

Financial Statements
September 30, 2025

Nez Perce, LLC

HUD Project Number 124-11035

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Independent Auditor's Report

To the Board of Commissioners
Of Boise City Housing Authority
Nez Perce, LLC
Boise, Idaho

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nez Perce, LLC which comprise the balance sheet as of September 30, 2025, and the related statements of operations and member's equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Nez Perce, LLC as of September 30, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Nez Perce, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 and for 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 Nez Perce, LLC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 GAAS and *Government 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 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 GAAS and *Government 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 Nez Perce, LLC'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 Nez Perce, LLC'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development (HUD), Office of the Inspector General and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial

statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2026, on our consideration of Nez Perce, LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Nez Perce, LLC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nez Perce, LLC's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed name and date.

Boise, Idaho
January 28, 2026

Nez Perce, LLC
HUD Project Number 124-11035
Balance Sheet
September 30, 2025

Assets	
Cash	\$ 394,913
Accounts receivable, net of allowance	4,849
Tenant security deposits	8,300
Restricted deposits and funded reserves	275,820
Property and equipment, at cost, less accumulated depreciation	<u>375,588</u>
	<u>\$ 1,059,470</u>
Liabilities and Member's Equity	
Liabilities	
Accounts payable	\$ 3,104
Prepaid rent	5,113
Accrued expenses	4,982
Accrued interest	2,701
Tenant security deposits payable	8,300
Long-term debt, net of unamortized debt issuance costs	<u>1,003,434</u>
Total liabilities	1,027,634
Member's Equity	<u>31,836</u>
	<u>\$ 1,059,470</u>

Nez Perce, LLC
 HUD Project Number 124-11035
 Statement of Operations and Member's Equity
 Year Ended September 30, 2025

Operations

Revenue

Gross tenant rent	\$ 338,160
Less: vacancies and concessions	<u>(13,466)</u>
Net tenant rent	324,694
Tenant charges	420
Interest	<u>11,482</u>
Total revenue	<u>336,596</u>

Expenses

Administrative	68,111
Utilities	18,982
Operating and maintenance	45,730
Insurance	24,782
Health insurance and other benefits	18,350
Interest	36,518
Depreciation	<u>37,598</u>
Total expenses	<u>250,071</u>

Net Income	<u><u>\$ 86,525</u></u>
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Member's Equity

Balance, October 1, 2024	\$ (54,689)
Net income	<u>86,525</u>
Balance, September 30, 2025	<u><u>\$ 31,836</u></u>

Operating Activities	
Receipts	
Rental receipts	\$ 315,249
Interest receipts	11,482
Other operating receipts	<u>1,220</u>
Total receipts	<u>327,951</u>
Disbursements	
Administrative	15,543
Management fee	22,728
Utilities	18,159
Salaries and wages	62,653
Operating and maintenance	37,497
Property insurance	20,779
Interest on first mortgage	32,861
Mortgage insurance premium	<u>4,003</u>
Total disbursements	<u>214,223</u>
Net Cash from Operating Activities	<u>113,728</u>
Investing Activities	
Net purchase of fixed assets	<u>(16,157)</u>
Net Cash used for Investing Activities	<u>(16,157)</u>
Financing Activities	
Principal payments on long-term debt	<u>(26,540)</u>
Net Cash used for Financing Activities	<u>(26,540)</u>
Net Change in Cash, Tenant Security Deposits, and Restricted Cash	71,031
Cash, Tenant Security Deposits, and Restricted Cash, Beginning of Year	<u>608,002</u>
Cash, Tenant Security Deposits, and Restricted Cash, End of Year	<u><u>\$ 679,033</u></u>
Cash	
Cash	\$ 394,913
Tenant security deposits	8,300
Restricted deposits and funded reserves	<u>275,820</u>
Total Cash, Tenant Security Deposits, and Restricted Cash	<u><u>\$ 679,033</u></u>

Reconciliation of Net Income to Net Cash from Operating Activities

Net income	\$ 86,525
Adjustments to reconcile net income to net cash from operating activities	
Depreciation	37,598
Interest expense attributable to amortization of debt issuance costs	2,801
Bad debts	8,963
Loss on disposal of property and equipment	828
Changes in assets and liabilities	
Accounts receivable	(9,721)
Prepaid expenses	823
Accounts payable	(13,588)
Accrued expenses	(2,433)
Tenant security deposit payable	800
Prepaid rent	276
Accrued interest	856
	<hr/>
Net Cash from Operating Activities	<u><u>\$ 113,728</u></u>

Note 1 - Principal Business Activity and Significant Accounting Policies

Principal Activity, Risks, and Uncertainty

Nez Perce, LLC (the Company) was formed April 22, 2016, as a limited liability company under the laws of the state of Idaho and shall continue in perpetuity, unless dissolved or terminated at an earlier date. The Company was formed for the purpose of owning and operating a 26-unit affordable rental housing complex located in Boise, Idaho. Substantially all of the Company's income is derived from the rental of its apartment units. The Company began operations during November 2016. The Company has entered into a regulatory agreement with the U.S. Department of Housing and Urban Development (Note 9).

Concentrations of Credit Risk

The Company maintains its cash accounts in various deposit accounts, the balances of which are periodically in excess of federally insured limits. Accounts held with the Company's bank and in excess of Federal Deposit Insurance Company (FDIC) limits are fully collateralized. At September 30, 2025, the Company had approximately \$26,000 in excess of FDIC-insured limits in accounts held with the mortgagor.

Receivables and Credit Policy

Accounts receivable are rents and charges currently due from tenants. Payments on accounts receivable are applied to specific months. Management estimates an allowance for doubtful accounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change. As of September 30, 2025, the Company has recorded an allowance for doubtful accounts of \$12,355. Management considers the remaining accounts receivable to be collectible.

Property and Equipment

Property and equipment is recorded at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income.

Depreciation is computed principally by the straight-line method over the following estimated useful lives:

Building and improvements	5 - 40 years
Equipment and furnishings	3 - 10 years

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets.

The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment, there was no impairment at September 30, 2025.

Income Taxes

As a limited liability Company, the Company's taxable income or loss is allocated to the members in accordance with the Company agreement. Therefore, no provisions for income taxes have been included in the financial statements.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of September 30, 2025, the unrecognized tax benefit accrual was zero. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Rental Income

Housing units are rented under operating lease agreements with terms of one year or less. Rent income from tenants is recognized in the month in which it is earned rather than received. Any rent received prior to the month of occupancy is reported as prepaid rent. Tenant rent represents gross rent for all units in the project. Vacancy losses for unrented units and rental concessions are recorded for any unrented units to arrive at net tenant rent.

The future cash flows from operating lease payments to be received as of September 30, 2025 in fiscal year 2026 are approximately \$12,100.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method which is a reasonable estimate of the effective interest method. Debt issuance costs are included within long-term debt on the balance sheet. Amortization of debt issuance costs is included in interest expense in the accompanying financial statements.

Estimates

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

Subsequent Events

The Company has evaluated subsequent events through January 28, 2026, the date which the financial statements were available to be issued.

Note 2 - Restricted Deposits and Funded Reserves

Restricted deposits and funded reserves at September 30, 2025 consists of the following:

Insurance escrow	\$ 21,228
Replacement reserve	<u>254,592</u>
	<u><u>\$ 275,820</u></u>

Insurance Escrow

Pursuant to the mortgage agreement with Centennial Mortgage, Inc., the Company is required to maintain a mortgage escrow account. The escrow account is to be used to pay the next year’s mortgage insurance premium and property insurance.

Replacement Reserve

Pursuant to the terms of the HUD regulatory agreement, the Company is required to deposit \$975 per month into a replacement reserve account, increasing by 2.0% each year after the initial year of the agreement. The reserve for replacement account is to be used for repairs, maintenance and replacement of equipment not paid as part of the ordinary operations of the Company. Withdrawals from this account are subject to HUD approval.

Note 3 - Tenant Security Deposits

The Company has set aside \$8,300 as of September 30, 2025, to repay tenant security deposits after lease termination in accordance with requirements established by the HUD Regulatory agreement.

Note 4 - Property and Equipment

As disclosed in Note 1, the Company owns and operates a 26-unit low-income housing project in Boise, Idaho. All of the Company’s property and equipment is subject to operating leases with residential tenants at September 30, 2025. Property and equipment at September 30, 2025, consist of the following:

Land	\$ 36,400
Building and improvements	1,514,718
Equipment and furnishings	<u>121,701</u>
	1,672,819
Accumulated depreciation	<u>(1,297,231)</u>
	<u><u>\$ 375,588</u></u>

Note 5 - Accrued Expenses

Accrued expenses at September 30, 2025, consist of the following:

Accrued wages and benefits payable	\$ 4,982
	\$ 4,982

Note 6 - Long-Term Debt

Long-term debt at September 30, 2025 consist of:

3.01%, \$1,284,000 mortgage note payable to Centennial Mortgage, Inc., due in monthly installments of \$4,949, including interest beginning January 1, 2017, through December 2051, secured by a deed of trust on all property and equipment, a security agreement and an assignment of rents and leases, and a HUD regulatory agreement, net of unamortized debt issuance costs of \$73,291 in 2025, based on an effective interest rate of 4.13% (A)	\$ 1,076,725
Unamortized debt issuance costs	(73,291)
Long-term debt less unamortized debt issuance costs	\$ 1,003,434

(A) – The loan is insured by HUD under the HUD Section 223(f) insured mortgage program. In the event of a default on the mortgage, all rents, profits, and income of the project are to be assigned to HUD. The regulatory agreement accompanying the HUD-insured mortgage shall remain in effect until termination or maturity of the HUD-insured mortgage.

Future maturities of long-term debt are as follows:

Year Ended September 30,	Amount
2026	\$ 27,350
2027	28,184
2028	29,044
2029	29,927
2030	30,844
Thereafter	931,376
Less unamortized debt issuance costs	(73,291)
	\$ 1,003,434

Note 7 - Related Party Transactions

Member Distributions

All distributions to the Member can be made only after the end of the semi-annual or annual fiscal period. Distributions may be made only to the extent sufficient surplus cash is available after payment of all operating expenses, escrow deposits required by HUD, and principal and interest on the HUD-insured mortgage. During 2025, no distributions were made from surplus cash.

Management Fees

The Company has entered into an agreement with Boise City Housing Authority (the Housing Authority), the single member of the LLC, to provide management services. Under the terms of the agreement, the Housing Authority is to receive management fees as percentage of gross receipts. For 2025, the Housing Authority received 7.0% in management fees per the agreement. The agreement has an autorenewal option for one year, until canceled by either party. During the year ended September 30, 2025, the Company incurred management fees of \$22,728. As of September 30, 2025, the company owed the Housing Authority \$2,465 for management fees, which is included in accounts payable on the balance sheet.

Other Transactions

During the year ended September 30, 2025, the Company reimbursed the Housing Authority approximately \$42,000 and \$17,000, for payroll and benefits, respectively. As of September 30, 2025, the Company owed the Housing Authority \$13 for reimbursement of payroll and benefits, which is included in accounts payable on the balance sheet. In addition, the Company owed approximately \$4,982 for vacation benefits earned but not yet paid at September 30, 2025. These are included in accrued expenses on the balance sheet.

The Housing Authority pays for other administrative costs throughout the year and is reimbursed by the Company for its share of those costs. During the year ended September 30, 2025, the company reimbursed the Housing Authority approximately \$30,400 for administrative costs.

Note 8 - Member's Equity

Member	Ownership Percentages
Boise City Housing Authority	100%

Note 9 - Regulatory Agreement

The Company has entered into an agreement with the U.S. Department of Housing and Urban Development (HUD) that contains the following provisions:

- During the term of the regulatory agreement, the Company is obligated to make monthly deposits in the amount of \$975 to a replacement reserve, increasing by 2.0% each year after the initial year of the agreement. Disbursements from the reserve are to be used for the replacement of property and other necessary project expenditures and are to be made only with HUD approval. The funds may also be used as payment on the mortgage in the event of default.
- All distributions to the member can be made only after the end of the semiannual or annual fiscal period. Distributions may be made only to the extent sufficient surplus cash is available after payment of all operating expenses, escrow deposits required by HUD, and principal and interest on the HUD-insured mortgage.
- In the event of default on the mortgage, all rents, profits, and income of the project are to be assigned to HUD.
- Under the terms of the regulatory agreement, the Company is required to maintain an account to hold security deposits collected from tenants. This account is required to be separate and apart from all other funds of the project in a trust account and the amount shall be at all times equal to or exceed the aggregate of all outstanding obligations under said account.

Supplementary Information Required by HUD
September 30, 2025

Nez Perce, LLC

HUD Project Number 124-11035

Assets

Current Assets

1120	Cash - operations	\$ 394,913
1130	Accounts receivable - tenants	17,204
1131	Allowance for doubtful accounts	<u>(12,355)</u>
	1130N Net tenant accounts receivable - tenants	<u>4,849</u>
	1100T Total current assets	<u>399,762</u>

Deposits Held in Trust

1191	Tenant deposits held in trust	<u>8,300</u>
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Restricted Deposits and Funded Reserves

1310	Escrow deposits	21,228
1320	Replacement reserve	<u>254,592</u>
	1300T Total deposits	<u>275,820</u>

Property and Equipment, at Cost

1410	Land	36,400
1420	Buildings	1,514,718
1450	Furniture for project/tenant use	<u>121,701</u>
	1400T Total fixed assets	1,672,819

1495	Accumulated depreciation	<u>(1,297,231)</u>
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	1400N Net fixed assets	<u>375,588</u>
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	1000T Total assets	<u><u>\$ 1,059,470</u></u>
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Liabilities and Member's Deficit

Current Liabilities

2110	Accounts payable - operations	\$	3,104
2120	Accrued wages payable		4,982
2131	Accrued interest - first mortgage		2,701
2170	Mortgage payable- first mortgage (short-term)		27,350
2210	Prepaid rent revenue		5,113
			5,113
	2122T Total current liabilities		43,250

Deposit Liability

2191	Tenant security deposits payable		8,300
			8,300

Long-Term Liabilities

2320	Mortgage payable- first mortgage		976,084
			976,084

	2300T Total long-term liabilities		976,084
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	2000T Total liabilities		1,027,634
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Member's Equity

3130	Member's equity		31,836
			31,836

	2033T Total liabilities and member's equity		\$ 1,059,470
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Nez Perce, LLC
 HUD Project Number 124-11035
 Supplementary Information Required by HUD
 Statement of Profit and Loss
 Year Ended September 30, 2025

Rent Revenue		
5120	Rent revenue - gross potential	\$ 338,160
		<u>338,160</u>
5100T	Total rent revenue	<u>338,160</u>
Vacancies		
5220	Apartments	5,556
5250	Rental concessions	7,910
		<u>7,910</u>
5152N	Net rental revenue (rent revenue less vacancies)	<u>324,694</u>
Financial Revenue		
5410	Financial revenue - project operations	10,865
5440	Revenue from investments - replacement reserve	617
		<u>617</u>
5400T	Total financial revenue	<u>11,482</u>
Other Revenue		
5920	Tenant charges	420
		<u>420</u>
5900T	Total other revenue	<u>420</u>
5000T	Total Revenue	<u>336,596</u>
Administrative Expenses		
6310	Office salaries	20,877
6320	Management fees	22,728
6340	Legal expense - project	-
6350	Audit expense	14,607
6370	Bad debts	8,963
6390	Miscellaneous administrative expenses	936
		<u>936</u>
6263T	Total administrative expenses	<u>68,111</u>

Nez Perce, LLC
 HUD Project Number 124-11035
 Supplementary Information Required by HUD
 Statement of Profit and Loss
 Year Ended September 30, 2025

Utilities Expenses		
6450 Electricity	\$	2,101
6451 Water		6,144
6453 Sewer		<u>10,737</u>
6400T Total utilities expenses		<u>18,982</u>
Operating and Maintenance Expenses		
6510 Payroll		20,993
6515 Supplies		6,659
6520 Contracts		12,969
6525 Garbage and trash removal		4,281
6590 Miscellaneous operating and maintenance		<u>828</u>
6500T Total operating and maintenance expenses		<u>45,730</u>
Insurance Expenses		
6720 Property and liability insurance (hazard)		20,779
6723 Health insurance and other employee benefits		<u>18,350</u>
6700T Total insurance expenses		<u>39,129</u>
Financial Expenses		
6820 Interest on mortgage payable		36,518
6850 Mortgage insurance premium		<u>4,003</u>
6800T Total financial expenses		<u>40,521</u>
6000T Total Cost of Operations Before Depreciation		<u>212,473</u>
5060T Profit Before Depreciation		<u>124,123</u>
6600 Depreciation expense		<u>37,598</u>
5060N Operating Profit		<u>86,525</u>
3250 Net Income	\$	<u><u>86,525</u></u>

Part II

S1000-010 Total first mortgage principal payments required during the audit period.	<u>\$ 26,540</u>
S1000-020 Total of all monthly reserve for replacement deposits required during the audit period, even if deposits have been temporarily suspended or waived.	<u>\$ 13,641</u>
S1000-030 Replacement Reserves, or Residual Receipts and Releases which are included as expense items on this Profit and Loss statement.	<u>\$ -</u>

Nez Perce, LLC
HUD Project Number 124-11035
Supplementary Information Required by HUD
Statement of Member's Equity
Year Ended September 30, 2025

S1100-010	Beginning of year balance	\$ (54,689)
3250	Net Income	<u>86,525</u>
3130	End of year	<u><u>\$ 31,836</u></u>

Nez Perce, LLC
 HUD Project Number 124-11035
 Supplementary Information Required by HUD
 Statement of Cash Flows
 Year Ended September 30, 2025

