OFFICE OF THE

INSPECTOR GENERAL

DISTRICT OF COLUMBIA GOVERNMENT

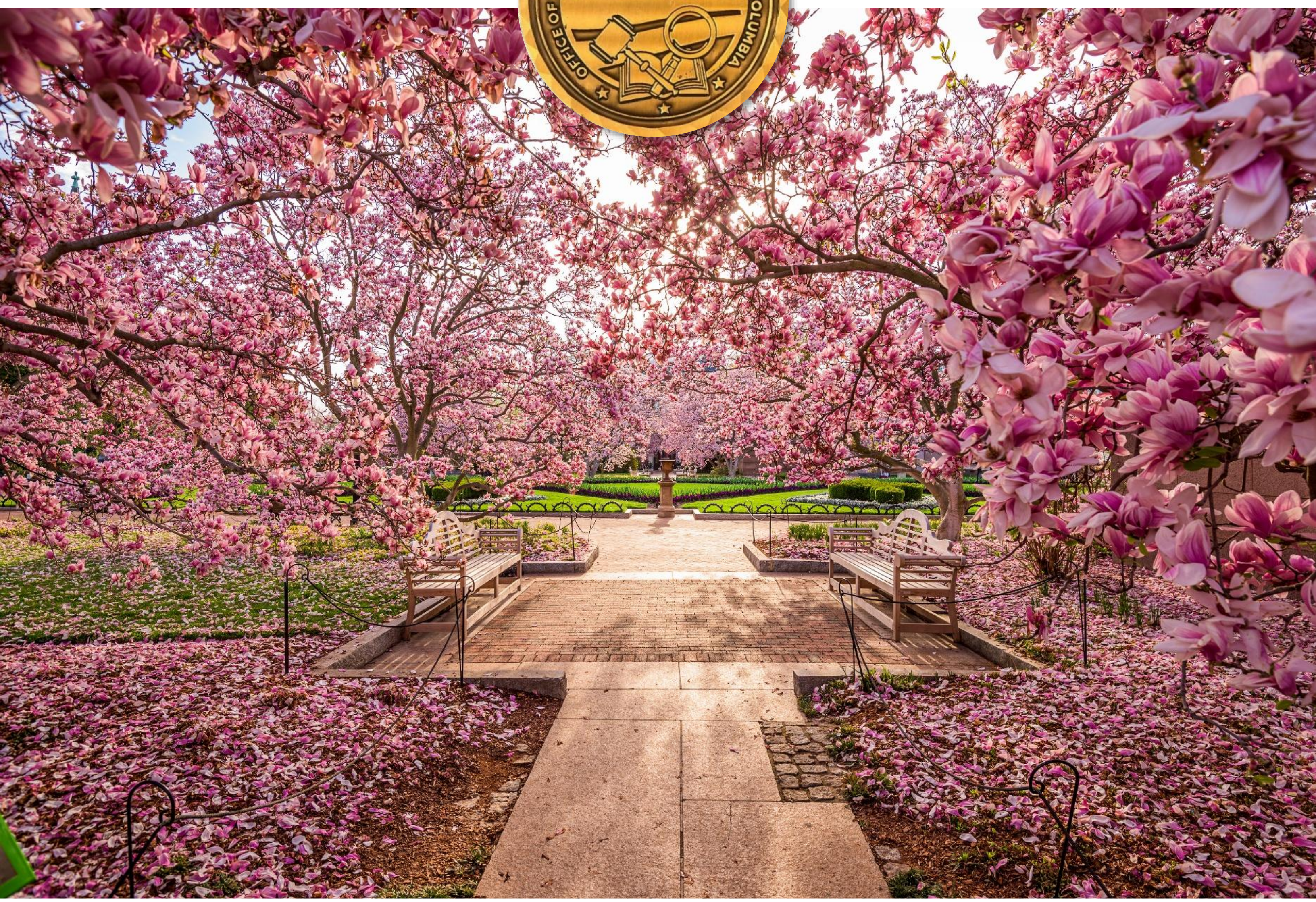
AUDIT REPORT

DC Housing Solutions, Inc.

Financial Statements and Independent Auditor’s Report for FY 2025

OIG No. 25-1-12HY(b)

July 15, 2026



MATTHEW WILCOXSON

INTERIM INSPECTOR GENERAL

OUR MISSION

We independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

OUR VISION

We strive to be a world-class Office of the Inspector General that is customer focused and sets the standard for oversight excellence!

OUR VALUES

Accountability: We recognize that our duty extends beyond oversight; it encompasses responsibility. By holding ourselves accountable, we ensure that every action we take contributes to the greater good of the District.

