, was recognized through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

With respect to tenant leases, FASB ASC 842 did not have a material impact on the financial statements.

Subsequent events

Subsequent events have been evaluated through April 16, 2024, which is the date the consolidated financial statements were available to be issued, and there are no subsequent events requiring disclosure.

3. Liquidity and availability of financial assets

The following represents the Organization's financial assets as of June 30, 2023 and 2022:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	\$ 92,313	\$ 12,130
Restricted cash	-	87,244
Total financial assets	92,313	99,374
Less amounts not available to be used within one year:		
Restricted cash	-	66,311
Total assets not available	-	66,311
Financial assets available to meet general expenditures over the next twelve months	\$ 92,313	\$ 33,063

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

HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

4. Restricted cash

Restricted cash includes reserve accounts established for debt service. The Organization's restricted cash balance as of June 30, 2023 and 2022 was \$0 and \$87,244, respectively.

5. Transactions with related parties

Accounting and administrative fee

On July 1, 2019 the Organization entered into an agreement with HBHRC D for a term of three years ending on June 30, 2022 for HBHRC D 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. Pursuant to the Agreement for Services dated September 21, 2022, this agreement was extended to June 30, 2023. The Organization shall pay HBHRC D \$36,000 per year for this service. For the years ended June 30, 2023 and 2022, the accounting and administrative fee was \$36,000 for both years. As of June 30, 2023 and 2022, the Organization owed \$0 and \$36,000, respectively, for these services.

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") (collectively, the "QLICI Notes"). The Credit Agreement is secured by the Collateral and Collateral Documents, as defined in the Credit Agreement. Pursuant to the Agreement to Stay Loan and Rent Payment Obligations dated October 12, 2023 (the "Stay Agreement"), the Organization's obligation to make loan payments on the QLICI Notes was stayed retroactively commencing April 1, 2023 and shall remain in place for a period of twelve full calendar months, concluding March 31, 2024, unless sooner terminated or extended by mutual agreement of the parties.

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.

HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

6. Notes payable (continued)

CNMC Sub-CDE 69, LLC (continued)

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.

As of March 10, 2023, the NMTC compliance period ended and the ownership interest in CNMC was purchased by HBHRCD. CNMC was dissolved and HBHRCD holds the note directly.

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.

As of March 10, 2023, the NMTC compliance period ended and the ownership interest in NMCC was purchased by HBHRCD. NMCC was dissolved and HBHRCD holds the notes directly.

HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

6. Notes payable (continued)

As of June 30, 2023 and 2022, the notes payable were as follows:

	2023	2022
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	2,250,500	2,250,500
Total notes payable	8,680,000	8,680,000
Less: debt issuance cost	(331,535)	(354,909)
Notes payable, net	\$ 8,348,465	\$ 8,325,091

As of June 30, 2023 and 2022, interest payable was \$23,769 and \$0, respectively.

For the years ended June 30, 2023 and 2022, the effective interest rate were as follows:

	2023	2022
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, 2023 and 2022, debt issuance costs amortized into interest expense were \$23,374 and \$22,764, respectively.

Annual principal payments are as follows:

Year ending June 30,		
2024	\$	71,367
2025		289,959
2026		297,275
2027		304,774
2028		312,467
Thereafter		7,404,158
Total		\$ 8,680,000

HUMBOLDT BAY DEVELOPMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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 “Operating Lease”), 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, 2023 and 2022, lease revenue were \$420,744 and \$536,633, respectively. As of June 30, 2023 and 2022, there was no lease receivable for both years.

Pursuant to the Stay Agreement, HBHRCD’s obligation to make monthly lease payments on the Ground Lease and Operating Lease was stayed retroactively commencing April 1, 2023 and shall remain in place for a period of twelve full calendar months, concluding March 31, 2024, unless sooner terminated or extended by mutual agreement of the parties.

Future annual base rent lease payments are as follows:

Year ending June 30,	
2024	\$ 492,900
2025	527,460
2026	538,008
2027	548,772
2028	559,746
Thereafter	<u>11,956,092</u>
Total	<u>\$ 14,622,978</u>

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, 2023 and 2022

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 HBHRCD (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, as defined in the Indemnification Agreement (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, 2023 and 2022, 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.

As of March 10, 2023, the NMTC compliance period ended.

Humboldt Bay Development Association, Inc.
Profit & Loss Budget Overview
July 2024 through June 2025

	TOTAL												
	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24	Dec 24	Jan 25	Feb 25	Mar 25	Apr 25	May 25	Jun 25	Jul '24 - Jun 25
Income													
Interest Income	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	480.00
Rental Income							0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Income	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	480.00
Expense													
Amortization							0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation Expense							0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Expense													
Cnmc Sub-Cde 69	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Amortization							0.00	0.00	0.00	0.00	0.00	0.00	0.00
New Markets Comm Cap Xvii	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NMCC fee reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Expense - Other							0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NMTC Transaction Cost	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses													
General & Admin													
Bank Charges/Fees	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	600.00
Licenses & Fees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00	0.00	100.00
General & Admin - Other	9,000.00	0.00	0.00	9,000.00	0.00	0.00	9,000.00	0.00	0.00	9,000.00	0.00	0.00	36,000.00
Total General & Admin	9,050.00	50.00	50.00	9,050.00	50.00	50.00	9,050.00	50.00	50.00	9,050.00	150.00	50.00	36,700.00
Legal & other prof fees													
Audit fees	0.00	0.00	4,250.00	0.00	0.00	0.00	0.00	4,000.00	0.00	0.00	0.00	0.00	8,250.00
Tax Preparation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,400.00	1,400.00
Legal & other prof fees - Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	500.00	0.00	0.00	500.00
Total Legal & other prof fees	0.00	0.00	4,250.00	0.00	0.00	0.00	0.00	4,000.00	0.00	500.00	0.00	1,400.00	10,150.00
Operating Expenses - Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Operating Expenses	9,050.00	50.00	4,300.00	9,050.00	50.00	50.00	9,050.00	4,050.00	50.00	9,550.00	150.00	1,450.00	46,850.00
Total Expense	9,050.00	50.00	4,300.00	9,050.00	50.00	50.00	9,050.00	4,050.00	50.00	9,550.00	150.00	1,450.00	46,850.00
Net Income	-9,010.00	-10.00	-4,260.00	-9,010.00	-10.00	-10.00	-9,010.00	-4,010.00	-10.00	-9,510.00	-110.00	-1,410.00	-46,370.00