Operating Activities	
Receipts	
S1200-010 Rental receipts	\$ 315,249
S1200-020 Interest receipts	11,482
S1200-030 Other operating receipts	<u>420</u>
S1200-040 Total receipts	<u>327,151</u>
Expenses	
S1200-050 Administrative	15,543
S1200-070 Management fee	22,728
S1200-090 Utilities	18,159
S1200-100 Salaries and wages	62,653
S1200-110 Operating and maintenance	37,497
S1200-140 Property insurance	20,779
S1200-180 Interest on first mortgage	32,861
S1200-210 Mortgage insurance premium	<u>4,003</u>
S1200-230 Total disbursements	<u>214,223</u>
S1200-240 Net Cash from Operating Activities	<u>112,928</u>
Investing Activities	
S1200-245 Net deposits to the escrow account	(2,448)
S1200-250 Net deposits to the replacement reserve account	(14,103)
S1200-330 Net purchase of fixed assets	<u>(16,157)</u>
S1200-350 Net Cash used for Investing Activities	<u>(32,708)</u>
Financing Activities	
S1200-360 Principal payments - first mortgage	<u>(26,540)</u>
S1200-460 Net Cash used for Financing Activities	<u>(26,540)</u>
S1200-470 Net Change in Cash	53,680
S1200-480 Cash, Beginning of Year	<u>341,233</u>
S1200T Cash, End of Year	<u><u>\$ 394,913</u></u>

Reconciliation of Net Income to Net Cash from Operating Activities

3250 Net income	\$	86,525
Adjustments to reconcile net income to net cash from operating activities		
6600 Depreciation		37,598
S1200-486 Amortization of debt issuance costs		2,801
S1200-600 Other adjustments - Bad debts		8,963
S1200-600 Other adjustments - Loss on disposal of property and equipment		828
Changes in assets and liabilities		
S1200-490 Accounts receivable		(9,721)
S1200-520 Prepaid expenses		823
S1200-530 Cash restricted for tenant security deposits		(800)
S1200-540 Accounts payable		(13,588)
S1200-560 Accrued expenses		(2,433)
S1200-570 Accrued interest payable		856
S1200-580 Tenant security deposit liability		800
S1200-590 Prepaid rent		276
		276
S1200-610 Net Cash from Operating Activities	\$	112,928

Schedule of Reserve for Replacement

1320P Balance, September 30, 2024	\$ 240,489
1320DT Required deposits by HUD	13,641
1320INT Interest on replacement reserve accounts	617
1320OWT Other withdrawals	<u>(155)</u>
 1320 Balance, September 30, 2025	 <u>\$ 254,592</u>
 1320R Deposits suspended or waived indicator	 <u>No</u>

Schedule of Changes in Fixed Asset Accounts

	<u>Balance October 1, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2025</u>
1410 Land	\$ 36,400	\$ -	\$ -	\$ 36,400
1420 Buildings	1,504,039	10,680	-	1,514,719
1450 Furniture for project/tenant use	<u>117,599</u>	<u>5,477</u>	<u>(1,377)</u>	<u>121,699</u>
Total	1,658,038	16,157	(1,377)	1,672,818
1495 Accumulated depreciation	<u>(1,260,181)</u>	<u>(37,598)</u>	<u>549</u>	<u>(1,297,230)</u>
Net property and equipment	<u>\$ 397,857</u>	<u>\$ (21,441)</u>	<u>\$ (828)</u>	<u>\$ 375,588</u>

Additions to Fixed Assets

Stairs replacement	\$ 10,680
Appliances	2,734
Carpet and vinyl flooring replacement	<u>2,743</u>
	<u>\$ 16,157</u>

Deletions to Fixed Assets

Carpet and vinyl flooring replacement	<u>\$ (1,377)</u>
---------------------------------------	-------------------

Nez Perce, LLC
 HUD Project Number 124-11035
 Computation of Surplus Cash, Distributions, and Residual Receipts
 September 30, 2025

Part A - Compute Surplus Cash

Cash

S1300-010 Cash (Accounts 1120, 1191)	\$ 403,213
S1300-040 Total Cash	403,213

Current Obligations

S1300-050 Accrued mortgage interest payable	2,701
S1300-075 Accounts payable (due within 30 days)	3,104
S1300-100 Accrued expenses (not escrowed)	4,982
S1300-110 Other current obligations (October mortgage principal, replacement reserve and escrows)	5,583
2210 Prepaid rents	5,113
2191 Tenant security deposits liability	8,300
S1300-140 Less Total Current Obligations	29,783
S1300-150 Surplus Cash (Deficiency)	\$ 373,430

Independent Auditor's Reports on Internal Control and
Compliance

September 30, 2025

Nez Perce, LLC

HUD Project Number 124-11035



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Commissioners
of Boise City Housing Authority
Nez Perce, LLC
Boise, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Nez Perce, LLC (the Company) which comprise the balance sheet as of September 30, 2025, and the related statements of operations and members’ equity, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Company’s basic financial statements, and have issued our report thereon dated January 28, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We identified a deficiency in internal control, described in the accompanying Schedule of Findings, Questioned Costs, and Recommendations as item 2025-01 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Company's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Company's response to the finding identified in our audit and described in the accompanying Schedule of Findings, Questioned Costs, and Recommendations. The Company's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Boise, Idaho
January 28, 2026



Independent Auditor’s Report on Compliance for the Major HUD Program and on Internal Control over Compliance Required by the *Consolidated Audit Guide for Audits of HUD Programs*

To the Board of Commissioners
of Boise City Housing Authority
Nez Perce, LLC
Boise, Idaho

Report on Compliance for the Major HUD Program

Opinion on the Major HUD Program

We have audited Nez Perce, LLC’s (the Company) compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the Guide) that could have a direct and material effect on the Company’s major U.S. Department of Housing and Urban Development (HUD) program for the year ended September 30, 2025. The Company’s major HUD program and the related direct and material compliance requirements are as follows:

Name of Major HUD Programs	Direct and Material Compliance Requirements
223 (f) HUD Loan	Mortgage Status, Replacement Reserve, Distributions to Owners, Equity Skimming, Tenant Application, Eligibility and Recertification, Cash Receipts, Cash Disbursements, Management Functions, and Unauthorized Loans of Project Funds.

In our opinion, the Company complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major HUD program for the year ended September 30, 2025.

Basis for Opinion on the Major HUD Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), and the Guide. Our responsibilities under those standards and the Guide are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major HUD program. Our audit does not provide a legal determination of the Company's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Company's HUD program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on the Company's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Company's compliance with the requirements of the major HUD program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Company's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the Company's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of the Company's internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in dark ink and is positioned above the printed name and date.

Boise, Idaho
January 28, 2026

Significant Deficiency in Internal Control over Financial Reporting

Corrective Action in Process

2025-01 Year-End Closing and Reconciliation

Statement of Condition – Reconciliations and reviews were not performed timely, and there was not a sufficient level of review by an appropriate level of management over those procedures.

Criteria – A good system of internal control and good business practices requires management to have policies and procedures in place to allow for the timely close of the monthly and fiscal year-end which includes reconciliation of balance sheet accounts to underlying general ledgers and third party documents, assessment of operations for reasonableness and accuracy based on current year conditions and activity, and review of all manual adjusting entries, closing entries, reconciliations and financial information.

Cause – There was a significant turnover in the accounting team during 2025 that was the cause of these conditions. Due to personnel constraints, this created a significant number of issues that management was unable to address and resolve before year-end.

Effect – There were multiple correcting entries being posted subsequent to providing the audit team with the year-end trial balance which was deemed reviewed by the management. Reconciliation issues were identified which resulted in adjustments to be made to the financial information that was provided relating to fixed assets, vacation accrual, accounts payable and cash. The trial balance changed several times during the audit. All of this caused a significant delay in the completion of the audit which resulted in the Company missing the HUD imposed deadline of December 31, 2025.

Recommendation – Many of the issues identified could have been detected and corrected had reconciliations been performed throughout the year and had there been adequate and appropriate management level reviews. Closing procedures (both at year-end and throughout the year) and review workflows should be evaluated to ensure proper reconciliation and timely closing of trial balance.

View of Responsible Individuals – Management agrees with the finding.

2025-01 Year-End Closing and Reconciliation

Actions Planned in Response to Finding - Management will evaluate review workflows for reconciliation processes and ensure controls are strengthened to perform management level reviews timely and appropriately.

Explanation of Disagreement – None

Official Responsible for Ensuring Corrective Action Plan – Glenn Luke, Finance Director

Planned Completion for Correction Action – FY2026

Plan to Monitor Completion of Corrective Action – Management is drafting a formalized internal process oversight plan for ensuring that work product is accurate and within timelines.

Audit Report dated February 7, 2025, for the year ended September 30, 2024, issued by Eide Bailly, LLP.

Finding 2024-01 Year end closing and reconciliation.

Status – Ongoing

There were no reports issued by HUD OIG or other Federal agencies or contract administrators during the period covered by this audit.

There were no letters or reports issued by HUD management during the period covered by this audit.

I hereby certify that I have examined the accompanying financial statements and supplemental data of Nez Perce, LLC and, to the best of my knowledge and belief, the same is complete and accurate.

Nez Perce, LLC

By: _____
Deanna L. Watson, Executive Director
January 28, 2026

I hereby certify that I have examined the accompanying financial statements and supplemental data of Nez Perce, LLC and, to the best of my knowledge and belief, the same is complete and accurate.

Nez Perce, LLC

By: _____
Boise City Housing Authority
Deanna L. Watson, Executive Director
EIN 81-2490019

Eide Bailly LLP
Certified Public Accountants
877 W. Main St., Ste. 800
Boise, Idaho 83702-5858
(208) 344-7150

Jodi Daugherty, Partner

Federal Employer ID Number: 45-0250958



January 28, 2026

To the Board of Commissioners
Nez Perce, LLC
Boise, Idaho

We have audited the financial statements of Nez Perce, LLC as of and for the year ended September 30, 2025, and have issued our report thereon dated January 28, 2026. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards* and our Compliance Audit under the *Consolidated Audit Guide for Audits of HUD Programs*.

As communicated in our letter dated July, 24, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America, and to express an opinion on whether Nez Perce, LLC complied with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs that could have a direct and material effect on Nez Perce, LLC's major HUD program. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of the system of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the system of internal control of Nez Perce, LLC solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Our responsibility, as prescribed by professional standards as it relates to the audit of Nez Perce, LLC's major HUD program compliance, is to express an opinion on the compliance for Nez Perce, LLC's major HUD program based on our audit of the types of compliance requirements referred to above. An audit of major HUD program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Consolidated Audit Guide for Audits of HUD Programs*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, as a part of our major HUD program compliance audit, we

considered internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the Nez Perce, LLC's internal control over compliance.

We have provided our comments regarding a deficiency during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated January 28, 2026.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Nez Perce, LLC is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2025. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. No such sensitive accounting estimates were identified.

Financial Statement Disclosures

There were no financial statement disclosures that we consider to be particularly sensitive or involve significant judgment.

Significant Difficulties Encountered during the Audit

We encountered difficulties in receiving a finalized trial balance which delayed the audit resulting in missing the HUD required deadline for issuance of December 31, 2025.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no corrected misstatements identified as a result of our audit procedures.

The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Overstatement of beginning member’s deficit	\$	12,548
Overstatement of current year’s assets	\$	(13,800)
Understatement of current year expenses	\$	1,252

The effect of these uncorrected misstatements, including the effect of the reversal of prior year uncorrected misstatements as of and for the year ended September 30, 2025, is an overstatement of net income of approximately \$1,300 and overstatement of members’ equity of approximately \$13,800.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Nez Perce, LLC’s financial statements or the auditor’s report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor’s Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor’s report. We did not identify any circumstances that affect the form and content of the auditor’s report.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated January 28, 2026.

Management’s Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Findings or Issues

In the normal course of our professional association with Nez Perce, LLC, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Nez Perce, LLC’s auditors.

This report is intended solely for the information and use of the Board of Commissioners and management of Nez Perce, LLC and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Boise, Idaho

Financial Statements
September 30, 2025

North Liberty, LLC

HUD Project Number 124-11036

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Independent Auditor's Report

To the Board of Commissioners
of Boise City Housing Authority
North Liberty, LLC
Boise, Idaho

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of North Liberty, LLC, which comprise the balance sheet as of September 30, 2025, and the related statements of operations and changes in member's deficit, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of North Liberty, LLC as of September 30, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North Liberty, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 and for 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 North Liberty, LLC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 GAAS and *Government 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 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 GAAS and *Government 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 North Liberty, LLC'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 North Liberty, LLC'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development (HUD), Office of the Inspector General and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial

statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2026, on our consideration of North Liberty, LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of North Liberty, LLC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Liberty, LLC's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
January 28, 2026

North Liberty, LLC
 HUD Project Number 124-11036
 Balance Sheet
 September 30, 2025

Assets	
Cash	\$ 495,455
Accounts receivable, net of allowance	14,676
Tenant security deposits	19,450
Restricted deposits and funded reserves	464,595
Property and equipment, at cost, less accumulated depreciation	<u>518,228</u>
	<u><u>\$ 1,512,404</u></u>
Liabilities and Member's Deficit	
Liabilities	
Accounts payable	\$ 4,970
Prepaid rent	8,052
Accrued expenses	11,509
Accrued interest	6,542
Tenant security deposits payable	19,450
Long-term debt, net of unamortized debt issuance costs	<u>2,508,675</u>
Total liabilities	<u>2,559,198</u>
Member's Deficit	<u>(1,046,794)</u>
	<u><u>\$ 1,512,404</u></u>

North Liberty, LLC
 HUD Project Number 124-11036
 Statement of Operations and Member's Deficit
 Year Ended September 30, 2025

Operations

Revenue

Gross tenant rent	\$ 700,527
Less: vacancies and concessions	<u>(66,629)</u>
Net tenant rent	633,898
Garage rent	3,225
Tenant charges	4,365
Interest	15,840
Other income	<u>3,291</u>
Total revenue	<u>660,619</u>

Expenses

Administrative	131,372
Utilities	40,331
Operating and maintenance	138,383
Health insurance and other benefits	46,719
Insurance	56,823
Interest	85,472
Depreciation	<u>65,703</u>
Total expenses	<u>564,803</u>

Net Income	<u><u>\$ 95,816</u></u>
------------	-------------------------

Member's Deficit

Balance, October 1, 2024	\$ (1,142,610)
Net income	<u>95,816</u>
Balance, September 30, 2025	<u><u>\$ (1,046,794)</u></u>

Operating Activities	
Receipts	
Rental receipts	\$ 624,331
Interest receipts	15,840
Other operating receipts	<u>11,156</u>
Total receipts	<u>651,327</u>
Disbursements	
Administrative	53,442
Management fee	44,286
Utilities	40,331
Salaries and wages	174,829
Operating and maintenance	77,431
Property insurance	44,784
Interest on loans or notes payable	83,399
Mortgage insurance premium	<u>6,075</u>
Total disbursements	<u>524,577</u>
Net Cash from Operating Activities	<u>126,750</u>
Net Cash used for Investing Activity	
Purchase of fixed assets	<u>(42,214)</u>
Net Cash used for Financing Activity	
Principal payments on long-term debt	<u>(64,286)</u>
Net Change in Cash, Tenant Security Deposits and Restricted Cash	20,250
Cash, Tenant Security Deposits and Restricted Cash, Beginning of Year	<u>959,250</u>
Cash, Tenant Security Deposits and Restricted Cash, End of Year	<u>\$ 979,500</u>
Cash	
Cash	\$ 495,455
Tenant Security Deposits	19,450
Restricted Deposits and Funded Reserves	<u>464,595</u>
Total cash, tenant security deposits and restricted cash	<u>\$ 979,500</u>

Reconciliation of Net Income to Net Cash from Operating Activities

Net income	\$	95,816
Adjustments to reconcile net income to net cash from operating activities		
Depreciation		65,703
Interest expense attributable to amortization of debt issuance costs		3,801
Loss on disposal of property and equipment		8,135
Changes in assets and liabilities		
Accounts receivable		(12,302)
Prepaid expenses		2,163
Accounts payable		(19,546)
Accrued expenses		(22,103)
Accrued interest		2,073
Tenant security deposit payable		3,500
Prepaid rent		(490)
		126,750
Net Cash from Operating Activities	\$	126,750

Note 1 - Principal Business Activity and Significant Accounting Policies

Principal Activity, Risks, and Uncertainty

North Liberty, LLC (the Company) was formed April 22, 2016, as a limited liability company under the laws of the state of Idaho and shall continue in perpetuity, unless dissolved or terminated at an earlier date. The Company was formed for the purpose of owning and operating a 48-unit affordable rental housing complex located in Boise, Idaho. Substantially all of the Company's income is derived from the rental of its apartment units. The Company began operations during November 2016. The Company has entered into a regulatory agreement with the U.S. Department of Housing and Urban Development (Note 9).

Concentrations of Credit Risk

The Company maintains its cash accounts in various deposit accounts, the balances of which are periodically in excess of federally insured limits. Accounts held with the Company's bank and in excess of Federal Deposit Insurance Corporation (FDIC) limits are fully collateralized. At September 30, 2025, the Company had approximately \$214,600 in excess of FDIC-insured limits in accounts held with the mortgagor.

Receivables and Credit Policy

Accounts receivable are rents and charges currently due from tenants. Payments on accounts receivable are applied to specific months. Management estimates an allowance for doubtful accounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change. As of September 30, 2025, the allowance for doubtful accounts is \$13,150. Management considers the remaining accounts receivable to be collectible.

Property and Equipment

Property and equipment is recorded at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income.

Depreciation is computed principally by the straight-line method over the following estimated useful lives:

Building and improvements	5 - 40 years
Equipment and furnishings	3 - 10 years

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets.

The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment, there was no impairment at September 30, 2025.

Income Taxes

As a limited liability company, the Company's taxable income or loss is allocated to the members in accordance with the company agreement. Therefore, no provisions for income taxes have been included in the financial statements.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of September 30, 2025, the unrecognized tax benefit accrual was zero. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Rental Income

Housing units are rented under operating lease agreements with terms of one year or less. Rent income from tenants is recognized in the month in which it is earned rather than received. Tenant rent represents gross rent for all units in the project. Any rent received prior to the month of occupancy is reported as prepaid rent. Vacancy losses for unrented units and rental concessions are recorded for any unrented units to arrive at net tenant rent.