Continuous Improvement: We view challenges not as obstacles, but as opportunities for growth. Our commitment to continuous improvement drives us to evolve, adapt, and enhance our practices.

Excellence: Mediocrity has no place in our lexicon. We strive for excellence in every facet of our work.

Integrity: Our integrity is non-negotiable. We act with honesty, transparency, and unwavering ethics. Upholding the public's trust demands nothing less.

Professionalism: As stewards of oversight, we maintain the utmost professionalism. Our interactions, decisions, and conduct exemplify the dignity of our role.

Transparency: Sunlight is our ally. Transparency illuminates our processes, decisions, and outcomes. By sharing information openly, we empower stakeholders, promote understanding, and reinforce our commitment to accountability.

MEMORANDUM

To: Nicole Wickliffe, Interim Executive Director
District of Columbia Housing Authority

Isra A. Elkhazeen, Interim Chief Financial Officer
District of Columbia Housing Authority

Raymond Skinner, Board Chair
Stabilization and Reform Board of Commissioners

From: Matthew Wilcoxson *Matthew Wilcoxson*
Interim Inspector General

Date: July 15, 2026

Subject: **DC Housing Solutions, Inc. Annual Financial Statements and Independent Auditor's Report | OIG No. 25-1-12HY(b)**

This memorandum transmits the final *DC Housing Solutions, Inc. Annual Financial Statements and Independent Auditor's Report* for fiscal year 2025. CliftonLarsenAllen, LLP (CLA) conducted the audit and submitted these reports as part of our overall contract for the audit of the District of Columbia Housing Authority's basic financial statements for fiscal year 2025.

In this report, CLA noted one material weakness relating to the Authority's financial reporting. Due to the significance of this issue, CLA did not express an opinion on the agency's financial statements.

Should you have questions or concerns, please contact me or Dr. Slemo Warigon, Assistant Inspector General for Audits, at (202) 792-5684 or slemo.warigon@dc.gov.

DC HOUSING SOLUTIONS, INC.
(A Component Unit of the
District of Columbia Housing Authority)

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2025

DC HOUSING SOLUTIONS
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INDEPENDENT AUDITORS' REPORT

To the Mayor, Members of the Council of the Government of the District of Columbia,
the Inspector General of the Government of the District of Columbia, and the
Board of Commissioners of the District of Columbia Housing Authority and
DC Housing Solutions, Inc.
Washington, D.C.

Report on the Audit of the Financial Statements

Disclaimer of Opinion and Unmodified Opinions

We were engaged to audit the financial statements of the business-type activities and have audited the aggregate discretely presented component units of the DC Housing Solutions, Inc. (DCHS), a nonprofit blended component unit of the District of Columbia Housing Authority (DCHA), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the DCHS's basic financial statements as listed in the table of contents.

Disclaimer of Opinion on the Business-Type Activities

We do not express an opinion on the accompanying financial statements of the business-type activities and the respective changes in financial position and cash flows thereof for the year ended September 30, 2025. Because of the significance of the matter described in the Basis for Disclaimer of Opinions on Business-Type Activities section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statement of the business-type activities.

Unmodified Opinions on the Aggregate Discretely Presented Component Units of DCHS

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component units of DCHS as of September 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Highland Residential, L.P. or Parkway Overlook II, LP, which represent 100 percent of the assets, net position, and revenues of the aggregate discretely presented component units as of September 30, 2025. Those statements were audited by other auditors whose reports expressed unmodified opinions on those financial statements and have been furnished to us, and our opinions, insofar as it relates to the amounts included for Highland Residential, L.P. and Parkway Overlook II, LP is based solely on the report of the other auditors.

Basis for Disclaimer of Opinion on the Business-Type Activities

Management did not record certain developer fee receivables related to developer fee agreements for certain projects. The omitted developer fee receivables totaled approximately $3.9 million as of September 30, 2025. Accordingly, developer fee receivables and net position of the business-type activities of DCHS were understated. Management has not recorded an adjustment to correct this matter in the accompanying financial statements.

In addition, in the prior year, DCHA implemented a new computerized accounting system, and the process to reconcile implementation issues of the new accounting system continued into fiscal year 2025. This resulted in numerous misstatements and accounts that we could not obtain sufficient audit evidence to verify amounts included in the financial statements of DCHA and its component units, including DCHS. As of the date of our audit report, management has not rectified its system deficiencies, corrected all misstatements, or provided support for certain balances related to assets, liabilities, net position, revenues, expenses, and cash flows. Although certain balances within the business-type activities of DCHS were adjusted based on available information, because of the significance and pervasiveness of these matters, we were unable to determine whether all amounts and disclosures included in the accompanying financial statements were materially correct or whether additional adjustments may have been necessary. Accordingly, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Unmodified Opinions on the Aggregate Discretely Presented Component Units

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the DCHS 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 unmodified audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the accounts of DCHS and do not purport to, and do not, present fairly the financial position of DCHA as of September 30, 2025, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 14 to the financial statements, beginning net position has been restated to correct misstatements related to prior periods. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 DHCS's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Auditor's Responsibilities for the Audit of the Business-Type Activities

Our responsibility is to conduct an audit of DCHS's financial statements in accordance with GAAS and *Government Auditing Standards* and to issue an auditors' report. However, because of the matter described in the Basis for Disclaimer of Opinions on Business-Type Activities section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the business-type activities.