The future cash flows from operating lease payments to be received as of September 30, 2025 in fiscal year 2026 are approximately \$90,000.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method which is a reasonable estimate of the effective interest method. Debt issuance costs are included within long-term debt on the balance sheet. Amortization of debt issuance costs is included in interest expense in the accompanying financial statements.

Estimates

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

Subsequent Events

The Company has evaluated subsequent events through January 28, 2026, the date which the financial statements were available to be issued.

Note 2 - Restricted Deposits and Funded Reserves

Restricted deposits and funded reserves at September 30, 2025 consist of the following:

Insurance escrow	\$ 49,329
Replacement reserve	<u>415,266</u>
	<u>\$ 464,595</u>

Insurance Escrow

Pursuant to the mortgage agreement with Centennial Mortgage, the Company is required to maintain a mortgage escrow account. The mortgage escrow account is to be used to pay the next year's mortgage insurance premium and property insurance.

Replacement Reserve

Pursuant to the terms of the HUD regulatory agreement, the Company is required to deposit \$1,952 per month into a replacement reserve account, increasing by 2.0% each year after the initial year of the agreement. The reserve for replacement account is to be used for repairs, maintenance and replacement of equipment not paid as part of the ordinary operations of the Company. Withdrawals from this account are subject to HUD approval.

Note 3 - Tenant Security Deposits

Pursuant to management policy, the Company has set aside \$19,450 as of September 30, 2025, to repay tenant security deposits after lease termination in accordance with requirements established by the HUD regulatory agreement.

Note 4 - Property and Equipment

As disclosed in Note 1, the Company owns and operates a 48-unit low-income housing project. All of the Company's property and equipment is subject to operating leases with residential tenants at September 30, 2025. Property and equipment at September 30, 2025, consist of the following:

Land	\$ 147,000
Building and improvements	3,345,015
Equipment and furnishings	<u>277,321</u>
	3,769,336
Accumulated depreciation	<u>(3,251,108)</u>
	<u>\$ 518,228</u>

Note 5 - Accrued Expenses

Accrued expenses at September 30, 2025, consist of the following:

Accrued wages and benefits payable	\$ 11,509
	\$ 11,509

Note 6 - Long-Term Debt

Long-term debt at September 30, 2025 consists of:

3.01%, \$3,110,200 mortgage note payable to Centennial Mortgage, due in monthly installments of \$11,987, including interest, beginning January 1, 2017 through December 2051, secured by a deed of trust on all property and equipment, a security agreement and an assignment of rents and leases and a HUD regulatory agreement, net of unamortized debt issuance costs of \$99,450 in 2025, based on an effective interest rate of 4.13% (A)	\$ 2,608,125
Less unamortized debt issuance costs	(99,450)
Long-term debt, less unamortized debt issuance costs	\$ 2,508,675

(A) – The loan is insured by HUD under the HUD Section 223(f) insured mortgage program. In the event of a default on the mortgage, all rents, profits, and income of the project are to be assigned to HUD. The regulatory agreement accompanying the HUD-insured mortgage shall remain in effect until termination or maturity of the HUD-insured mortgage.

Future maturities of long-term debt are as follows:

Years Ended September 30,	Amount
2026	\$ 66,248
2027	68,270
2028	70,353
2029	72,501
2030	74,713
Thereafter	2,256,040
Less unamortized debt issuance costs	(99,450)
	\$ 2,508,675

Note 7 - Related Party Transactions

Member Distributions

All distributions to members can be made only after the end of the semiannual or annual fiscal period. Distributions may be made only to the extent sufficient surplus cash is available after payment of all operating expenses, escrow deposits required by HUD, and principal and interest on the HUD-insured mortgage. During 2025, there were no distributions made from surplus cash.

Management Fees

The Company has entered into an agreement with Boise City Housing Authority (the Housing Authority), the single member of the LLC, to provide management services. Under the terms of the agreement, the Housing Authority is to receive management fees as percentage of gross receipts. For 2025, the Housing Authority received 7.0% in management fees per the agreement. The agreement has an autorenewal option for one year, until canceled by either party. During the year ended September 30, 2025, the Company incurred management fees of \$44,286.

As of September 30, 2025, the Company owes \$4,966 to the Authority towards accrued management fees which is included in accounts payable on the balance sheet.

Other Transactions

During the year ended September 30, 2025, the Company reimbursed the Housing Authority approximately \$106,000 and \$42,400, for payroll and benefits, respectively. As of September 30, 2025, the Company owed the Housing Authority \$77 for reimbursed payroll and benefits which is included in accrued expenses on the balance sheet. In addition, the Company owed \$11,432 for vacation benefits earned but not yet paid at September 30, 2025. These are included in the accrued expenses on the balance sheet.

The Housing Authority pays for other administrative costs throughout the year and is reimbursed by the Company for its share of those costs. During the year ended September 30, 2025, the company reimbursed the Housing Authority approximately \$73,000 for administrative costs.

Note 8 - Member's Equity

Member	Ownership Percentages
Boise City Housing Authority	100%

Note 9 - Regulatory Agreement

The Company has entered into an agreement with the U.S. Department of Housing and Urban Development (HUD) that contains the following provisions:

- During the term of the regulatory agreement, the Company is obligated to make monthly deposits in the amount of \$1,952 to a replacement reserve, increasing by 2.0% each year after the initial year of the agreement. Disbursements from the reserve are to be used for the replacement of property and other necessary project expenditures and are to be made only with HUD approval. The funds may also be used as payment on the mortgage in the event of default.
- All distributions to the member can be made only after the end of the semiannual or annual fiscal period. Distributions may be made only to the extent sufficient surplus cash is available after payment of all operating expenses, escrow deposits required by HUD, and principal and interest on the HUD-insured mortgage.
- In the event of default on the mortgage, all rents, profits, and income of the project are to be assigned to HUD.
- Under the terms of the regulatory agreement, the Company is required to maintain an account to hold security deposits collected from tenants. This account is required to be separate and apart from all other funds of the project in a trust account and the amount shall be at all times equal to or exceed the aggregate of all outstanding obligations under said account.

Supplementary Information Required by HUD
September 30, 2025

North Liberty, LLC

HUD Project Number 124-11036

Assets

Current Assets

1120	Cash - operations	\$ 495,455
1130	Accounts receivable - tenants	27,293
1131	Allowance for doubtful accounts	<u>(13,150)</u>
1130N	Net accounts receivable	<u>14,143</u>
1135	Accounts receivable - HUD	<u>533</u>
1100T	Total current assets	<u>510,131</u>

Deposits Held in Trust

1191	Tenant deposits held in trust	<u>19,450</u>
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Restricted Deposits and Funded Reserves

1310	Escrow deposits	49,329
1320	Replacement reserve	<u>415,266</u>
1300T	Total deposits	<u>464,595</u>

Property and Equipment, at Cost

1410	Land	147,000
1420	Buildings	3,345,015
1450	Furniture for project/tenant use	<u>277,321</u>
1400T	Total fixed assets	3,769,336
1495	Accumulated depreciation	<u>(3,251,108)</u>
1400N	Net fixed assets	<u>518,228</u>
1000T	Total assets	<u><u>\$ 1,512,404</u></u>

Liabilities and Member's Deficit

Current Liabilities

2110	Accounts payable - operations	\$	4,970
2120	Accrued wages payable		11,509
2131	Accrued interest - first mortgage		6,542
2170	Mortgage payable - first mortgage (short term)		66,248
2210	Prepaid rent revenue		8,052
			8,052
	2122T Total current liabilities		97,321

Deposit Liability

2191	Tenant security deposits payable		19,450
			19,450

Long-Term Liabilities

2320	Mortgage payable - first mortgage		2,442,427
			2,442,427
	2300T Total long-term liabilities		2,442,427
	2000T Total liabilities		2,559,198

Member's Deficit

3130	Member's deficit		(1,046,794)
			(1,046,794)
	2033T Total liabilities and member's deficit		\$ 1,512,404

North Liberty, LLC
 HUD Project Number 124-11036
 Supplementary Information Required by HUD
 Statement of Profit and Loss
 Year Ended September 30, 2025

Rent Revenue		
5120	Rent revenue - gross potential	\$ 700,527
5170	Garage and parking spaces	<u>3,225</u>
5100T	Total rent revenue	<u>703,752</u>
Vacancies		
5220	Apartments	36,987
5250	Rental concessions	<u>29,642</u>
5152N	Net rental revenue (rent revenue less vacancies)	<u>637,123</u>
Financial Revenue		
5410	Financial revenue - project operations	14,842
5440	Revenue from investments - replacement reserve	<u>998</u>
5400T	Total financial revenue	<u>15,840</u>
Other Revenue		
5920	Tenant charges	4,365
5990	Miscellaneous revenue	<u>3,291</u>
5900T	Total other revenue	<u>7,656</u>
5000T	Total Revenue	<u>660,619</u>
Administrative Expenses		
6310	Office salaries	53,190
6320	Management fees	44,286
6340	Legal expense - project	1,122
6350	Audit expense	14,607
6370	Bad debts	16,868
6390	Miscellaneous administrative expenses	<u>1,299</u>
6263T	Total administrative expenses	<u>131,372</u>

North Liberty, LLC
 HUD Project Number 124-11036
 Supplementary Information Required by HUD
 Statement of Profit and Loss
 Year Ended September 30, 2025

Utilities Expenses		
6450 Electricity	\$	6,063
6451 Water		16,981
6453 Sewer		<u>17,287</u>
6400T Total utilities expenses		<u>40,331</u>
Operating and Maintenance Expenses		
6510 Payroll		52,817
6515 Supplies		21,971
6520 Contracts		43,358
6525 Garbage and trash removal		12,102
6590 Miscellaneous operating and maintenance		<u>8,135</u>
6500T Total operating and maintenance expenses		<u>138,383</u>
Insurance Expenses		
6720 Property and liability insurance (hazard)		46,947
6723 Health insurance and other employee benefits		<u>46,719</u>
6700T Total insurance expenses		<u>93,666</u>
Financial Expenses		
6820 Interest on mortgage payable		85,472
6850 Mortgage insurance premium		<u>9,876</u>
6800T Total financial expenses		<u>95,348</u>
6000T Total Cost of Operations Before Depreciation		<u>499,100</u>
5060T Profit Before Depreciation		<u>161,519</u>
6600 Depreciation expense		<u>65,703</u>
5060N Operating Profit		<u>95,816</u>
3250 Net Income	\$	<u><u>95,816</u></u>

Part II

S1000-010 Total first mortgage principal payments required during the audit period.	<u>\$ 64,286</u>
S1000-020 Total of all monthly reserve for replacement deposits required during the audit period, even if deposits have been temporarily suspended or waived.	<u>\$ 27,310</u>
S1000-030 Replacement reserve releases, which are included as expense items on this profit and loss statement.	<u>\$ -</u>

Account No. 5990 Miscellaneous Other Revenue
Non-refundable deposits

\$ 3,291

North Liberty, LLC
HUD Project Number 124-11036
Supplementary Information Required by HUD
Statement of Member's Deficit
Year Ended September 30, 2025

S1100-010	Member's Deficit, Beginning of Year	\$ (1,142,610)
3250	Net income	<u>95,816</u>
3130	Member's Deficit, End of Year	<u><u>\$ (1,046,794)</u></u>

North Liberty, LLC
 HUD Project Number 124-11036
 Supplementary Information Required by HUD
 Statement of Cash Flows
 Year Ended September 30, 2025

Operating Activities	
Receipts	
S1200-010 Rental receipts	\$ 624,331
S1200-020 Interest receipts	15,840
S1200-030 Other operating receipts	<u>7,658</u>
S1200-040 Total receipts	<u>647,829</u>
Expenses	
S1200-050 Administrative	53,442
S1200-070 Management fee	44,286
S1200-090 Utilities	40,331
S1200-100 Salaries and wages	174,829
S1200-110 Operating and maintenance	77,431
S1200-140 Property insurance	44,784
S1200-180 Interest on first mortgage	83,399
S1200-210 Mortgage insurance premium	<u>6,075</u>
S1200-230 Total disbursements	<u>524,577</u>
S1200-240 Net Cash from Operating Activities	<u>123,252</u>
Investing Activities	
S1200-245 Net deposits to the escrow account	(5,495)
S1200-250 Net deposits to the replacement reserve account	(28,060)
S1200-330 Net purchase of fixed assets	<u>(42,214)</u>
S1200-350 Net Cash used for Investing Activities	<u>(75,769)</u>
Financing Activities	
S1200-360 Principal payments - first mortgage	<u>(64,286)</u>
S1200-460 Net Cash used for Financing Activities	<u>(64,286)</u>
S1200-470 Net Change in Cash	(16,803)
S1200-480 Cash, Beginning of Year	<u>512,258</u>
S1200T Cash, End of Year	<u><u>\$ 495,455</u></u>

Reconciliation of Net Income to Net Cash from Operating Activities

3250 Net income	\$	95,816
Adjustments to reconcile net income to net cash from operating activities		
6600 Depreciation		65,703
Changes in assets and liabilities		
S1200-486 Amortization of debt issuance costs		3,801
S1200-490 Accounts receivable		(12,302)
S1200-520 Prepaid expenses		2,163
S1200-530 Tenant security deposits		(3,498)
S1200-540 Accounts payable		(19,546)
S1200-560 Accrued expenses		(22,103)
S1200-570 Accrued interest payable		2,073
S1200-580 Tenant security deposit liability		3,500
S1200-590 Prepaid rent		(490)
S1200-600 Other adjustments - Loss on disposal of fixed assets		<u>8,135</u>
S1200-610 Net Cash from Operating Activities	\$	<u><u>123,252</u></u>

Schedule of Reserve for Replacement

1320P Balance, October 1, 2024	\$ 387,206
1320DT Required deposits by HUD	27,310
1320INT Interest on replacement reserve accounts	998
1320OT Other withdrawals	(248)
	<u> </u>
1320 Balance, September 30, 2025	<u>\$ 415,266</u>
1320R Deposits suspended or waived indicator	<u>No</u>

Schedule of Changes in Fixed Asset Accounts

	<u>Balance October 1, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2025</u>
1410 Land	\$ 147,000	\$ -	\$ -	\$ 147,000
1420 Buildings and improvements	3,345,015	-	-	3,345,015
1450 Furniture for project/tenant use	257,132	42,214	(22,025)	277,321
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	3,749,147	42,214	(22,025)	3,769,336
1440 Accumulated depreciation	(3,199,295)	(65,703)	13,890	(3,251,108)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net property and equipment	<u>\$ 549,852</u>	<u>\$ (23,489)</u>	<u>\$ (8,135)</u>	<u>\$ 518,228</u>

Additions to Fixed Assets

Appliances	\$ 14,446
Carpet and vinyl flooring replacement	27,768
	<u> </u>
	<u>\$ 42,214</u>

Deletions to Fixed Assets

Carpet and vinyl flooring	\$ 22,025
	<u> </u>

North Liberty, LLC
 HUD Project Number 124-11036
 Computation of Surplus Cash, Distributions, and Residual Receipts
 September 30, 2025

Part A - Compute Surplus Cash

Cash

S1300-010 Cash (Accounts 1120, 1191)	\$ 514,905
1135 Tenant subsidy vouchers due for period covered by financial statement	533
S1300-030 Other (describe)	<u>-</u>
S1300-040 Total Cash	<u>515,438</u>

Current Obligations

S1300-050 Accrued mortgage interest payable	6,542
S1300-075 Accounts payable (due within 30 days)	4,966
S1300-100 Accrued expenses (not escrowed)	11,509
S1300-110 Other current obligations (October mortgage principal, replacement reserve and escrows)	12,835
2210 Prepaid rents	8,052
2191 Tenant security deposits liability	<u>19,450</u>
S1300-140 Less Total Current Obligations	<u>63,354</u>
S1300-150 Surplus Cash (Deficiency)	<u><u>\$ 452,084</u></u>

Independent Auditor's Reports on Internal Control and
Compliance

September 30, 2025

North Liberty, LLC

HUD Project Number 124-11036



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Commissioners
Of Boise City Housing Authority
North Liberty, LLC
Boise, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of North Liberty, LLC (the Company) which comprise the balance sheet as of September 30, 2025, and the related statements of operations and member’s deficit, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Company’s basic financial statements, and have issued our report thereon dated January 28, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We identified a deficiency in internal control, described in the accompanying Schedule of Findings, Questioned Costs, and Recommendations as item 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Company's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Company's response to the finding identified in our audit and described in the accompanying Schedule of Findings, Questioned Costs, and Recommendations. The Company's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
January 28, 2026



Independent Auditor’s Report on Compliance for the Major HUD Program and on Internal Control over Compliance Required by the *Consolidated Audit Guide for Audits of HUD Programs*

To the Board of Commissioners
Of Boise City Housing Authority
North Liberty, LLC
Boise, Idaho

Report on Compliance for the Major HUD Program

Opinion on the Major HUD Program

We have audited North Liberty, LLC’s (the Company) compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the Guide) that could have a direct and material effect on the Company’s major U.S. Department of Housing and Urban Development (HUD) program for the year ended September 30, 2025. The Company’s major HUD program and the related direct and material compliance requirements are as follows:

Name of Major HUD Programs	Direct and Material Compliance Requirements
223 (f) HUD Loan	Mortgage Status, Replacement Reserve, Distributions to Owners, Equity Skimming, Tenant Application, Eligibility and Recertification, Cash Receipts, Cash Disbursements, Management Functions, and Unauthorized Loans of Project Funds.

In our opinion, the Company complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major HUD program for the year ended September 30, 2025.

Basis for Opinion on the Major HUD Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), and the Guide. Our responsibilities under those standards and the Guide are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major HUD program. Our audit does not provide a legal determination of the Company’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Company's HUD program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on the Company's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Company's compliance with the requirements of the major HUD program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Company's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the Company's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal*

control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of the Company's internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed name and date.

Boise, Idaho
January 28, 2026

Significant Deficiency in Internal Control over Financial Reporting

Corrective Action in Process

2025-01 Year-End Closing and Reconciliation

Statement of Condition – Reconciliations and reviews were not performed timely and there was not a sufficient level of review by an appropriate level of management over those procedures.

Criteria – A good system of internal control and good business practices requires management to have policies and procedures in place to allow for the timely close of the monthly and fiscal year-end which includes reconciliation of balance sheet accounts to underlying general ledgers and third party documents, assessment of operations for reasonableness and accuracy based on current year conditions and activity, and review of all manual adjusting entries, closing entries, reconciliations and financial information.

Cause – There was a significant turnover in the accounting team during 2025 that was the cause of these conditions. Due to personnel constraints, this created a significant number of issues that management was unable to address and resolve before year-end.

Effect – There were multiple correcting entries being posted subsequent to providing the audit team with the year-end trial balance which was deemed reviewed by the management. Reconciliation issues were identified which resulted in adjustments to be made to the financial information that was provided relating to fixed assets, vacation accrual, accounts payable and cash. The trial balance changed several times during the audit. All of this caused a significant delay in the completion of the audit which resulted in the Corporation missing the HUD imposed deadline of December 31, 2025.

Recommendation – Many of the issues identified could have been detected and corrected had reconciliations been performed throughout the year and had there been adequate and appropriate management level reviews. Closing procedures (both at year-end and throughout the year) and review workflows should be evaluated to ensure proper reconciliation and timely closing of trial balance.

View of Responsible Individuals – Management agrees with the finding.

2025-001 Year-End Closing and Reconciliation

Actions Planned in Response to Finding - Management will evaluate review workflows for reconciliation processes and ensure controls are strengthened to perform management level reviews timely and appropriately.

Explanation of Disagreement – None

Official Responsible for Ensuring Corrective Action Plan – Glenn Luke, Finance Director

Planned Completion for Correction Action – FY2026

Plan to Monitor Completion of Corrective Action – Management is drafting a formalized internal process oversight plan for ensuring that work product is accurate and within timelines.

Audit Report dated February 7, 2025, for the year ended September 30, 2024, issued by Eide Bailly, LLP.

Finding 2024-01 Year end closing and reconciliation.

Status – Ongoing

There were no reports issued by HUD OIG or other Federal agencies or contract administrators during the period covered by this audit.

There were no letters or reports issued by HUD management during the period covered by this audit.

I hereby certify that I have examined the accompanying financial statements and supplemental data of North Liberty, LLC and, to the best of my knowledge and belief, the same is complete and accurate.

North Liberty, LLC

By: _____
Deanna L. Watson, Executive Director
January 28, 2026

I hereby certify that I have examined the accompanying financial statements and supplemental data of North Liberty, LLC and, to the best of my knowledge and belief, the same is complete and accurate.

North Liberty, LLC

By: _____
Boise City Housing Authority
Deanna L. Watson, Executive Director
EIN 81-2490019

Eide Bailly LLP
Certified Public Accountants
877 W. Main St., Ste. 800
Boise, Idaho 83702-5858
(208) 344-7150

Jodi Daugherty, Partner

Federal Employer ID Number: 45-0250958

Financial Statements
September 30, 2025

Shoreline North, LLC
HUD Project Number 124-11033

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Independent Auditor's Report

To the Board of Commissioners
Of Boise City Housing Authority
Shoreline North, LLC
Boise, Idaho

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Shoreline North, LLC, which comprise the balance sheet as of September 30, 2025, and the related statements of operations and member's deficit, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Shoreline North, LLC as of September 30, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Shoreline North, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 and for 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 Shoreline North, LLC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 GAAS and *Government 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 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 GAAS and *Government 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 Shoreline North, LLC'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 Shoreline North, LLC'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development (HUD), Office of the Inspector General and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial

statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2026, on our consideration of Shoreline North, LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Shoreline North, LLC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shoreline North, LLC's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Boise, Idaho
January 28, 2026

Assets	
Cash	\$ 734,617
Accounts receivable, net of allowance	7,928
Tenant security deposits	19,500
Restricted deposits and funded reserves	219,445
Property and equipment, at cost, less accumulated depreciation	<u>1,329,787</u>
	<u>\$ 2,311,277</u>
Liabilities and Member's Deficit	
Liabilities	
Accounts payable	\$ 10,648
Prepaid rent	4,377
Accrued expenses	5,882
Accrued interest	7,500
Tenant security deposits payable	19,500
Long-term debt, net of unamortized debt issuance costs	<u>2,843,304</u>
Total liabilities	2,891,211
Member's Deficit	<u>(579,934)</u>
	<u>\$ 2,311,277</u>

Shoreline North, LLC
 HUD Project Number 124-11033
 Statement of Operations and Member's Deficit
 Year Ended September 30, 2025

Operations

Revenue

Gross tenant rent	\$ 660,578
Less: vacancies and concessions	<u>(43,739)</u>
Net tenant rent	616,839
Tenant charges	357
Interest	19,883
Other revenue	<u>715</u>
Total revenue	<u>637,794</u>

Expenses

Administrative	89,564
Utilities	23,409
Operating and maintenance	100,324
Health insurance and other employee benefits	24,708
Insurance	48,901
Interest	99,237
Depreciation	<u>160,688</u>
Total expenses	<u>546,831</u>

Net Income	<u><u>\$ 90,963</u></u>
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Member's Deficit

Balance, October 1, 2024	\$ (670,897)
Net income	<u>90,963</u>
Balance, September 30, 2025	<u><u>\$ (579,934)</u></u>

Operating Activities	
Receipts	
Rental receipts	\$ 618,177
Interest receipts	19,883
Other operating receipts	<u>3,672</u>
Total receipts	<u>641,732</u>
Disbursements	
Administrative	25,206
Management fee	42,905
Utilities	18,622
Salaries and wages	85,024
Operating and maintenance	55,915
Property insurance	36,950
Interest on first mortgage	91,253
Mortgage insurance premium	<u>11,951</u>
Total disbursements	<u>367,826</u>
Net Cash from Operating Activities	<u>273,906</u>
Investing Activities	
Purchase of fixed assets	<u>(20,083)</u>
Net Cash used for Investing Activities	<u>(20,083)</u>
Financing Activities	
Principal payments on long-term debt	<u>(73,700)</u>
Net Cash used for Financing Activities	<u>(73,700)</u>
Net Change in Cash, Tenant Security Deposits and Restricted Cash	180,123
Cash, Tenant Security Deposits and Restricted Cash, Beginning of Year	<u>793,439</u>
Cash, Tenant Security Deposits and Restricted Cash, End of Year	<u><u>\$ 973,562</u></u>
Cash	\$ 734,617
Tenant security deposits	19,500
Restricted deposits and funded reserves	<u>219,445</u>
Total Cash, Tenant Security Deposits and Restricted Cash	<u><u>\$ 973,562</u></u>

Reconciliation of Net Income to Net Cash from Operating Activities

Net income	\$ 90,963
Adjustments to reconcile net income to net cash from operating activities	
Depreciation	160,688
Interest expense attributable to amortization of debt issuance costs	5,607
Loss on disposal of property and equipment	434
Changes in operating assets and liabilities	
Accounts receivable	2,297
Prepaid expenses	4,787
Accounts payable	8,701
Accrued expenses	(3,589)
Accrued interest	2,377
Tenant security deposit payable	2,600
Prepaid rent	(959)
	<hr/>
Net Cash from Operating Activities	<u>\$ 273,906</u>

Note 1 - Principal Business Activity and Significant Accounting Policies

Principal Activity, Risks, and Uncertainty

Shoreline North, LLC (the Company) was formed April 22, 2016, as a limited liability company under the laws of the state of Idaho and shall continue in perpetuity, unless dissolved or terminated at an earlier date. The Company was formed for the purpose of owning and operating a 54-unit affordable rental housing complex located in Boise, Idaho. Substantially all of the Company's income is derived from the rental of its apartment units. The Company began operations during November 2016. The Company has entered into a regulatory agreement with the U.S. Department of Housing and Urban Development (Note 9).

Concentrations of Credit Risk

The Company maintains its cash accounts in various deposit accounts, the balances of which are periodically in excess of federally insured limits. Accounts in excess of Federal Deposit Insurance Corporation (FDIC) limits with the Company's bank are fully collateralized. At September 30, 2025, there were no accounts in excess of FDIC-insured limits that are held with the mortgagor.

Receivables and Credit Policy

Accounts receivable are rents and charges currently due from tenants. Payments on accounts receivable are applied to specific months. Management estimates an allowance for doubtful accounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change. As of September 30, 2025, the allowance for doubtful accounts is \$8,974. Management considers the remaining accounts receivable to be collectible.

Property and Equipment

Property and equipment is recorded at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income.

Depreciation is computed principally by the straight-line method over the following estimated useful lives:

Building and land improvements	5 - 40 years
Furniture and equipment	3 - 10 years

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets.

The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment, there was no impairment at September 30, 2025.

Income Taxes

As a limited liability company, the Company's taxable income or loss is allocated to the members in accordance with the company agreement. Therefore, no provisions for income taxes have been included in the financial statements.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of September 30, 2025, the unrecognized tax benefit accrual was zero. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Rental Income

Housing units are rented under operating lease agreements with terms of one year or less. Rent income from tenants is recognized in the month in which it is earned rather than received. Tenant rent represents gross rent for all units in the project. Any rent received prior to the month of occupancy is reported as prepaid rent. Vacancy losses for unrented units and rental concessions are recorded for any unrented units to arrive at net tenant rent.

The future cash flows from operating lease payments to be received as of September 30, 2025, in fiscal year 2026, are approximately \$50,500.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method which is a reasonable estimate of the effective interest method. Debt issuance costs are included within long-term debt on the balance sheet. Amortization of debt issuance costs is included in interest expense in the accompanying financial statements.

Estimates

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

Subsequent Events

The Company has evaluated subsequent events through January 28, 2026, the date which the financial statements were available to be issued.

Note 2 - Restricted Deposits and Funded Reserves

Restricted deposits and funded reserves at September 30, 2025 consist of the following:

Insurance escrow	\$ 41,370
Replacement reserve	<u>178,075</u>
	<u><u>\$ 219,445</u></u>

Insurance Escrow

Pursuant to the mortgage agreement with Centennial Mortgage, the Company is required to maintain a mortgage escrow account. The escrow account is to be used to pay the next year's mortgage insurance premium and property insurance.

Replacement Reserve

Pursuant to the terms of the HUD regulatory agreement, the Company is required to deposit \$1,575 per month into a replacement reserve account, increasing by 2.0% each year after the initial year of the agreement. The reserve for replacement account is to be used for repairs, maintenance and replacement of equipment not paid as part of the ordinary operations of the Company. Withdrawals from this account are subject to HUD approval.

Note 3 - Tenant Security Deposits

The Company has set aside \$19,500 as of September 30, 2025, to repay tenant security deposits after lease termination in accordance with requirements established by the HUD regulatory agreement.

Note 4 - Property and Equipment

As disclosed in Note 1, the company owns and operates a 54-unit low-income housing project in Boise, Idaho. All of the Company's property and equipment is subject to operating leases with residential tenants at September 30, 2025. Property and equipment at September 30, 2025, consist of the following:

Land	\$ 177,409
Building and improvements	4,213,429
Equipment and furnishings	<u>256,107</u>
	4,646,945
Accumulated depreciation	<u>(3,317,158)</u>
	<u><u>\$ 1,329,787</u></u>

Note 5 - Accrued Expenses

Accrued expenses at September 30, 2025, consist of the following:

Accrued wages payable	\$ 5,882
	\$ 5,882

Note 6 - Long-Term Debt

Long-term debt at September 30, 2025 consist of:

3.01%, \$3,565,600 mortgage note payable to Centennial Mortgage, due in monthly installments of \$13,742, including interest, beginning January 1, 2017 through December 2051, secured by a deed of trust on all property and equipment, a security agreement and an assignment of rents and leases and a HUD regulatory agreement, net of unamortized debt issuance costs of \$146,705 in 2025 and based on an effective interest rate of 4.13% (A)	\$ 2,990,009
Less unamortized debt issuance costs	(146,705)
Long-term debt, less unamortized debt issuance costs	\$ 2,843,304

(A) – The loan is insured by HUD under the HUD Section 223(f) insured mortgage program. In the event of a default on the mortgage, all rents, profits, and income of the project are to be assigned to HUD. The regulatory agreement accompanying the HUD-insured mortgage shall remain in effect until termination or maturity of the HUD-insured mortgage.

Future maturities of long-term debt are as follows:

Year Ended September 30,	Amount
2026	\$ 75,948
2027	78,266
2028	80,655
2029	83,116
2030	85,653
Thereafter	2,586,371
Less unamortized debt issuance costs	(146,705)
	\$ 2,843,304

Note 7 - Related Party Transactions

Member Distributions

All distributions to the Member can be made only after the end of the semi-annual or annual fiscal period. Distributions may be made only to the extent sufficient surplus cash is available after payment of all operating expenses, escrow deposits required by HUD, and principal and interest on the HUD-insured mortgage. During 2025, there were no distributions made from surplus cash.

Management Fees

The Company has entered into an agreement with Boise City Housing Authority (the Housing Authority), the single member of the LLC, to provide management services. Under the terms of the agreement, the Housing Authority is to receive management fees as a percentage of gross receipts. For 2025, the Housing Authority received 7.0% in management fees per the agreement. The agreement has an autorenewal option for one year, until canceled by either party. During the year ended September 30, 2025, the Company incurred management fees of \$42,905. As of September 30, 2025, the company owed \$4,057 for management fees, which is included in accounts payable on the balance sheet.

Other Transactions

During the year ended September 30, 2025, the Company reimbursed the Housing Authority approximately \$56,700 and \$23,200, for payroll and benefits, respectively. As of September 30, 2025, the Company owed the Housing Authority \$169 for reimbursed payroll and benefits, which is included in accrued expenses on the balance sheet. In addition, the Company owed approximately \$5,900 for vacation benefits earned but not yet paid at September 30, 2025. These are included in accrued expenses on the balance sheet.

The Housing Authority pays for other administrative costs throughout the year and is reimbursed by the Company for its share of those costs. During the year ended September 30, 2025, the Company reimbursed the Housing Authority approximately \$36,000 for administrative costs.

Note 8 - Member's Equity

Member	Ownership Percentages
Boise City Housing Authority	100%

Note 9 - Regulatory Agreement

The Company has entered into an agreement with HUD that contains the following provisions:

- During the term of the regulatory agreement, the Company is obligated to make monthly deposits in the amount of \$1,575 to a replacement reserve, increasing by 2.0% each year after the initial year of the agreement. Disbursements from the reserve are to be used for the replacement of property and other necessary project expenditures and are to be made only with HUD approval. The funds may also be used as payment on the mortgage in the event of default.
- All distributions to the member can be made only after the end of the semiannual or annual fiscal period. Distributions may be made only to the extent sufficient surplus cash is available after payment of all operating expenses, escrow deposits required by HUD, and principal and interest on the HUD-insured mortgage.
- In the event of default on the mortgage, all rents, profits, and income of the project are to be assigned to HUD.
- Under the terms of the regulatory agreement, the Company is required to maintain an account to hold security deposits collected from tenants. This account is required to be separate and apart from all other funds of the project in a trust account and the amount shall be at all times equal to or exceed the aggregate of all outstanding obligations under said account.