We are required to be independent of DCHS, and meet our other ethical responsibilities, in accordance with the relevant ethical requirements to our audit.

Auditor's Responsibilities for the Audit of the Aggregate Discretely Presented Component Units

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. 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 DCHS'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 DCHS'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America because of the matters described in the *Basis for Disclaimer of Opinion on Business-Type Activities* section. We do not express an opinion or provide any assurance on the information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2026, on our consideration of the DCHS'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 the DCHS'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 the DCHS's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
July 2, 2026

Introduction

The District of Columbia Housing Authority (DCHA, or the Authority) provides quality affordable housing to extremely low- through moderate-income households, fosters sustainable communities, and cultivates opportunities for residents to improve their lives.

The Authority presents this discussion and analysis of its nonprofit entity – DC Housing Solutions, Inc. (DCHS) for the fiscal year ended September 30, 2025 to assist the reader in focusing on significant financial issues of DCHS. DCHS was formed in 2012 to facilitate the development of affordable housing and related facilities.

DCHS's Financial Statements

DCHS presents the financial results in three financial statements – the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The financial results are for the years ended September 30, 2025 and 2024, allowing the readers to ascertain the reasons for changes in revenues, expenses, or net position balances. These financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Statement of Net Position presents information on all of DCHS's assets and liabilities. The difference between DCHS's assets and liabilities is reported as net position. Increases or decreases in net position will serve as a useful indicator of whether the financial position of DCHS is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information, which shows how DCHS's net position changes during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of any unrelated cash flows. Thus, revenue and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g., depreciation).

The Statement of Cash Flows reports DCHS's net cash from operating, investing, capital, and related financing activities, and noncapital and related financing activities.

DCHS's Financial Highlights for Fiscal Year 2025 (FY2025)

In summary, the DCHS's FY2025 financial highlights included the following:

- At September 30, 2025, total assets and liabilities were $49,476,649 and $1,230,415, respectively. Total net position was $48,246,234.

- Total revenues and expenses were $207,550 and $2,498,032, respectively; thus, total net position decreased $2,290,482.

- Cash flows used by operating activities amounted to $1,891,371. After considering investing and capital financing activities, total cash decreased by $5,991,834.

Summary of Net Position

DCHS' FY2025 and FY2024 statements of net position report all financial assets of DCHS and are presented in a format where assets, minus liabilities, equals net position. Table 1 reflects a condensed summary of net position as of September 30, 2025 and 2024. The change between September 30, 2025 and September 30, 2024 should be read in conjunction with the financial statements.

Table 1
Summary of Net Position

	2025	9/30/24, As Restated	Increase (Decrease)
Assets			
Current Assets	$ 8,075,996	$ 13,546,236	$ (5,470,240)
Capital Assets,Net	33,013,803	33,013,803	-
Noncurrent Assets	8,386,850	8,309,110	77,740
Total Assets	$ 49,476,649	$ 54,869,149	$ (5,392,500)
Liabilities			
Current Liabilities	$ 1,230,415	$ 4,332,433	$ (3,102,018)
Total Liabilities	$ 1,230,415	$ 4,332,433	$ (3,102,018)
Net Position			
Net Investment in Capital Assets	$ 33,013,803	$ 33,013,803	$ -
Restricted	5,108,058	11,047,821	(5,939,763)
Unrestricted	10,124,373	6,475,092	3,649,281
Total Net Position	$ 48,246,234	$ 50,536,716	$ (2,290,482)

2025 Comparative Analysis

- Current assets decreased $5,470,240 primarily due to payments made to DCHA related to amount due to DCHA, as well as additional cash transfers to DCHA.
- Current liabilities decreased primarily due to payments made to DCHA for CHP and Parkway Overlook, LP owed to DCHA.

Summary of Revenues, Expenses, and Changes in Net Position

DCHS' FY2025 and FY2024 Statements of Revenues, Expenses, and Changes in Net Position include operating revenues such as grant revenue, operating expenses such as administrative costs, and nonoperating interest income. In FY2025, DCHS had a decrease in net position of $2,290,482. Table 2 presents a condensed summary of data from DCHS' Statements of Revenues, Expenses, and Changes in Net Position.

Summary of Revenues, Expenses, and Changes in Net Position (Continued)

Table 2
Summary of Revenues, Expenses, and Changes in Net Position

	2025	9/30/24, As As Restated	Increase (Decrease)
Revenues			
Operating Revenues	$ 77,740	$ 401	$ 77,339
Nonoperating Revenues	129,810	241,564	(111,754)
Total Revenues	207,550	241,965	(34,415)
Expenses			
Operating Expenses	2,498,032	47,240	2,450,792
Change in Net Position	(2,290,482)	194,725	(2,485,207)
Total Net Position - Beginning of Year, As Originally Stated	50,536,716	49,977,846	558,870
Prior Period Adjustments - Correction of Errors	-	364,145	1,891,922
Total Net Position - Beginning of Year, As Restated	50,536,716	50,341,991	194,725
Total Net Position - End of Year	$ 48,246,234	$ 50,536,716	$ (2,290,482)

2025 Comparative Analysis

- Operating expenses increased $2,450,792, primarily driven by $1,730,042 related to work performed on the new rehabilitation program in FY2025 for various properties owned by DCHA, an allowance of $655,571 for uncollectible receivables from an affiliate, and an increase of $65,179 in general and administrative costs.
- Nonoperating revenues decreased by $111,754 due to lower interest income resulting from a decrease in cash balances during the year.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing DCHS' budget for the year ending September 30, 2026:

- The Washington DC Metro area economy continued with a steady performance during 2025, and the expected growth rate will continue with a steady pattern of growth during fiscal year 2026.
- Our budget for 2026 took into consideration of the continued growth pattern, despite our projections for federal funding reductions in fiscal year 2026 that may also impact DCHS's funding.

Requests for Information

This financial report is designed to provide a general overview of DCHS' finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to:

The Office of the Chief Financial Officer
District of Columbia Housing Authority
300 7th Street, S.W., 10th Floor
Washington, D.C. 20024
(202) 535-2878

DC HOUSING SOLUTIONS, INC.
STATEMENTS OF NET POSITION
BUSINESS-TYPE ACTIVITIES AND DISCRETELY PRESENTED COMPONENT UNITS
YEARS ENDED SEPTEMBER 30, 2025 AND DECEMBER 31, 2024

	Business-Type Activities	Discretely Presented Component Units
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents, Unrestricted	$ 27,874	$ 2,843,054
Cash and Cash Equivalents, Restricted	4,108,058	26,264,992
Certificate of Deposit	1,000,000	-
Accounts Receivable	55,000	1,075,020
Due from Component Units	1,757,837	-
Due from DCHA	1,026,306	
Prepaid Expenses and Other Assets	100,921	242,765
Total Current Assets	8,075,996	30,425,831
NONCURRENT ASSETS		
Investment in General Partnership	1,884,098	-
Developer Fee Receivable	6,502,752	-
Other Noncurrent Assets		216,731
Capital Assets, not being Depreciated	33,013,803	1,800,000
Capital Assets being Depreciated, Net	-	98,952,448
Total Noncurrent Assets	41,400,653	100,969,179
Total Assets	$ 49,476,649	$ 131,395,010
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	$ 911,111	$ 171,180
Accrued Liabilities	217,194	5,269,121
Tenant Security Deposits	-	73,436
Due to Related Party	102,110	-
Other Current Liabilities	-	2,165,568
Current Portion of Long-Term Debt	-	911,516
Total Current Liabilities	1,230,415	8,590,821
NONCURRENT LIABILITIES		
Developer Fee Payable	-	6,965,241
Long-Term Debt, Net of Current	-	97,214,318
Total Noncurrent Liabilities	-	104,179,559
Total Liabilities	1,230,415	112,770,380
NET POSITION		
Net Investment in Capital Assets	33,013,803	22,137,016
Restricted	5,108,058	5,067,157
Unrestricted	10,124,373	(8,579,543)
Total Net Position	48,246,234	18,624,630
Total Liabilities and Net Position	$ 49,476,649	$ 131,395,010

See accompanying Notes to Financial Statements.