Supplementary Information Required by HUD
September 30, 2025

Shoreline North, LLC

HUD Project Number 124-11033

Assets

Current Assets

1120	Cash - operations	\$	734,617
1130	Accounts receivable - tenants		16,902
1131	Allowance for doubtful accounts		<u>(8,974)</u>
113N	Net accounts receivable		<u>7,928</u>
1100T	Total current assets		<u>742,545</u>

Deposits Held in Trust

1191	Tenant deposits held in trust		<u>19,500</u>
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Restricted Deposits and Funded Reserves

1310	Escrow deposits		41,370
1320	Replacement reserve		<u>178,075</u>
1300T	Total deposits		<u>219,445</u>

Property and Equipment, at Cost

1410	Land		177,409
1420	Buildings		4,213,429
1450	Furniture for project/tenant use		<u>256,107</u>

1400T	Total fixed assets		4,646,945
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1495	Accumulated depreciation		<u>(3,317,158)</u>
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1400N	Net fixed assets		<u>1,329,787</u>
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1000T	Total assets	\$	<u><u>2,311,277</u></u>
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Liabilities and Member's Deficit

Current Liabilities

2110	Accounts payable - operations	\$	10,648
2120	Accrued wages payable		5,882
2131	Accrued interest - first mortgage		7,500
2170	Mortgage payable - first mortgage (short-term)		75,948
2210	Prepaid rent revenue		4,377
			<u>4,377</u>
	2122T Total current liabilities		<u>104,355</u>

Deposit Liability

2191	Tenant security deposits payable		19,500
			<u>19,500</u>

Long-Term Liabilities

2320	Mortgage payable - first mortgage		2,767,356
			<u>2,767,356</u>
	2300T Total long-term liabilities		<u>2,767,356</u>

			2,891,211
	2000T Total liabilities		<u>2,891,211</u>

Member's Deficit

3130	Member's deficit		(579,934)
			<u>(579,934)</u>

			\$ 2,311,277
	2033T Total liabilities and member's deficit		<u><u>\$ 2,311,277</u></u>

Shoreline North, LLC
 HUD Project Number 124-11033
 Supplementary Information Required by HUD
 Statement of Profit and Loss
 Year Ended September 30, 2025

Rent Revenue		
5120	Rent revenue - gross potential	\$ 660,578
5100T	Total rent revenue	<u>660,578</u>
Vacancies		
5220	Apartments	16,212
5250	Rental concessions	<u>27,527</u>
5152N	Net rental revenue (rent revenue less vacancies)	<u>616,839</u>
Financial Revenue		
5410	Financial revenue - project operations	19,469
5440	Revenue from investments - replacement reserve	<u>414</u>
5400T	Total financial revenue	<u>19,883</u>
Other Revenue		
5920	Tenant charges	357
5990	Miscellaneous revenue	<u>715</u>
5900T	Total other revenue	<u>1,072</u>
5000T	Total Revenue	<u>637,794</u>
Administrative Expenses		
6310	Office salaries	21,453
6320	Management fees	42,905
6350	Audit expense	14,607
6370	Bad debts	9,726
6390	Miscellaneous administrative expenses	<u>873</u>
6263T	Total administrative expenses	<u>89,564</u>

Shoreline North, LLC
 HUD Project Number 124-11033
 Supplementary Information Required by HUD
 Statement of Profit and Loss
 Year Ended September 30, 2025

Utilities Expenses		
6450 Electricity	\$	4,663
6451 Water		5,144
6453 Sewer		<u>13,602</u>
6400T Total utilities expenses		<u>23,409</u>
Operating and Maintenance Expenses		
6510 Payroll		35,274
6515 Supplies		17,401
6520 Contracts		40,538
6525 Garbage and trash removal		5,597
6546 Heating/cooling repairs and maintenance		877
6590 Miscellaneous operating and maintenance		<u>637</u>
6500T Total operating and maintenance expenses		<u>100,324</u>
Insurance Expenses		
6720 Property and liability insurance (hazard)		36,950
6723 Health insurance and other employee benefits		<u>24,708</u>
6700T Total insurance expenses		<u>61,658</u>
Financial Expenses		
6820 Interest on mortgage payable		99,237
6850 Mortgage insurance premium		<u>11,951</u>
6800T Total financial expenses		<u>111,188</u>
6000T Total Cost of Operations Before Depreciation		<u>386,143</u>
5060T Profit Before Depreciation		<u>251,651</u>
6600 Depreciation expense		<u>160,688</u>
5060N Operating Profit		<u>90,963</u>
3250 Net Income	\$	<u><u>90,963</u></u>

Part II

S1000-010 Total first mortgage principal payments required during the audit period.	<u>\$ 73,700</u>
S1000-020 Total of all monthly reserve for replacement deposits required during the audit period, even if deposits have been temporarily suspended or waived.	<u>\$ 22,035</u>
S1000-030 Replacement reserve releases, which are included as expense items on this profit and loss statement.	<u>\$ -</u>

Shoreline North, LLC
HUD Project Number 124-11033
Supplementary Information Required by HUD
Attachment to Statement of Profit and Loss
Year Ended September 30, 2025

Account No. 5990 Miscellaneous Other Revenue

Non-redundable deposits

\$ 700

NSF charges

15

\$ 715

Shoreline North, LLC
HUD Project Number 124-11033
Supplementary Information Required by HUD
Statement of Member's Deficit
Year Ended September 30, 2025

S1100-010	Member's Deficit, Beginning of Year	\$ (670,897)
3250	Net Income	<u>90,963</u>
3130	Member's Deficit, End of Year	<u><u>\$ (579,934)</u></u>

Shoreline North, LLC
 HUD Project Number 124-11033
 Supplementary Information Required by HUD
 Statement of Cash Flows
 Year Ended September 30, 2025

Operating Activities	
Receipts	
S1200-010 Rental receipts	\$ 618,178
S1200-020 Interest receipts	19,883
S1200-030 Other operating receipts	<u>1,072</u>
S1200-040 Total receipts	<u>639,133</u>
Expenses	
S1200-050 Administrative	25,206
S1200-070 Management fee	42,905
S1200-090 Utilities	18,622
S1200-100 Salaries and wages	85,024
S1200-110 Operating and maintenance	55,915
S1200-140 Property insurance	36,950
S1200-180 Interest on first mortgage	91,253
S1200-210 Mortgage insurance premium	<u>11,951</u>
S1200-230 Total disbursements	<u>367,826</u>
S1200-240 Net Cash from Operating Activities	<u>271,307</u>
Investing Activities	
S1200-245 Net deposits to the escrow account	(4,319)
S1200-250 Net deposits to the replacement reserve account	(22,346)
S1200-330 Purchase of fixed assets	<u>(20,083)</u>
S1200-350 Net Cash used for Investing Activities	<u>(46,748)</u>
Financing Activities	
S1200-360 Principal payments - first mortgage	<u>(73,700)</u>
S1200-460 Net Cash used for Financing Activities	<u>(73,700)</u>
S1200-470 Net Change in Cash	150,859
S1200-480 Cash, Beginning of Year	<u>583,758</u>
S1200T Cash, End of Year	<u><u>\$ 734,617</u></u>

Reconciliation of Net Income to Net Cash from Operating Activities

3250 Net income	\$	90,963
Adjustments to reconcile net income to net cash from operating activities		
6600 Depreciation		160,688
S1200-486 Amortization of debt issuance costs		5,607
S1200-600 Other adjustments - Loss on disposal of property and equipment		434
Changes in assets and liabilities		
S1200-490 Accounts receivable		2,297
S1200-520 Prepaid expenses		4,787
S1200-530 Tenant security deposits		(2,599)
S1200-540 Accounts payable		8,701
S1200-560 Accrued expenses		(3,589)
S1200-570 Accrued interest payable		2,377
S1200-580 Tenant security deposit liability		2,600
S1200-590 Prepaid rent		(959)
		(959)
S1200-610 Net Cash from Operating Activities	\$	271,307

Schedule of Reserve for Replacement

1320P Balance, October 1, 2024	\$ 155,729
1320DT Required deposits by HUD	22,035
1320INT Interest on replacement reserve accounts	414
1320OT Other withdrawals	<u>(103)</u>
 1320 Balance, September 30, 2025	 <u>\$ 178,075</u>
 1320R Deposits suspended or waived indicator	 <u>No</u>

Schedule of Changes in Fixed Asset Accounts

	<u>Balance October 1, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2025</u>
1410 Land	\$ 177,409	\$ -	\$ -	\$ 177,409
1420 Buildings and improvements	4,203,035	10,393	-	4,213,428
1450 Furniture for project/tenant use	<u>250,933</u>	<u>9,690</u>	<u>(4,516)</u>	<u>256,107</u>
Total	4,631,377	20,083	(4,516)	4,646,944
 1495 Accumulated depreciation	 <u>(3,160,551)</u>	 <u>(160,688)</u>	 <u>4,082</u>	 <u>(3,317,157)</u>
Net property and equipment	<u>\$ 1,470,826</u>	<u>\$ (140,605)</u>	<u>\$ (434)</u>	<u>\$ 1,329,787</u>

Additions to Fixed Assets

Carpet and vinyl flooring replacement	\$ 6,902
Building stairs replacement	10,393
Appliances	<u>2,788</u>
	<u>\$ 20,083</u>

Deductions to Fixed Assets

Carpet and flooring	<u>\$ (4,516)</u>
---------------------	-------------------

Shoreline North, LLC
 HUD Project Number 124-11033
 Computation of Surplus Cash, Distributions, and Residual Receipts
 September 30, 2025

Part A - Compute Surplus Cash

Cash

S1300-010 Cash (Accounts 1120, 1191)	\$ 754,117
1135 Tenant subsidy vouchers due for period covered by financial statement	<u>3,655</u>
S1300-040 Total Cash	<u>757,772</u>

Current Obligations

S1300-050 Accrued mortgage interest payable	7,500
S1300-075 Accounts payable (due within 30 days)	10,648
S1300-100 Accrued expenses (not escrowed)	5,882
S1300-110 Other current obligations (October mortgage principal, replacement reserve and escrows)	12,375
2210 Prepaid rents	4,377
2191 Tenant security deposits liability	<u>19,500</u>
S1300-140 Total Current Obligations	<u>60,282</u>
S1300-150 Surplus Cash (Deficiency)	<u>\$ 697,490</u>

Independent Auditor's Reports on Internal Control and
Compliance

September 30, 2025

Shoreline North, LLC

HUD Project Number 124-11033



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Commissioners
Of Boise City Housing Authority
Shoreline North, LLC
Boise, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Shoreline North, LLC (the Company), which comprise the balance sheet as of September 30, 2025, and the related statements of operations and member’s deficit, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Company’s basic financial statements, and have issued our report thereon dated January 28, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We identified a deficiency in internal control, described in the accompanying Schedule of Findings, Questioned Costs, and Recommendations as item 2025-01 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Company's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Company's response to the finding identified in our audit and described in the accompanying Schedule of Findings, Questioned Costs, and Recommendations. The Company's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Boise, Idaho
January 28, 2026



Independent Auditor’s Report on Compliance for the Major HUD Program and on Internal Control over Compliance Required by the *Consolidated Audit Guide for Audits of HUD Programs*

To the Board of Commissioners
Of Boise City Housing Authority
Shoreline North, LLC
Boise, Idaho

Report on Compliance for the Major HUD Program

Opinion on the Major HUD Program

We have audited Shoreline North, LLC’s (the Company) compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the Guide) that could have a direct and material effect on the Company’s major U.S. Department of Housing and Urban Development (HUD) program for the year ended September 30, 2025. The Company’s major HUD program and the related direct and material compliance requirements are as follows:

Name of Major HUD Program	Direct and Material Compliance Requirements
223 (f) HUD Loan	Mortgage Status, Replacement Reserve, Distributions to Owners, Equity Skimming, Tenant Application, Eligibility and Recertification, Cash Receipts, Cash Disbursements, Management Functions.

In our opinion, the Company complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major HUD program for the year ended September 30, 2025.

Basis for Opinion on the Major HUD Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), and the Guide. Our responsibilities under those standards and the Guide are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major HUD program. Our audit does not provide a legal determination of the Company’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Company's HUD program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on the Company's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Company's compliance with the requirements of the major HUD program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Company's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the Company's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal*

control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of the Company's internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP". The signature is written in black ink and is positioned above the typed name of the firm.

Boise, Idaho
January 28, 2026

Significant Deficiency in Internal Control over Financial Reporting

Corrective Action in Process

2025-01 Year-End Closing and Reconciliation

Statement of Condition – Reconciliations and reviews were not performed timely, and there was not a sufficient level of review by an appropriate level of management over those procedures.

Criteria – A good system of internal control and good business practices requires management to have policies and procedures in place to allow for the timely close of the monthly and fiscal year-end which includes reconciliation of balance sheet accounts to underlying general ledgers and third party documents, assessment of operations for reasonableness and accuracy based on current year conditions and activity, and review of all manual adjusting entries, closing entries, reconciliations and financial information.

Cause – There was a significant turnover in the accounting team during 2025 that was the cause of these conditions. Due to personnel constraints, this created a significant number of issues that management was unable to address and resolve before year-end.

Effect – There were multiple correcting entries being posted subsequent to providing the audit team with the year-end trial balance which was deemed reviewed by the management. Reconciliation issues were identified which resulted in adjustments to be made to the financial information that was provided relating to fixed assets, vacation accrual, accounts payable and cash. The trial balance changed several times during the audit. All of this caused a significant delay in the completion of the audit which resulted in the Company missing the HUD imposed deadline of December 31, 2025.

Recommendation – Many of the issues identified could have been detected and corrected had reconciliations been performed throughout the year and had there been adequate and appropriate management level reviews. Closing procedures (both at year-end and throughout the year) and review workflows should be evaluated to ensure proper reconciliation and timely closing of trial balance.

View of Responsible Individuals – Management agrees with the finding.

2025-01 Year-End Closing and Reconciliation

Actions Planned in Response to Finding - Management will evaluate review workflows for reconciliation processes and ensure controls are strengthened to perform management level reviews timely and appropriately.

Explanation of Disagreement – None

Official Responsible for Ensuring Corrective Action Plan – Glenn Luke, Finance Director

Planned Completion for Correction Action – FY2026

Plan to Monitor Completion of Corrective Action – Management is drafting a formalized internal process oversight plan for ensuring that work product is appropriate and within timelines.

Audit Report dated February 7, 2025, for the year ended September 30, 2024, issued by Eide Bailly, LLP.

Finding 2024-01 Year end closing and reconciliation.

Status – Ongoing

NSPIRE Inspection report dated June 4, 2025

There are no open findings or action items in relation to the inspection and report.

There were no letters or reports issued by HUD management during the period covered by this audit.

I hereby certify that I have examined the accompanying financial statements and supplemental data of Shoreline North, LLC and, to the best of my knowledge and belief, the same is complete and accurate.

Shoreline North, LLC

By: _____
Deanna L. Watson, Executive Director
January 28, 2026

I hereby certify that I have examined the accompanying financial statements and supplemental data of Shoreline North, LLC and, to the best of my knowledge and belief, the same is complete and accurate.

Shoreline North, LLC

By: _____
Boise City Housing Authority
Deanna L. Watson, Executive Director
EIN 81-2490019

Eide Bailly LLP
Certified Public Accountants
877 W. Main St., Ste. 800
Boise, Idaho 83702-5858
(208) 344-7150

Jodi Daugherty, Partner

Federal Employer ID Number: 45-0250958

Financial Statements
September 30, 2025

Shoreline Plaza, Inc.

HUD Project Number 124-11032

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Independent Auditor's Report

To the Board of Commissioners
Of Boise City Housing Authority
Shoreline Plaza, Inc.
Boise, Idaho

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Shoreline Plaza, Inc., which comprise the statement of financial position as of September 30, 2025, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Shoreline Plaza, Inc. as of September 30, 2025, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Shoreline Plaza, 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 and for 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 Shoreline Plaza, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 GAAS and *Government 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 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 GAAS and *Government 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 Shoreline Plaza, 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 Shoreline Plaza, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis as required by the Uniform Financial Reporting Standards issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General and is not a required part of the financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2026, on our consideration of Shoreline Plaza, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Shoreline Plaza, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shoreline Plaza, Inc.'s internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
January 29, 2026

Shoreline Plaza, Inc.
 HUD Project Number 124-11032
 Statement of Financial Position
 September 30, 2025

Assets	
Cash	\$ 1,116,536
Accounts receivable, net	76,601
Tenant security deposits	21,652
Restricted deposits and funded reserves	336,443
Property and equipment, at cost, less accumulated depreciation	912,759
	<u>\$ 2,463,991</u>
Liabilities and Net Assets	
Liabilities	
Accounts payable	\$ 18,011
Prepaid rent	9,529
Accrued expenses	52,277
Accrued interest	7,051
Tenant security deposits payable	21,652
Long-term debt, net of unamortized debt issuance costs of \$153,751	2,657,140
	<u>2,765,660</u>
Total liabilities	2,765,660
Net Assets Without Donor Restrictions	<u>(301,669)</u>
	<u>\$ 2,463,991</u>

Net Assets Without Donor Restrictions

Revenue	
Gross tenant rent	\$ 315,882
Tenant assistance payments	542,658
Less: vacancies and concessions	<u>(23,578)</u>
Net tenant rent and tenant assistance payments	834,962
Service coordinator revenue	87,064
Laundry and vending	2,791
Tenant charges	2,661
Interest	32,666
Other revenue	<u>70</u>
Total revenues	<u>960,214</u>
Expenses	
Administrative	144,856
Utilities	49,423
Operating and maintenance	164,983
Taxes and insurance	110,867
Health insurance and other benefits	37,257
Interest	93,897
Depreciation	77,691
Service coordinator expense	<u>80,343</u>
Total expenses	<u>759,317</u>
Change in Net Assets Without Donor Restrictions	200,897
Net Assets, Beginning of Year	<u>(502,566)</u>
Net Assets, End of Year	<u><u>\$ (301,669)</u></u>

Shoreline Plaza, Inc.
 HUD Project Number 124-11032
 Statement of Cash Flows
 Year Ended September 30, 2025

Operating Activities	
Receipts	
Rental receipts	\$ 793,836
Interest receipts	32,666
Service coordinator revenue	87,064
Other operating receipts	<u>3,424</u>
Total receipts	<u>916,990</u>
Disbursements	
Administrative	46,793
Management fee	58,729
Utilities	41,601
Salaries and wages	177,663
Operating and maintenance	77,539
Real estate taxes	26,216
Property insurance	74,802
Interest on first mortgage	91,662
Service coordinator expense	80,343
Mortgage insurance premium	<u>3,973</u>
Total disbursements	<u>679,321</u>
Net Cash from Operating Activities	<u>237,669</u>
Net Cash used for Investing Activities	
Net purchase of fixed assets	<u>(35,534)</u>
Financing Activities	
Principal payments - first mortgage	<u>(69,284)</u>
Net Change in Cash, Tenant Security Deposits and Restricted Cash	132,851
Cash, Tenant Security Deposits and Restricted Cash, Beginning of Year	<u>1,341,780</u>
Cash, Tenant Security Deposits and Restricted Cash, End of Year	<u><u>\$ 1,474,631</u></u>

Shoreline Plaza, Inc.
 HUD Project Number 124-11032
 Statement of Cash Flows
 Year Ended September 30, 2025

Cash	\$ 1,116,536
Tenant security deposits	21,652
Restricted deposits and funded reserves	<u>336,443</u>
Total Cash, Tenant Security Deposits and Restricted Cash	<u><u>\$ 1,474,631</u></u>
 Reconciliation of Change in Net Assets to Net Cash from Operating Activities	
Change in Net Assets	\$ 200,897
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	77,691
Loss on disposal of property and equipment	6,186
Interest expense attributable to amortization of debt issuance costs	5,876
Changes in assets and liabilities	
Accounts receivable	(40,381)
Prepaid expenses	7,822
Accounts payable	14,370
Accrued expenses	(34,184)
Tenant security deposit payable	(2,098)
Prepaid rent	(745)
Accrued interest	<u>2,235</u>
 Net Cash from Operating Activities	 <u><u>\$ 237,669</u></u>

Note 1 - Principal Business Activity and Significant Accounting Policies

Principal Activity, Risks, and Uncertainty

Shoreline Plaza, Inc. (Corporation) was formed May 23, 1978, as a corporation under the laws of the state of Idaho and shall continue in perpetuity, unless dissolved or terminated at an earlier date. The Corporation is owned 100% by Boise City Housing Authority (the Authority). The Corporation was formed for the purpose of owning and operating an 80-unit low-income rental housing complex located in Boise, Idaho, Shoreline Plaza Apartments. Substantially all of the Corporation's income is derived from the rental of its apartment units. The Corporation began operating under a new regulatory agreement with the U.S. Department of Housing and Urban Development (HUD) during November 2016 (Note 10) and a housing rental assistance payment contract (Note 8).

Concentrations of Credit Risk

The Corporation maintains its cash accounts in various deposit accounts, the balances of which are periodically in excess of federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. Accounts in excess of FDIC limits with the Corporation's bank are fully collateralized. At September 30, 2025, the Corporation had approximately \$86,400 in excess of FDIC-insured limits in accounts held with the mortgagor.

Receivables and Credit Policy

Accounts receivable are rents and charges currently due from residential tenants and HUD. Payments on accounts receivable are applied to specific months. Management estimates an allowance for doubtful accounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary. It is reasonably possible that the Corporation's estimate of the allowance for doubtful accounts will change. As of September 30, 2025, the allowance for doubtful accounts is \$5,444. The receivable from HUD for the service coordinator grant is considered collectible.

Property and Equipment

Property and equipment is recorded at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in change in net assets.

Depreciation is computed principally by the straight-line method over the following estimated useful lives:

Building and land improvements	5 - 40 years
Furniture and equipment	6 - 10 years

The Corporation reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment at September 30, 2025.

Functional Allocation of Expenses

The financial statements report categories of expenses that are attributed to program service activities or supporting services activities. The expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring. Note 11 presents the natural classification detail of expenses by function.

Rental Income

Housing units are rented under operating lease agreements with terms of one year or less. Rent income from tenants and tenant assistance payments are recognized in the month in which it is earned rather than received. Tenant rent represents gross rent for all units in the Corporation. Any rent received prior to the month of occupancy is reported as prepaid rent. Vacancy losses for unrented units and rental concessions are recorded for any unrented units to arrive at net tenant rent.

The future cash flows from operating lease payments to be received as of September 30, 2025 in fiscal year 2026 are approximately \$384,300.

Grants Revenues

Federal reimbursement-type grants are recorded as revenues when the related expenses are incurred. For programs that are supported by multiple funding sources, Federal grant monies are applied to expenses first.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method which is a reasonable estimate of the effective interest method. Debt issuance costs are included within long-term debt on the statement of financial position. Amortization of debt issuance costs is included in interest expense in the accompanying financial statements.

Income Taxes

The Corporation is a non-profit entity and is exempt from income taxes under Internal Revenue Code Section 501(c)(4). The Corporation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Corporation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Corporation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. The Corporation evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions.

Management believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Corporation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Contributions are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Corporation did not have net assets with donor restrictions for the year ended September 30, 2025.

Estimates

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

Subsequent Events

The Corporation has evaluated subsequent events through January 29, 2026, the date which the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of statement of financial position date, comprise the following:

Cash	\$ 1,116,536
Accounts receivable, net	<u>76,601</u>
	<u><u>\$ 1,193,137</u></u>

The Corporation regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Corporation prepares an annual budget to manage liquidity and to determine general expenditures over the next 12 months. Any surplus cash, as defined by the regulatory agreement, is allowed to be distributed as described in Note 10.

Note 3 - Restricted Deposits and Funded Reserves

Restricted deposits and funded reserves at September 30, 2025 consists of the following:

Tax and insurance escrow	\$ 89,374
Replacement reserve	<u>247,069</u>
	<u><u>\$ 336,443</u></u>

Tax and Insurance Escrow

Pursuant to the mortgage agreement with Centennial Mortgage, the Corporation is required to maintain a mortgage escrow account. The mortgage escrow account is to be used to pay the next year’s mortgage insurance premium, taxes, and property insurance.

Replacement Reserve

Pursuant to the terms of the HUD regulatory agreement, the Corporation is required to deposit \$3,633 per month into a replacement reserve account, increasing by 2.0% each year after the initial year of the agreement. The reserve for replacement account is to be used for repairs, maintenance and replacement of equipment not paid as part of the ordinary operations of the Corporation. Withdrawals from this account are subject to HUD approval.

Note 4 - Tenant Security Deposits

The Corporation has set aside \$21,652 as of September 30, 2025, to repay tenant security deposits after lease termination in accordance with requirements established by the HUD regulatory agreement.

Note 5 - Property and Equipment

As disclosed in Note 1, the Corporation owns and operates an 80-unit low-income housing project in Boise, Idaho. All of the Corporation's property and equipment is subject to operating leases with residential tenants at September 30, 2025. Property and equipment at September 30, 2025, consist of the following:

Land	\$ 280,468
Land improvements	247,146
Buildings	3,990,283
Equipment and furnishings	485,247
	5,003,144
Accumulated depreciation	(4,090,385)
	\$ 912,759

Note 6 - Accrued Expenses

Accrued expenses at September 30, 2025, consists of the following:

Real estate taxes	\$ 26,216
Accrued wages payable	26,061
	\$ 52,277

Note 7 - Long-Term Debt

Long-term debt at September 30, 2025 consists of:

3.01%, \$3,352,000 mortgage note payable to Centennial Mortgage, due in monthly installments of \$12,919 beginning January 1, 2017 through December 2051, secured by a deed of trust on all property and equipment, a security agreement and an assignment of rents and leases, and a HUD regulatory agreement, net of unamortized debt issuance costs of \$153,751 in 2025, based on an effective interest rate of 4.13% (A)	\$ 2,810,891
Less unamortized debt issuance costs	(153,751)
Long-term debt, less unamortized debt issuance costs	\$ 2,657,140

(A) – The loan is insured by HUD under the HUD Section 223(f) insured mortgage program. In the event of a default on the mortgage, all rents, profits, and income of the Corporation are to be assigned to HUD. The regulatory agreement accompanying the HUD-insured mortgage shall remain in effect until termination or maturity of the HUD-insured mortgage.

Future maturities of long-term debt are as follows:

Years Ended September 30,	Amount
2026	\$ 71,399
2027	73,578
2028	75,823
2029	78,137
2030	80,522
Thereafter	2,431,432
Less unamortized debt issuance costs	(153,751)
	\$ 2,657,140

Note 8 - Rental Assistance Payments

The Corporation has a rental assistance payment contract with HUD. The contract is administered by HUD and provides assistance payments to the Corporation on behalf of qualified low-income tenants. The contract contains the following significant provisions:

All dwelling units subject to the contract must be rented to families eligible to receive the benefits of rental assistance payments. Contract rents are established for each unit, with the tenant paying a portion of the contract rent based on the person’s income level and the balance paid by HUD.

Under the rental assistance contract agreement, the Corporation may not increase rents charged to tenants without HUD’s approval. This rental assistance contract was renewed September 1, 2018 for a 20-year term.

Note 9 - Related Party Transactions

Distributions

All distributions can be made only after the end of the semiannual or annual fiscal period. Distributions may be made only to the extent sufficient surplus cash is available after payment of all operating expenses, escrow deposits required by HUD, and principal and interest on the HUD-insured mortgage. During 2025, there were no distributions made from surplus cash.

Management Fees

The Corporation has entered into an agreement with the Authority to provide management services. Under the terms of the agreement, the Authority is to receive management fees as percentage of gross receipts. During 2025, the Authority received 7.0% in management fees per the agreement. The agreement has an autorenewal option for one year, until canceled by either party. During the year ended September 30, 2025, the Corporation incurred management fees of \$58,729.

As of September 30, 2025, the Corporation owes \$4,372 to the Authority towards accrued management fees which is included in accounts payable on the statement of financial position.

Other Transactions

During the year ended September 30, 2025, the Corporation reimbursed the Authority approximately \$161,800 and \$62,000, for payroll and benefits, respectively. As of September 30, 2025, the Corporation owes the Authority \$10,926 for reimbursed payroll and benefits, which is included in accrued expenses and accounts payable on the statement of financial position. In addition, the Corporation owed approximately \$19,200 for vacation benefits earned but not yet paid at September 30, 2025. These are included in the accrued expenses on the statement of financial position.

Note 10 - Regulatory Agreement

The Corporation has entered into an agreement with the U.S. Department of Housing and Urban Development (HUD) that contains the following provisions:

- During the term of the regulatory agreement, the Corporation is obligated to make monthly deposits in the amount of \$3,633 to a replacement reserve, increasing by 2.0% each year after the initial year of the agreement. Disbursements from the reserve are to be used for the replacement of property and other necessary project expenditures and are to be made only with HUD approval. The funds may also be used as payment on the mortgage in the event of default.
- All distributions to the Housing Authority can be made only after the end of the semiannual or annual fiscal period. Distributions may be made only to the extent sufficient surplus cash is available after payment of all operating expenses, escrow deposits required by HUD, and principal and interest on the HUD-insured mortgage.
- Payment of all operating expenses, escrow deposits required by HUD, and principal and interest on the HUD-insured mortgage.
- In the event of default on the mortgage, all rents, profits, and income of the project are to be assigned to HUD.

- Under the terms of the regulatory agreement, the Corporation is required to maintain an account to hold security deposits collected from tenants. This account is required to be separate and apart from all other funds of the project in a trust account and the amount shall be at all times equal to or exceed the aggregate of all outstanding obligations under said account.

Note 11 - Functional Allocation of Expenses

For the year ended September 30, 2025, the Corporation incurred the following expenses by function:

	Program Services	General and Administrative	Total
Salaries and wages	\$ 113,097	\$ 36,325	\$ 149,422
Employee benefits	50,918	13,040	63,958
Payroll taxes	9,369	3,009	12,378
Professional services	2,506	1,115	3,621
Accounting fees	-	22,829	22,829
Real estate taxes	26,216	-	26,216
Conference and meetings	884	-	884
Management fee	-	58,729	58,729
Insurance	84,651	-	84,651
Occupancy	65,000	-	65,000
Travel	-	6,236	6,236
Bad debt	4,634	-	4,634
Interest	93,897	-	93,897
Office expense	3,680	-	3,680
Maintenance and repairs	70,872	-	70,872
Contracts	5,460	-	5,460
Depreciation and amortization	77,691	-	77,691
Loss on disposal of assets	6,186	-	6,186
Other	2,973	-	2,973
	<u>618,034</u>	<u>141,283</u>	<u>759,317</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 618,034</u>	<u>\$ 141,283</u>	<u>\$ 759,317</u>

The following schedule represents expenses by function as of September 30, 2025:

Program	\$ 618,034
General and administrative	141,283
	<u>\$ 759,317</u>

Supplementary Information Required by HUD
September 30, 2025

Shoreline Plaza, Inc.

HUD Project Number 124-11032

Assets

Current Assets

1120	Cash - operations	\$ 1,116,536
1130	Accounts receivable - tenants	18,759
1131	Allowance for doubtful accounts	<u>(5,444)</u>
	1130N Net accounts receivable-tenants	13,315
1135	Accounts receivable - HUD	355
1140	Accounts receivable - service coordinator and other	<u>62,931</u>
	1100T Total current assets	<u>1,193,137</u>

Deposits Held in Trust

1191	Tenant deposits held in trust	<u>21,652</u>
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Restricted Deposits and Funded Reserves

1310	Escrow deposits	89,374
1320	Replacement reserve	<u>247,069</u>
	1300T Total deposits	<u>336,443</u>

Property and Equipment, at Cost

1410	Land	280,468
1420	Buildings	4,237,429
1465	Furniture for project/tenant use	<u>485,247</u>
	1400T Total fixed assets	5,003,144
1495	Accumulated depreciation	<u>(4,090,385)</u>
	1400N Net fixed assets	<u>912,759</u>
		<u><u>\$ 2,463,991</u></u>

Liabilities and Net Assets

Current Liabilities

2110	Accounts payable - operations	\$	18,011
2120	Accrued wages payable		26,061
2131	Accrued interest - first mortgage		7,051
2150	Accrued property taxes		26,216
2170	Mortgage payable- first mortgage (short-term)		71,399
2210	Prepaid rent revenue		<u>9,529</u>
	2122T Total current liabilities		<u>158,267</u>

Deposit Liability

2191	Tenant security deposits payable		<u>21,652</u>
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Long-Term Liabilities

2320	Mortgage payable		<u>2,585,741</u>
	2300T Total long-term liabilities		<u>2,585,741</u>
	2000T Total liabilities		2,765,660

Net Assets

3130	Net Assets - Without donor restrictions		<u>(301,669)</u>
	2033T Total liabilities and net assets		<u><u>\$ 2,463,991</u></u>

Shoreline Plaza, Inc.
 HUD Project Number 124-11032
 Supplementary Information Required by HUD
 Profit and Loss Data
 Year Ended September 30, 2025

Rent Revenue		
5120	Rent revenue - gross potential	\$ 315,882
5121	Tenant assistance payments	<u>542,658</u>
5100T	Total rent revenue	<u>858,540</u>
Vacancies		
5220	Apartments	<u>(23,578)</u>
5152N	Net rental revenue (rent revenue less vacancies)	<u>834,962</u>
Revenue		
5390	Service coordinator revenue	<u>87,064</u>
Financial Revenue		
5410	Financial revenue - project operations	32,121
5440	Revenue from investments - replacement reserve	<u>545</u>
5400T	Total financial revenue	<u>32,666</u>
Other Revenue		
5910	Laundry and vending	2,791
5920	Tenant charges	2,661
5990	Miscellaneous revenue	<u>70</u>
5900T	Total other revenue	<u>5,522</u>
5000T	Total Revenue	<u>960,214</u>
Administrative Expenses		
6310	Office salaries	39,334
6311	Office expenses	6,752
6320	Management fees	58,729
6340	Legal expense - project	1,115
6350	Audit expense	19,542
6370	Bad debts	4,634
6390	Miscellaneous administrative expenses	<u>14,750</u>
6263T	Total administrative expenses	<u>144,856</u>

Shoreline Plaza, Inc.
 HUD Project Number 124-11032
 Supplementary Information Required by HUD
 Profit and Loss Data
 Year Ended September 30, 2025

Utilities Expense		
6450 Electricity	\$	21,246
6451 Water		8,321
6452 Gas		1,376
6453 Sewer		<u>18,480</u>
6400T Total utilities expense		<u>49,423</u>
Operating and Maintenance Expenses		
6510 Payroll		66,888
6515 Supplies		19,324
6520 Contracts		66,043
6525 Garbage and trash removal		6,383
6590 Miscellaneous operating and maintenance		<u>6,345</u>
6500T Total operating and maintenance expenses		<u>164,983</u>
Taxes and Insurance Expenses		
6710 Real estate taxes		26,216
6720 Property and liability insurance (hazard)		74,802
6723 Health insurance and other employee benefits		<u>37,257</u>
6700T Total taxes and insurance expense		<u>138,275</u>
Financial Expenses		
6820 Interest on mortgage payable		93,897
6850 Mortgage insurance premium		<u>9,849</u>
6800T Total financial expenses		<u>103,746</u>
6990 Service coordinator expenses		<u>80,343</u>
6000T Total Cost of Operations Before Depreciation		<u>681,626</u>
5060T Profit (Loss) Before Depreciation		<u>278,588</u>
6600 Depreciation expense		<u>77,691</u>
5060N Operating Profit or (Loss)	\$	<u>200,897</u>
3250 Change in Net Assets Without Donor Restrictions from Operations	\$	<u><u>200,897</u></u>

Part II

S1000-010 Total first mortgage principal payments required during the audit period.	<u>\$ 69,284</u>
S1000-020 Total of all monthly reserve for replacement deposits required during the audit period, even if deposits have been temporarily suspended or waived.	<u>\$ 50,835</u>
S1000-030 Replacement reserve releases, which are included as expense items on this profit and loss statement.	<u>\$ -</u>

Account No. 6390 Miscellaneous Administrative Expenses

Bank charges	\$ 215
Training	884
Resident screening and activities	2,228
Travel	6,236
Employee expenses	1,935
Consultants	278
Tenant-related expenses	2,044
Miscellaneous	<u>930</u>
	<u>\$ 14,750</u>

Shoreline Plaza, Inc.
 HUD Project Number 124-11032
 Supplementary Information Required by HUD
 Cash Flow Data
 Year Ended September 30, 2025

Operating Activities	
Receipts	
S1200-010 Rental receipts	\$ 793,836
S1200-020 Interest receipts	32,666
S1200-030 Other operating receipts	<u>92,709</u>
S1200-040 Total receipts	<u>919,211</u>
Expenses	
S1200-050 Administrative	46,793
S1200-070 Management fee	58,729
S1200-090 Utilities	41,601
S1200-100 Salaries and wages	177,663
S1200-110 Operating and maintenance	77,539
S1200-120 Real estate taxes	26,216
S1200-140 Property insurance	74,802
S1200-170 Other operating expense	80,343
S1200-180 Interest on first mortgage	91,662
S1200-210 Mortgage insurance premium	<u>3,973</u>
S1200-230 Total disbursements	<u>679,321</u>
S1200-240 Net Cash from Operating Activities	<u>239,890</u>
Investing Activities	
S1200-245 Net deposits to the escrow account	(9,733)
S1200-250 Net deposits to the replacement reserve account	(51,242)
S1200-330 Net purchase of fixed assets	<u>(35,534)</u>
S1200-350 Net Cash used for Investing Activities	<u>(96,509)</u>
Financing Activities	
S1200-360 Principal payments - first mortgage	<u>(69,284)</u>
S1200-460 Net Cash used for Financing Activities	<u>(69,284)</u>
S1200-470 Net Change in Cash	74,097
S1200-480 Cash, Beginning of Year	<u>1,042,439</u>
S1200T Cash, End of Year	<u><u>\$ 1,116,536</u></u>

Schedule of Reserve for Replacement

1320P Balance, October 1, 2024	\$ 195,827
1320DT Required deposits by HUD	50,835
1320INT Interest on replacement reserve accounts	545
1320OWT Other withdrawals - admin fees	<u>(138)</u>
 1320 Balance, September 30, 2025	 <u>\$ 247,069</u>
 1320R Deposits suspended or waived indicator	 <u>No</u>

Schedule of Changes in Fixed Asset Accounts

	Balance October 1, 2024	Additions	Deductions	Balance September 30, 2025
1410 Land	\$ 280,468	\$ -	\$ -	\$ 280,468
1420 Buildings	4,227,411	10,018	-	4,237,429
1450 Furniture for project/tenant use	<u>469,772</u>	<u>25,516</u>	<u>(10,041)</u>	<u>485,247</u>
Total	4,977,651	35,534	(10,041)	5,003,144
1495 Accumulated depreciation	<u>(4,016,549)</u>	<u>(77,691)</u>	<u>3,855</u>	<u>(4,090,385)</u>
Net property and equipment	<u>\$ 961,102</u>	<u>\$ (42,157)</u>	<u>\$ (6,186)</u>	<u>\$ 912,759</u>

Additions to Fixed Assets

Water heater lines replacement	\$ 10,018
Appliances	2,362
Carpet and vinyl replacement	<u>23,154</u>
	<u>\$ 35,534</u>

Deductions from Fixed Assets

Carpet and vinyl flooring	<u>\$ (10,041)</u>
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Shoreline Plaza, Inc.
 HUD Project Number 124-11032
 Computation of Surplus Cash, Distributions, and Residual Receipts
 September 30, 2025

Part A - Compute Surplus Cash

Cash

S1300-010 Cash (Accounts 1120, 1191)	\$ 1,138,188
1135 Tenant subsidy vouchers due for period covered by financial statement	<u>355</u>
S1300-040 Total Cash	<u>1,138,543</u>

Current Obligations

S1300-050 Accrued mortgage interest payable	7,051
S1300-075 Accounts payable (due within 30 days)	18,011
S1300-110 Other current obligations (October mortgage principal, replacement reserve and escrows)	19,095
S1300-100 Accrued expenses (not escrowed)	52,277
2210 Prepaid rents	9,884
2191 Tenant security deposits liability	<u>21,652</u>
S1300-140 Less Total Current Obligations	<u>127,970</u>
S1300-150 Surplus Cash (Deficiency)	<u>\$ 1,010,573</u>

Other Supplementary Information
September 30, 2025

Shoreline Plaza, Inc.