DC HOUSING SOLUTIONS, INC.
COMBINING STATEMENTS OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2024

	Highland Residential, L.P.	Parkway Overlook II, LP	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents, Unrestricted	$ 1,786,904	$ 1,056,150	$ 2,843,054
Cash and Cash Equivalents, Restricted	3,303,012	22,961,980	26,264,992
Accounts Receivable, Net	595,871	479,149	1,075,020
Prepaid Expenses and Other Assets	141,700	101,065	242,765
Total Current Assets	5,827,487	24,598,344	30,425,831
NONCURRENT ASSETS			
Capital Assets, not being Depreciated	-	1,800,000	1,800,000
Capital Assets being Depreciated, Net	44,226,462	54,725,986	98,952,448
Other Noncurrent Assets	-	216,731	216,731
Total Noncurrent Assets	44,226,462	56,742,717	100,969,179
Total Assets	$ 50,053,949	$ 81,341,061	$ 131,395,010
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable	$ 60,453	$ 110,727	$ 171,180
Accrued Liabilities	99,397	5,169,724	5,269,121
Tenant Security Deposits	1,573	71,863	73,436
Due to Affiliates	441,609	1,723,959	2,165,568
Current Portion of Long-Term Debt	315,832	595,684	911,516
Total Current Liabilities	918,864	7,671,957	8,590,821
NONCURRENT LIABILITIES			
Developer Fee Payable	2,736,155	4,229,086	6,965,241
Long-Term Debt, Net of Current	35,207,782	62,006,536	97,214,318
Total Noncurrent Liabilities	37,943,937	66,235,622	104,179,559
Total Liabilities	38,862,801	73,907,579	112,770,380
NET POSITION			
Net Investment in Capital Assets	8,702,848	13,434,168	22,137,016
Restricted	3,301,439	1,765,718	5,067,157
Unrestricted	(813,139)	(7,766,404)	(8,579,543)
Total Net Position	11,191,148	7,433,482	18,624,630
Total Liabilities and Net Position	$ 50,053,949	$ 81,341,061	$ 131,395,010

See accompanying Notes to Financial Statements.

DC HOUSING SOLUTIONS, INC.
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUSINESS-TYPE ACTIVITIES AND DISCRETELY PRESENTED COMPONENT UNITS
YEARS ENDED SEPTEMBER 30, 2025 AND DECEMBER 31, 2024

	Business-Type Activities	Discretely Presented Component Units
OPERATING REVENUES		
Rental Income	$ -	$ 8,132,751
Interest Income on Developer Fee Receivable	77,740	-
Other Revenue	-	734,264
Total Operating Revenues	77,740	8,867,015
OPERATING EXPENSES		
Administrative	82,050	1,395,588
Professional and Contract Services	1,730,042	
Bad Debt	655,571	-
Utilities	-	2,403,843
Ordinary Maintenance and Operations	-	1,425,173
Insurance	30,369	378,914
General Expenses	-	685,397
Depreciation and Amortization	-	4,811,674
Total Operating Expenses	2,498,032	11,100,589
TOTAL OPERATING LOSS	(2,420,292)	(2,233,574)
NONOPERATING REVENUE (EXPENSES)		
Interest Income	129,810	820,102
Interest Expense	-	(3,517,073)
Total Nonoperating Revenue (Expenses)	129,810	(2,696,971)
CHANGE IN NET POSITION	(2,290,482)	(4,930,545)
Total Net Position - Beginning of Year, As Originally Stated	49,852,396	23,555,175
Prior Period Adjustments - Correction of Errors	684,320	-
Total Net Position - Beginning of Year, As Restated	50,536,716	23,555,175
NET POSITION - END OF YEAR	$ 48,246,234	$ 18,624,630

See accompanying Notes to Financial Statements.

DC HOUSING SOLUTIONS, INC.
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2025

	Highland Residential, L.P.	Parkway Overlook II, LP	Total
OPERATING REVENUES			
Rental Revenues	$ 4,635,434	$ 3,497,317	$ 8,132,751
Other Revenues	231,030	503,234	734,264
Total Operating Revenues	4,866,464	4,000,551	8,867,015
OPERATING EXPENSES			
Administrative	623,434	772,154	1,395,588
Utilities	1,685,476	718,367	2,403,843
Ordinary Maintenance and Operations	774,300	650,873	1,425,173
Insurance	153,832	225,082	378,914
General Expenses	188,308	497,089	685,397
Depreciation and Amortization	2,143,977	2,667,697	4,811,674
Total Operating Expenses	5,569,327	5,531,262	11,100,589
OPERATING LOSS	(702,863)	(1,530,711)	(2,233,574)
NONOPERATING REVENUE (EXPENSES)			
Interest Income	-	820,102	820,102
Interest Expense	(1,082,094)	(2,434,979)	(3,517,073)
Total Nonoperating Expenses	(1,082,094)	(1,614,877)	(2,696,971)
DECREASE IN NET POSITION	(1,784,957)	(3,145,588)	(4,930,545)
Total Net Position - Beginning of Year	12,976,105	10,579,070	23,555,175
TOTAL NET POSITION - END OF YEAR	$ 11,191,148	$ 7,433,482	$ 18,624,630

See accompanying Notes to Financial Statements.