HUD Project Number 124-11032



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Commissioners
Of Boise City Housing Authority
Shoreline Plaza, Inc.
Boise, Idaho

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Shoreline Plaza, Inc. (the Corporation), which comprise the Corporation’s statement of financial position as of September 30, 2025, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated January 29, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Corporation's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Corporation's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Corporation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Boise, Idaho
January 29, 2026



Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Commissioners
of Boise City Housing Authority
Shoreline Plaza, Inc.
Boise, Idaho

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Shoreline Plaza, Inc.’s (the Corporation) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Corporation’s major federal program for the year ended September 30, 2025. The Corporation’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended September 30, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Corporation’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Corporation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Corporation's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance

requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed name of the firm.

Boise, Idaho
January 29, 2026

Shoreline Plaza, Inc.
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2025

<u>Federal Grantor/Pass-Through Grantor/Program of Cluster Title</u>	<u>Federal Financial Assistance Listing</u>	<u>Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development			
Direct programs			
Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects (Section 223(f))	14.155	N/A	\$ 2,880,175
Multifamily Housing Service Coordinator	14.191	N/A	87,064
Passed through Idaho Housing and Finance Association Project Based Rental Assistance (PBRA)	14.195	ID05-0005-001	<u>542,658</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 3,509,897</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Shoreline Plaza, Inc. (the Corporation) under programs of the federal government for the year ended September 30, 2025. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Shoreline Plaza, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Shoreline Plaza, Inc.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in Subpart E – Cost Principles of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The Corporation has not elected to use the 10% de minimis cost rate.

Note 4 - Loan Programs

Expenditures reported in this schedule consist of the beginning of the year outstanding loan balance. There were no advances made on the loan during the year. The outstanding balance at September 30, 2025 was \$2,810,891.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing Number</u>
Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects (Section 223(f))	14.155
Dollar threshold used to distinguish between type A and type B programs:	\$ 1,000,000
Auditee qualified as a low-risk auditee?	Yes

Section II – Financial Statement Findings

2025-001 Year-End Closing and Reconciliation

Significant Deficiency in Internal Control over Financial Reporting

Criteria: A good system of internal control and good business practices requires management to have policies and procedures in place to allow for the timely close of the monthly and fiscal year-end which includes reconciliation of balance sheet accounts to underlying general ledgers and 3rd party documents, assessment of operations for reasonableness and accuracy based on current year conditions and activity, and review of all manual adjusting entries, closing entries, reconciliations and financial information.

Condition: Reconciliations and reviews were not performed timely, and there was not a sufficient level of review by an appropriate level of management over those procedures.

Cause: There was a significant turnover in the accounting team during 2025 that was the cause of these conditions. Due to personnel constraints, this created a significant number of issues that management was unable to address and resolve before year-end.

Effect: There were multiple correcting entries being posted subsequent to providing the audit team with the year-end trial balance which was deemed reviewed by the management. Reconciliation issues were identified which resulted in adjustments to be made to the financial information that was provided relating to fixed assets, vacation accrual, accounts payable and cash. The trial balance changed several times during the audit. All of this caused a significant delay in the completion of the audit which resulted in the Corporation missing the HUD imposed deadline of December 31, 2025.

Recommendation: Many of the issues identified could have been detected and corrected had reconciliations been performed throughout the year and had there been adequate and appropriate management level reviews. Closing procedures (both at year-end and throughout the year) and review workflows should be evaluated to ensure proper reconciliation and timely closing of trial balance.

Views of Responsible Officials: Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

None reported.

I hereby certify that I have examined the accompanying financial statements and supplemental data of Shoreline Plaza, Inc. and, to the best of my knowledge and belief, the same is complete and accurate.

Shoreline Plaza, Inc.

By: _____
Deanna L. Watson, Executive Director
January 29, 2026

I hereby certify that I have examined the accompanying financial statements and supplemental data of Shoreline Plaza, Inc. and, to the best of my knowledge and belief, the same is complete and accurate.

Shoreline Plaza, Inc.

By: _____
Boise City Housing Authority
Deanna L. Watson, Executive Director
EIN 81-2490019

Eide Bailly LLP
Certified Public Accountants
877 W. Main St., Ste. 800
Boise, Idaho 83702-5858
(208) 344-7150

Jodi Daugherty, Partner

Federal Employer ID Number: 45-0250958

Summary Schedule of Prior Year Audit Findings

Financial Statement Findings:

Finding 2024-001

Finding Summary: Reconciliations and reviews were not performed timely and there was not a sufficient level of review by an appropriate level of management over those procedures.

Corrective Action Plan: BCACHA is drafting a formalized internal process oversight plan to ensure that our work product is accurate, timely, and within compliance with HUD regulations.

Corrective Action Plan Status: Reconciliations and reviews were partially corrected for the FY 2024 audit finding in FY 2025 due to significant senior finance staff turnover in FY 2025 and the lateness of completing the FY 2024 audit in June 2025.

In September of 2025, the finance department implemented additional internal controls with Yardi electronic capabilities by attaching supporting documents in Yardi for senior accountant and Director of Finance approval. Also, bank reconciliations were completed in a timely manner in FY 2025 as compared to FY 2024. Other financial schedules will be reviewed/approved by senior finance staff no less than on a quarterly basis.

Financial Awards Findings:

Finding 2024-002

Federal Agency Name: U.S. Department of Housing and Urban Development

Finding Summary: During our testing of management fees, we identified that the Corporation was overcharged management fees of \$5,697

Corrective Action Plan: BCACHA is drafting a formalized internal process oversight plan to ensure that our work product is accurate, timely, and within compliance with HUD

regulations. We will update our financial policies and internal review processes to prevent errors such as these.

Corrective Action Plan Status: Management fee calculations are being prepared by a Senior Accountant and reviewed/posted in Yardi system by the Director of Finance to discover any error prior to posting.

Corrective Action Plan

Financial Statement Findings:

Finding 2025-01

Finding Summary: Reconciliations and reviews were not performed timely, and there was not sufficient level of review by an appropriate level of management over those procedures.

Corrective Action Plan: The Finance Department has begun a review of prior work processes and procedures and will establish checklists to ensure reconciliation, preparation of entries, and review by responsible personnel are occurring in a timely manner.

Responsible Individual: Glenn Luke, Finance Director

Anticipated Completion Date: September 2026

Financial Statements
September 30, 2025

Vine Street, LLC

HUD Project Number 124-11034

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Independent Auditor's Report

To the Board of Commissioners
Of Boise City Housing Authority
Vine Street, LLC
Boise, Idaho

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Vine Street, LLC, which comprise the balance sheet as of September 30, 2025, and the related statements of operations, changes in member's deficit, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Vine Street, LLC as of September 30, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Vine Street, LLC 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 and for 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 Vine Street, LLC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 GAAS and *Government 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 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 GAAS and *Government 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 Vine Street, LLC'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 Vine Street, LLC'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial

statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2026, on our consideration of Vine Street, LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Vine Street, LLC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Vine Street, LLC's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eric Sully LLP".

Boise, Idaho
January 28, 2026

Vine Street, LLC
HUD Project Number 124-11034
Balance Sheet
September 30, 2025

Assets	
Cash	\$ 194,513
Accounts receivable	10,935
Tenant security deposits	12,974
Restricted deposits and funded reserves	246,059
Property and equipment, at cost, less accumulated depreciation	<u>558,411</u>
	<u>\$ 1,022,892</u>
Liabilities and Member's Deficit	
Liabilities	
Accounts payable	\$ 7,100
Prepaid rent	9,140
Accrued expenses	7,489
Accrued interest	4,541
Tenant security deposits payable	12,974
Long-term debt, net of unamortized debt issuance costs	<u>1,724,020</u>
Total liabilities	1,765,264
Member's Deficit	<u>(742,372)</u>
	<u>\$ 1,022,892</u>

Vine Street, LLC
 HUD Project Number 124-11034
 Statement of Operations and Member's Deficit
 Year Ended September 30, 2025

Operations	
Revenue	
Gross tenant rent	\$ 505,956
Less: vacancies and concessions	<u>(70,152)</u>
Net tenant rent	435,804
Tenant charges	16,541
Interest	8,013
Other revenue	<u>1,115</u>
Total revenue	<u>461,473</u>
Expenses	
Administrative	112,730
Utilities	38,422
Operating and maintenance	125,463
Insurance	30,381
Health insurance and other benefits	34,623
Interest	67,072
Depreciation	<u>55,752</u>
Total expenses	<u>464,443</u>
Net Loss	<u><u>\$ (2,970)</u></u>
Member's Deficit	
Balance, September 30, 2024	\$ (739,402)
Net loss	<u>(2,970)</u>
Balance, September 30, 2025	<u><u>\$ (742,372)</u></u>

Vine Street, LLC
 HUD Project Number 124-11034
 Statement of Cash Flows
 Year Ended September 30, 2025

Operating Activities	
Receipts	
Rental receipts	\$ 436,241
Interest receipts	8,013
Other operating receipts	18,630
	<u>462,884</u>
Total receipts	
	<u>462,884</u>
Disbursements	
Administrative	43,501
Management fee	31,674
Utilities	38,422
Salaries and wages	119,924
Operating and maintenance	77,633
Property insurance	28,817
Interest on loans or notes payable	55,283
Mortgage insurance premium	7,046
	<u>402,300</u>
Total disbursements	
	<u>402,300</u>
Net Cash from Operating Activities	
	<u>60,584</u>
Investing Activities	
Net purchase of fixed assets	<u>(48,547)</u>
Net Cash used for Investing Activities	
	<u>(48,547)</u>
Financing Activities	
Principal payments - first mortgage	<u>(44,621)</u>
Net Cash used for Financing Activities	
	<u>(44,621)</u>
Net Change in Cash, Tenant Security Deposits and Restricted Cash	
	(32,584)
Cash, Tenant Security Deposits and Restricted Cash, Beginning of Year	
	<u>486,130</u>
Cash, Tenant Security Deposits and Restricted Cash, End of Year	
	<u>\$ 453,546</u>
Cash	
	\$ 194,513
Tenant Security Deposits	12,974
Restricted Deposits and Funded Reserves	<u>246,059</u>
Total cash, tenant security deposits and restricted cash	
	<u>\$ 453,546</u>

Reconciliation of Net Loss to Net Cash from Operating Activities

Net Loss	\$	(2,970)
Adjustments to reconcile net loss to net cash from operating activities		
Depreciation		55,752
Interest expense attributable to amortization of debt issuance costs		3,304
(Gain) or loss on disposal		3,500
Changes in assets and liabilities		
Accounts receivable		(5,563)
Prepaid expenses		1,564
Accounts payable		3,069
Accrued expenses		(6,485)
Tenant security deposit payable		974
Prepaid rent		6,000
Accrued interest		1,439
		<hr/>
Net Cash from Operating Activities	\$	<u>60,584</u>

Note 1 - Principal Business Activity and Significant Accounting Policies

Principal Activity, Risks, and Uncertainty

Vine Street, LLC (the Company) was formed April 22, 2016, as a limited liability company under the laws of the state of Idaho and shall continue in perpetuity, unless dissolved or terminated at an earlier date. The Company was formed for the purpose of owning and operating a 35-unit affordable rental housing complex located in Boise, Idaho. Substantially all of the Company's income is derived from the rental of its apartment units. The Company began operations during November 2016. The Company has entered into a regulatory agreement with the U.S. Department of Housing and Urban Development (Note 9).

Concentrations of Credit Risk

The Company maintains its cash accounts in various deposit accounts, the balances of which are periodically in excess of federally insured limits. Accounts in excess of Federal Deposit Insurance Corporation (FDIC) limits held with the Company's bank are fully collateralized. As of September 30, 2025, there were no accounts held with the mortgagor that were in excess of FDIC-insured limits.

Receivables and Credit Policy

Accounts receivable are rents and charges currently due from tenants. Payments on accounts receivable are applied to specific months. Management estimates an allowance for doubtful accounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change. As of September 30, 2025, the allowance for doubtful accounts of \$18,797 has been recorded. Management considers the remaining accounts receivable to be collectible.

Property and Equipment

Property and equipment is recorded at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income.

Depreciation is computed principally by the straight-line method over the following estimated useful lives:

Building and land improvements	5 - 40 years
Equipment and furnishings	3 - 10 years

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this

assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment, there was no impairment at September 30, 2025.

Income Taxes

As a limited liability company, the Company's taxable income or loss is allocated to the members in accordance with the company agreement. Therefore, no provision for income taxes have been included in the financial statements.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of September 30, 2025, the unrecognized tax benefit accrual was zero. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Rental Income

Housing units are rented under operating lease agreements with terms of one year or less. Rent income from tenants is recognized in the month in which it is earned rather than received. Tenant rent represents gross rent for all units in the project. Any rent received prior to the month of occupancy is reported as prepaid rent. Vacancy losses for unrented units and rental concessions are recorded for any unrented units to arrive at net tenant rent.

The future cash flows from operating lease payments to be received as of September 30, 2025 in 2026, are approximately \$105,300.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method which is a reasonable estimate of the effective interest method. Debt issuance costs are included within long-term debt on the balance sheet. Amortization of debt issuance costs is included in interest expense in the accompanying financial statements.

Estimates

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

Subsequent Events

The Company has evaluated subsequent events through January 28, 2026, the date which the financial statements were available to be issued.

Note 2 - Restricted Deposits and Funded Reserves

Restricted deposits and funded reserves at September 30, 2025 consist of the following:

Insurance escrow	\$ 31,045
Replacement reserve	215,014
	\$ 246,059

Insurance Escrow

Pursuant to the mortgage agreement with Centennial Mortgage, the Company is required to maintain an insurance escrow account. The mortgage escrow account is to be used to pay the next year’s mortgage insurance premium and property insurance.

Replacement Reserve

Pursuant to the terms of the HUD regulatory agreement, the Company is required to deposit \$1,021 per month into a replacement reserve account, increasing by 2.0% each year after the initial year of the agreement. The reserve for replacement account is to be used for repairs, maintenance and replacement of equipment not paid as part of the ordinary operations of the Company. Withdrawals from this account are subject to HUD approval.

Note 3 - Tenant Security Deposits

The Company has set aside \$12,974 as of September 30, 2025, to repay tenant security deposits after lease termination in accordance with requirements established by the HUD regulatory agreement.

Note 4 - Property and Equipment

As disclosed in Note 1, the company owns and operates a 35-unit low-income housing project in Boise, Idaho. All of the Company’s property and equipment is subject to operating leases with the residential tenants at September 30, 2025. Property and equipment at September 30, 2025, consist of the following:

Land	\$ 162,201
Land improvements	288,683
Building	2,127,697
Equipment and furnishings	214,868
	2,793,449
Accumulated depreciation	(2,235,038)
	\$ 558,411

Note 5 - Accrued Expenses

Accrued expenses at September 30, 2025, consist of the following:

Accrued wages payable	\$ 7,489
	\$ 7,489
	\$ 7,489

Note 6 - Long-Term Debt

Long-term debt at September 30, 2025 consist of:

3.01%, \$2,159,000 mortgage note payable to Centennial Mortgage, Inc. due in monthly installments of \$8,321 beginning January 1, 2017, through December 2051, secured by a deed of trust on all property and equipment, a security agreement and an assignment of rents and leases and a HUD regulatory agreement, net of unamortized debt issuance costs of \$86,456 in 2025 and based on an effective interest rate of 4.13% (A)	\$ 1,810,476
Less unamortized debt issuance costs	86,456
Long-term debt, less unamortized debt issuance costs	\$ 1,724,020

(A) –The loan is insured by HUD under the HUD 223(f) insured mortgage program. In the event of a default on the mortgage, all rents, profits, and income of the project are to be assigned to HUD. The regulatory agreement accompanying the HUD-insured mortgage shall remain in effect until termination or maturity of the HUD-insured mortgage.