DC HOUSING SOLUTIONS, INC.
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to Vendors	$ (1,891,371)
Net Cash Used by Operating Activities	(1,891,371)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	129,810
Net Cash Provided by Investing Activities	129,810
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payment of Amounts Due to DCHA/Related Parties	(4,230,273)
Net Cash Used by Capital and Related Financing Activities	(4,230,273)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,991,834)
Cash and Cash Equivalents - Beginning of Year	11,127,766
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 5,135,932
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (2,420,292)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Provision for Bad Debts	655,571
Changes in Operating Assets and Liabilities:	
Accounts Receivable - Other	(55,000)
Accounts Receivable - Due from	(1,026,306)
Developer Fee Receivable	(77,740)
Accounts Payable and Accrued Expenses	1,128,255
Other Assets	(95,859)
Net Cash Used by Operating Activities	$ (1,891,371)

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

DC Housing Solutions, Inc. (DCHS) was organized as a nonprofit corporation under the laws of the District of Columbia Nonprofit Corporation Act on November 28, 2012. DCHS is operated for the purpose of facilitating the development of affordable housing and related facilities and lessening the burden of the government.

Reporting Entity

As required by accounting principles generally accepted in the United States of America (GAAP), the basic financial statements of the reporting entity include those of DCHS and all component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of the *Codification of Governmental Accounting and Financial Reporting Standards and Statement No. 61, (amended) of the Governmental Accounting Standards Board: The Financial Reporting Entity*. These criteria include the manifestation of oversight responsibility including financial accountability, imposition of will, financial benefit to or burden on a primary organization, and financial accountability as a result of fiscal dependency.

On the basis of the application of these criteria, DCHS determined that one entity should be presented as a blended component unit and two entities should be presented as discretely presented component units in DCHS' financial statements.

- Capitol Housing Partners LLC (CHP) – CHP is wholly owned by DCHS. CHP's purpose is to assist in the direct and indirect ownership and development of real estate projects in the District of Columbia as a guarantee entity for various development projects with various ownership interests. Due to the extent of control DCHS exercises over CHP, this component unit is blended for financial reporting purposes.

- Highland Residential, L.P. – Highland Residential, L.P.'s purpose is to develop, own, and operate an apartment complex. CHP is the sole member of Highland Residential GP, LLC which is the 0.01% general partner of Highland Residential, L.P. The financial statements of Highland Residential, L.P. are included in DCHS' statements as a discretely presented component unit due to management's professional judgment that excluding this entity would render the financial statements of DCHS misleading due to the close relation and financial integration of this entity. The partnership has a calendar year-end and accordingly, the amounts included are as of and for the respective year-end that falls within DCHS' September 30, 2025 year-end. Separate financial statements are issued for the discretely presented component unit, prepared in accordance with Financial Accounting Standards Board (FASB) guidance, and can be obtained by contacting the Deputy Executive Director for Administration at the District of Columbia Housing Authority (DCHA), 300 7th Street, S.W., 10th Floor, Washington, D.C. 20024.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

- Parkway Overlook II, L.P. – Parkway Overlook II, L.P.'s purpose is to develop, own, and operate an apartment complex. CHP, a blended component unit of DCHS, is the sole member of Parkway Overlook II GP, LLC which is the 0.01% general partner of Parkway Overlook II, L.P. The financial statements of Parkway Overlook II, L.P. are included in DCHS' statements as a discretely presented component unit due to management's professional judgment that excluding this entity would render the financial statements of DCHS misleading due to the close relation and financial integration of this entity. The partnership has a calendar year-end and was formed on September 18, 2017. As such, the amounts included are as of December 31, 2024 and for the periods of the inception through December 31, 2024. Separate financial statements are issued for the discretely presented component unit, prepared in accordance with FASB guidance, and can be obtained by contacting the Deputy Executive Director for Administration at the DCHA, 300 7th Street, S.W., 10th Floor, Washington, D.C. 20024.

- Subsequent CHP Affiliate Partnership Interests - Subsequent to December 31, 2024, CHP acquired limited partner interests in three partnerships. Effective January 23, 2025, CHP Henson II Investor, LLC, a wholly owned subsidiary of CHP, acquired the investor limited partner and special limited partner interests in Accessibuild I, LP, representing a 99.99% limited partner interest. Effective June 4, 2025, 400 M LP, LLC, a wholly owned subsidiary of CHP, acquired the limited partner and special limited partner interests in Capper Senior II Limited Partnership, representing a 99.99% limited partner interest and a 0.001% special limited partner interest. Effective October 15, 2025, Capper Townhomes I LLC, a wholly owned subsidiary of CHP, acquired the limited partner and special limited partner interests in Capper Residential I, L.P., representing a 99.99% limited partner interest and a 0.001% special limited partner interest. The partnerships described above have calendar year-ends, while DCHS's fiscal year ends on September 30. Accordingly, management expects to evaluate and reflect the financial statement impact of these partnerships, as applicable, in DCHS's financial statements for the year ending September 30, 2026, based on the partnerships' calendar year financial information.

DCHS is wholly owned by and for the benefit of, and is an affiliate of DCHA located in Washington, D.C., and is reported as a blended component unit of DCHA.

Measurement Focus, Basis of Accounting, and Financial Statement Presentations

The accompanying financial statements of DCHS have been prepared in conformity with GAAP for local government units as prescribed by the Governmental Accounting Standards Board (GASB).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In compliance with provisions for proprietary funds as prescribed by GASB, DCHS' activity is accounted for in a manner similar to private business enterprises. Transactions are accounted for on a flow of economic resources measurement focus. With this focus, all assets and liabilities associated with this entity are included in the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (i.e., revenues) and decreases (i.e., expenses) in net position. The financial statements have been prepared using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Use of 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 and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

DCHS considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased and nonnegotiable certificates of deposit to be cash equivalents.

Investments

Investments, when present, are recorded at fair value. Investment instruments consist only of items specifically approved for public housing agencies by HUD. Investments, when present, are held by DCHS' agent in DCHS' name.

Capital Assets

All purchased fixed assets are valued at cost when historical records are available. When no historical records are available, fixed assets are valued at estimated historical cost. Donated capital assets and land are recorded at their acquisition value at the time they are received. All normal expenses of preparing an asset for use are capitalized when they meet or exceed the capitalization threshold of $5,000.

The cost of buildings and equipment is depreciated over the estimated useful lives of the related assets on a composite basis using the straight-line method. Depreciation commences on modernization and development additions in the year following completion. The useful lives of buildings and equipment for purposes of computing depreciation are as follows:

Buildings	40 Years
Equipment	5 to 7 Years

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Maintenance and repairs expenses are charged to operations when incurred. Betterments in excess of $5,000 with an estimated useful life of one year or more are capitalized. DCHS has defined acquisition costs to include labor cost, materials and supplies, and contract costs incurred in connection with a betterment and addition. When buildings and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Operating Revenues and Expenses

The principal operating revenues of DCHS are grants or loans from other entities to fund development activities. Operating expenses include costs related to professional and contract services and administrative costs. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Nonoperating Revenues and Expenses

The principal nonoperating revenues and expenses for DCHS consist of earnings on the investment in its wholly owned subsidiary Capitol Housing Partners LLC (CHP), interest earned on cash and cash equivalent deposits, and transfers of assets to other entities.

Income Taxes

No income tax provision is included in the financial statements because DCHS was formed as a District of Columbia nonprofit corporation and received its designation under section 501(c)(3) of the Internal Revenue Code on May 27, 2015, with a retroactive effective date of November 28, 2012.

Net Position

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following three categories:

Net Investment in Capital Assets – Capital assets, net of accumulated depreciation and outstanding principal balances of debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted – Restricted assets whose use by DCHS is subject to externally imposed stipulations that can be fulfilled by actions of DCHS pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service.

Unrestricted – Assets that are not subject to externally imposed stipulations. The unrestricted net position may be designated for specific purposes by action of management or the DCHS Board or may otherwise be limited by contractual agreements with outside parties.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Certain assets, including cash and investments, may be classified as restricted on the Statement of Net Position because their use is restricted for specific purposes. It is DCHS' policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Adoption of New Accounting Standards

DCHS adopted GASB Statement No. 102, *Certain Risk Disclosures*, for the fiscal year beginning October 1, 2024. The Statement requires disclosure of vulnerabilities arising from certain concentrations or constraints when specific criteria are met. The adoption of GASB 102 did not have a material impact on the DCHS's financial statements, and no additional disclosures were required.

NOTE 2 DEPOSITS AND INVESTMENTS

At September 30, 2025, DCHS' deposits had a carrying amount of $5,233,351 and a bank balance of $5,233,351. Of the bank balances held in various financial institutions, certain amounts were covered by federal depository insurance. DCHS does not hold federal funds and therefore is not required to collateralize further. As of September 30, 2025, $5,233,351 of DCHS's deposits on hand were not collateralized.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, DCHS typically limits investment portfolio to maturities of 12 months or less.

Credit Risk – DCHS has no policy regarding credit risk. DCHS had no assets that were considered to be investments under GAAP but does limit cash and cash equivalents held in savings and deposit accounts to under terms of 12 months.