Future maturities of long-term debt are as follows:

Year Ended September 30,	Amount
2026	\$ 45,987
2027	47,391
2028	48,837
2029	50,329
2030	51,863
Thereafter	1,566,069
Less unamortized debt issuance costs	(86,456)
	\$ 1,724,020

Note 7 - Related Party Transactions

Member Distributions

All distributions to members can be made only after the end of the semiannual or annual fiscal period. Distributions may be made only to the extent sufficient surplus cash is available after payment of all operating expenses, escrow deposits required by HUD, and principal and interest on the HUD-insured mortgage. During 2025, there were no distributions made from surplus cash.

Management Fees

The Company has entered into an agreement with Boise City Housing Authority (the Housing Authority), the single member of the LLC, to provide management services. Under the terms of the agreement, the Housing Authority is to receive management fees as percentage of gross receipts. For 2025, the Housing Authority received 7.0% in management fees per the agreement. The agreement has an autorenewal option for one year, until canceled by either party. During the year ended September 30, 2025, the Company incurred management fees of \$31,674. As of September 30, 2025, the company owed the Housing Authority \$4,418 for management fees, which is included in accounts payable on the balance sheet.

Other Transactions

During the year ended September 30, 2025, the Company reimbursed the Housing Authority approximately \$79,000 and \$31,500, for payroll and benefits, respectively. The Company owes the Housing Authority approximately \$7,500 for vacation benefits earned but not yet paid at September 30, 2025, which is included in accrued expenses on the balance sheet.

The Housing Authority pays for other administrative costs throughout the year and is reimbursed by the Company for its share of those costs. During the year ended September 30, 2025, the company reimbursed the Housing Authority approximately \$43,000 for administrative costs.

Note 8 - Member's Equity

Member	Ownership Percentages
Boise City Housing Authority	100%

Note 9 - Regulatory Agreement

The Company has entered into an agreement with the U.S. Department of Housing and Urban Development (HUD) that contains the following provisions:

- During the term of the regulatory agreement, the Company is obligated to make monthly deposits in the amount of \$1,021 to a replacement reserve, increasing by 2.0% each year after the initial year of the agreement. Disbursements from the reserve are to be used for the replacement of property and other necessary project expenditures and are to be made only with HUD approval. The funds may also be used as payment on the mortgage in the event of default.
- All distributions to the member can be made only after the end of the semiannual or annual fiscal period. Distributions may be made only to the extent sufficient surplus cash is available after payment of all operating expenses, escrow deposits required by HUD, and principal and interest on the HUD-insured mortgage.
- In the event of default on the mortgage, all rents, profits, and income of the project are to be assigned to HUD.
- Under the terms of the regulatory agreement, the Company is required to maintain an account to hold security deposits collected from tenants. This account is required to be separate and apart from all other funds of the project in a trust account and the amount shall be at all times equal to or exceed the aggregate of all outstanding obligations under said account.

Supplementary Information Required by HUD
September 30, 2025

Vine Street, LLC

HUD Project Number 124-11034

Assets

Current Assets

1120	Cash - operations	\$ 194,513
1130	Accounts receivable - tenants	29,544
1131	Allowance for doubtful accounts	<u>(18,797)</u>
	1130N Net accounts receivable	10,747
1135	Accounts receivable - HUD	<u>188</u>
	1100T Total current assets	<u>205,448</u>

Deposits Held in Trust

1191	Tenant deposits held in trust	<u>12,974</u>
------	-------------------------------	---------------

Restricted Deposits and Funded Reserves

1310	Escrow deposits	31,045
1320	Replacement reserve	<u>215,014</u>
	1300T Total deposits	<u>246,059</u>

Property and Equipment, at Cost

1410	Land	162,201
1420	Buildings	2,416,380
1450	Furniture for project/tenant use	<u>214,868</u>
	1400T Total fixed assets	2,793,449
1495	Accumulated depreciation	<u>(2,235,038)</u>
	1400N Net fixed assets	<u>558,411</u>
	1000T Total assets	<u>\$ 1,022,892</u>

Liabilities and Member's Deficit

Current Liabilities

2110	Accounts payable - operations	\$	7,100
2120	Accrued wages payable		7,489
2131	Accrued interest - first mortgage		4,541
2170	Mortgage payable - first mortgage (short term)		45,987
2210	Prepaid rent revenue		9,140
			<u>9,140</u>
	2122T Total current liabilities		<u>74,257</u>

Deposit Liability

2191	Tenant security deposits payable		12,974
			<u>12,974</u>

Long-Term Liabilities

2320	Mortgage payable - first mortgage		1,678,033
			<u>1,678,033</u>
	2300T Total long-term liabilities		<u>1,678,033</u>
	2000T Total liabilities		1,765,264

Member's Deficit

3130	Member's Deficit		(742,372)
			<u>(742,372)</u>
	2033T Total liabilities and member's deficit		<u>\$ 1,022,892</u>

Vine Street, LLC
 HUD Project Number 124-11034
 Supplementary Information Required by HUD
 Statement of Profit and Loss
 Year Ended September 30, 2025

Rent Revenue		
5120	Rent revenue - gross potential	\$ 505,956
5100T	Total rent revenue	<u>505,956</u>
Vacancies		
5220	Apartments	50,706
5250	Rental concessions	<u>19,446</u>
5152N	Net rental revenue (rent revenue less vacancies)	<u>435,804</u>
Financial Revenue		
5410	Financial revenue - project operations	7,496
5440	Revenue from investments - replacement reserve	<u>517</u>
5400T	Total financial revenue	<u>8,013</u>
Other Revenue		
5920	Tenant charges	16,541
5990	Miscellaneous revenue	<u>1,115</u>
5900T	Total other revenue	<u>17,656</u>
5000T	Total Revenue	<u>461,473</u>
Administrative Expenses		
6310	Office salaries	37,555
6320	Management fees	31,674
6340	Legal expense - project	3,418
6350	Audit expense	14,607
6370	Bad debts	24,549
6390	Miscellaneous administrative expenses	<u>927</u>
6263T	Total administrative expenses	<u>112,730</u>
Utilities Expenses		
6450	Electricity	5,481
6451	Water	13,157
6453	Sewer	<u>19,784</u>
6400T	Total utilities expenses	<u>38,422</u>

Vine Street, LLC
 HUD Project Number 124-11034
 Supplementary Information Required by HUD
 Statement of Profit and Loss
 Year Ended September 30, 2025

Operating and Maintenance Expenses		
6510 Payroll	\$	41,261
6515 Supplies		15,156
6520 Contracts		54,778
6525 Garbage and trash removal		10,768
6590 Miscellaneous operating and maintenance		3,500
6500T Total operating and maintenance expenses		125,463
Insurance Expenses		
6720 Property and liability insurance (hazard)		30,381
6723 Health insurance and other employee benefits		34,623
6700T Total insurance expenses		65,004
Financial Expenses		
6820 Interest on mortgage payable		60,026
6850 Mortgage insurance premium		7,046
6800T Total financial expenses		67,072
6000T Total Cost of Operations Before Depreciation		408,691
5060T Profit Before Depreciation		52,782
6600 Depreciation expense		55,752
5060N Operating Loss		(2,970)
3250 Net Loss		\$ (2,970)
 <u>Part II</u>		
S1000-010 Total first mortgage principal payments required during the audit period.		\$ 44,621
S1000-020 Total of all monthly reserve for replacement deposits required during the audit period, even if deposits have been temporarily suspended or waived.		\$ 14,285
S1000-030 Replacement reserve releases, which are included as expense items on this profit and loss statement.		\$ -

Vine Street, LLC
HUD Project Number 124-11034
Supplementary Information Required by HUD
Statement of Member's Deficit
Year Ended September 30, 2025

S1100-010	Member's Deficit, Beginning of Year	\$ (739,402)
3250	Net loss	<u>(2,970)</u>
3130	Member's Deficit, End of Year	<u>\$ (742,372)</u>

Vine Street, LLC
 HUD Project Number 124-11034
 Supplementary Information Required by HUD
 Statement of Cash Flows
 Year Ended September 30, 2025

Operating Activities	
Receipts	
S1200-010 Rental receipts	\$ 436,241
S1200-020 Interest receipts	8,013
S1200-030 Other operating receipts	<u>17,656</u>
S1200-040 Total receipts	<u>461,910</u>
Expenses	
S1200-050 Administrative	43,501
S1200-070 Management fee	31,674
S1200-090 Utilities	38,422
S1200-100 Salaries and wages	119,924
S1200-110 Operating and maintenance	77,633
S1200-140 Property insurance	28,817
S1200-180 Interest on first mortgage	55,283
S1200-210 Mortgage insurance premium	<u>7,046</u>
S1200-230 Total disbursements	<u>402,300</u>
S1200-240 Net Cash from Operating Activities	<u>59,610</u>
Investing Activities	
S1200-245 Net deposits to the escrow account	(3,400)
S1200-250 Net deposits to the replacement reserve account	(14,670)
S1200-330 Net purchase of fixed assets	<u>(48,547)</u>
S1200-350 Net Cash used for Investing Activities	<u>(66,617)</u>
Financing Activities	
S1200-360 Principal payments - first mortgage	<u>(44,621)</u>
S1200-460 Net Cash used for Financing Activities	<u>(44,621)</u>
S1200-470 Net Change in Cash	(51,628)
S1200-480 Cash, Beginning of Year	<u>246,141</u>
S1200T Cash, End of Year	<u><u>\$ 194,513</u></u>

Reconciliation of Net Loss to Net Cash from Operating Activities

3250 Net loss	\$	(2,970)
Adjustments to reconcile net loss to net cash from operating activities		
6600 Depreciation		55,752
S1200-600 Gain or loss on sale of assets		3,500
Changes in assets and liabilities		
S1200-486 Amortization of debt issuance costs		3,304
S1200-490 Accounts receivable		(5,563)
S1200-520 Prepaid expenses		1,564
S1200-530 Tenant security deposits		(974)
S1200-540 Accounts payable		3,069
S1200-560 Accrued expenses		(6,485)
S1200-570 Accrued interest payable		1,439
S1200-580 Tenant security deposit liability		974
S1200-590 Prepaid rent		<u>6,000</u>
S1200-610 Net Cash from Operating Activities	\$	<u><u>59,610</u></u>

Schedule of Reserve for Replacement

1320P Balance, September 30, 2024	\$ 200,344
1320DT Required deposits by HUD	14,285
1320INT Interest on replacement reserve accounts	517
1320OT Other withdrawals - admin fees	<u>(132)</u>
 1320 Balance, September 30, 2025	 <u>\$ 215,014</u>
 1320R Deposits suspended or waived indicator	 <u>No</u>

Schedule of Changes in Fixed Asset Accounts

	Balance October 1, 2024	Additions	Transfers/ Deductions	Balance September 30, 2025
1410 Land	\$ 162,201	\$ -	\$ -	\$ 162,201
1420 Buildings and improvements	2,416,380	-	-	2,416,380
1450 Furniture for project/tenant use	181,821	48,547	(15,500)	214,868
	<u>2,760,402</u>	<u>48,547</u>	<u>(15,500)</u>	<u>2,793,449</u>
1495 Accumulated depreciation	(2,191,286)	(55,752)	12,000	(2,235,038)
	<u>\$ 569,116</u>	<u>\$ (7,205)</u>	<u>\$ (3,500)</u>	<u>\$ 558,411</u>

Additions to Fixed Assets

Appliances	\$ 12,441
Carpet and vinyl flooring replacement	<u>36,106</u>
	<u>\$ 48,547</u>

Deductions to Fixed Assets

Carpet and vinyl flooring	<u>\$ (15,500)</u>
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Vine Street, LLC
 HUD Project Number 124-11034
 Computation of Surplus Cash, Distributions, and Residual Receipts
 September 30, 2025

Part A - Compute Surplus Cash

Cash

S1300-010 Cash (Accounts 1120, 1191)	\$ 207,487
1135 Tenant subsidy vouchers due for period covered by financial statement	<u>188</u>
S1300-040 Total Cash	<u>207,675</u>

Current Obligations

S1300-050 Accrued mortgage interest payable	4,541
S1300-075 Accounts payable (due within 30 days)	7,100
S1300-100 Accrued expenses (not escrowed)	7,489
S1300-110 Other current obligations (October mortgage principal, replacement reserve and escrows)	8,189
2210 Prepaid rents	9,140
2191 Tenant security deposits liability	<u>12,974</u>
S1300-140 Less Total Current Obligations	<u>49,433</u>
S1300-150 Surplus Cash (Deficiency)	<u><u>\$ 158,242</u></u>

Independent Auditor's Reports on Internal Control and
Compliance

September 30, 2025

Vine Street, LLC

HUD Project Number 124-11034



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Commissioners
Of Boise City Housing Authority
Vine Street, LLC
Boise, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Vine Street, LLC (the Company) which comprise the balance sheet as of September 30, 2025, and the related statements of operations and member's deficit, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated January 28, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying Schedule of Findings, Questioned Costs and Recommendations as item 2025-01 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Company's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Company's response to the findings identified in our audit and described in the accompanying Schedule of Findings, Questioned Costs and Recommendations. The Company's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
January 28, 2026



Independent Auditor’s Report on Compliance for the Major HUD Program and on Internal Control over Compliance Required by the *Consolidated Audit Guide for Audits of HUD Programs*

Board of Commissioners
Of Boise City Housing Authority
Vine Street, LLC
Boise, Idaho

Report on Compliance for the Major HUD Program

Opinion on the Major HUD Program

We have audited Vine Street, LLC’s (the Company) compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the Guide) that could have a direct and material effect on the Company’s major U.S. Department of Housing and Urban Development (HUD) program for the year ended September 30, 2025. The Company’s major HUD program and the related direct and material compliance requirements are as follows:

Name of Major HUD Programs	Direct and Material Compliance Requirements
223 (f) HUD Loan	Mortgage Status, Replacement Reserve, Distributions to Owners, Equity Skimming, Tenant Application, Eligibility and Recertification, Cash Receipts, Cash Disbursements, Management Functions, and Unauthorized Loans of Project Funds

In our opinion, the Company complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major HUD program for the year ended September 30, 2025.

Basis for Opinion on the Major HUD Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), and the Guide. Our responsibilities under those standards and the Guide are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major HUD program. Our audit does not provide a legal determination of the Company’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Company's HUD program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on the Company's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Company's compliance with the requirements of the major HUD program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Company's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the Company's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program

will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of the Company's internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Boise, Idaho
January 28, 2026

Significant Deficiency in Internal Control over Financial Reporting

Corrective Action in Process

2025-001 Year-End Closing and Reconciliation

Statement of Condition – Reconciliations and reviews were not performed timely, and there was not a sufficient level of review by an appropriate level of management over those procedures.

Criteria – A good system of internal control and good business practices requires management to have policies and procedures in place to allow for the timely close of the monthly and fiscal year-end which includes reconciliation of balance sheet accounts to underlying general ledgers and third party documents, assessment of operations for reasonableness and accuracy based on current year conditions and activity, and review of all manual adjusting entries, closing entries, reconciliations and financial information.

Cause – There was a significant turnover in the accounting team during 2025 that was the cause of these conditions. Due to personnel constraints, this created a significant number of issues that management was unable to address and resolve before year-end.

Effect – There were multiple correcting entries being posted subsequent to providing the audit team with the year-end trial balance which was deemed reviewed by the management. Reconciliation issues were identified which resulted in adjustments to be made to the financial information that was provided relating to fixed assets, vacation accrual, accounts payable and cash. The trial balance changed several times during the audit. All of this caused a significant delay in the completion of the audit which resulted in the Company missing the HUD imposed deadline of December 31, 2025.

Recommendation – Many of the issues identified could have been detected and corrected had reconciliations been performed throughout the year and had there been adequate and appropriate management level reviews. Closing procedures (both at year-end and throughout the year) and review workflows should be evaluated to ensure proper reconciliation and timely closing of trial balance.

View of Responsible Individuals – Management agrees with the finding.

2025-001 Year-End Closing and Reconciliation

Actions Planned in Response to Finding – Management will evaluate review workflows for reconciliation processes and ensure controls are strengthened to perform management level reviews timely and appropriately.

Explanation of Disagreement – None

Official Responsible for Ensuring Corrective Action Plan – Glenn Luke, Finance Director

Planned Completion for Correction Action – FY2026

Plan to Monitor Completion of Corrective Action – Management is drafting a formalized internal process oversight plan for ensuring that work product is appropriate and within timelines.

Audit Report dated February 7, 2025, for the year ended September 30, 2024, issued by Eide Bailly, LLP.

Finding 2024-01 Year end closing and reconciliation.

Status – Ongoing

There were no reports issued by HUD OIG or other Federal agencies or contract administrators during the period covered by this audit.

There were no letters or reports issued by HUD management during the period covered by this audit.

I hereby certify that I have examined the accompanying financial statements and supplemental data of Vine Street, LLC and, to the best of my knowledge and belief, the same is complete and accurate.

Vine Street, LLC

By: _____
Deanna L. Watson, Executive Director
January 28, 2026

I hereby certify that I have examined the accompanying financial statements and supplemental data of Vine Street, LLC and, to the best of my knowledge and belief, the same is complete and accurate.

Vine Street, LLC

By: _____
Boise City Housing Authority
Deanna L. Watson, Executive Director
EIN 81-2490019

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Jodi Daugherty, Partner

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