Custodial Credit Risk – For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, DCHS will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. DCHS had no assets that were considered to be investments under GAAP. DCHS has no custodial credit risk policy.

Concentration of credit risk – DCHS has no policy regarding credit risk and places no limit on the amount that DCHS may invest in any one issuer. DCHS had no assets that were considered to be investments under GAAP.

Fair Value Measurements – DCHS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of September 30, 2025, the investment of DCHS was in a certificate of deposit which is not subject to the fair value measurement requirements.

NOTE 3 NOTES RECEIVABLE

DCHS entered into a promissory note agreement on June 23, 2016 with Square 882N Affordable, LP relating to the financing of the Lofts at Capitol Quarter (the Property). The unpaid principal balance shall bear interest at the rate of zero (0.00%) per annum. The maturity date of the note is the earlier of (1) June 24, 2046 or (2) the sale, conveyance or refinancing of the Property, unless the indebtedness evidenced by the note is assumed by the buyer. The unpaid principal balance of the note at September 30, 2025 was $478,629. DCHS has fully allowed for the note.

Parkway Overlook, LP, a blended component unit of CHP, entered into a promissory note agreement on February 7, 2018 with Parkway Overlook II, LP. The note bears interest at 2.66% per annum. Principal and interest payments shall be due no later than 90 days following the end of each fiscal year to the extent that Cash Flow or Net Proceeds exist as defined in the Amended and Restated Agreement of Limited Partnership. All accrued and unpaid interest and loan principal shall become due and payable in full on February 7, 2048. All accrued interest was fully allowed for as of September 30, 2025. At September 30, 2025, the outstanding receivable balance was $2,400,000. Management does not expect to collect on the note. As a result, all principal and accrued interest was fully allowed for as of September 30, 2025.

NOTE 4 RELATED PARTY TRANSACTIONS

As of September 30, 2025, DCHA has advanced $1,757,837 to Parkway Overlook II LP for various costs associated with the development of the property.

NOTE 5 DEVELOPER FEE RECEIVABLES

Pursuant to the Development Agreement between CHP and Highland Residential, L.P., CHP shall earn a development fee upon completion of specific benchmarks. The Development Amount of $4,700,000 shall be deemed earned and receivable in accordance with the following schedule:

10 %	Upon Completion of the Initial Development and Construction Redevelopment Budget
10	Upon Completion of Plans for Construction and Rehabilitation
10	Upon Closing of Construction Loan
10	Upon Recording of Notice to Proceed
10	Upon On-Site Rehabilitation Work
20	Upon 50% Completion
30	Upon Receipt of Final Certificates of Occupancy for all Buildings
100 %	

The entire $4,700,000 was deemed earned and reported as revenue in FY2017. $2,215,361 remains receivable at fiscal year-end and is reported as a noncurrent receivable as management of DCHS does not expect to collect this amount within one year.

Pursuant to the Development Agreement between CHP and Parkway Overlook, II, L.P., CHP shall earn a development fee upon completion of specific benchmarks. The Development Amount of $6,900,000 shall be deemed earned and receivable in accordance with the following schedule:

10 %	Upon Completion of the Initial Development and Construction Redevelopment Budget
10	Upon Completion of Plans for Construction and Rehabilitation
10	Upon Closing of Construction Loan
10	Upon Recording of Notice to Proceed
10	Upon On-Site Rehabilitation Work
20	Upon 50% Completion
30	Upon Receipt of Final Certificates of Occupancy for all Buildings
100 %	

The entire of $6,900,000 was deemed earned as of December 31, 2020. As of September 30, 2025, $4,287,391 remains receivable, which is inclusive of $259,427 of accrued interest and is shown as a noncurrent asset on the Statement of Net Position as management of DCHS does not expect to collect this amount within one year.

NOTE 6 INVESTMENTS IN GENERAL PARTNERS

Capitol Housing Partners LLC (CHP) Affiliates

DCHS is the sole member of CHP. CHP is a partner or member either solely or severally with multiple entities as part of various housing projects, development and construction projects, and for financing activities. The various affiliates are detailed in the table below.

Entity	CHP Affiliate	CHP Interest	Percentage Ownership
Parkway Overlook GP, LLC	Capitol Housing Partners, LLC	Sole Member	100.00%
Parkway Overlook, LP	Parkway Overlook GP, LLC	General Partner	0.01%
Parkway Overlook, LP	Capitol Housing Partners, LLC	Limited Partner	99.99%
CHP Square 882N Owner, LLC	Capitol Housing Partners, LLC	Sole Member	100.00%
Square 882N Owner, LLC	CHP Square 882N Owner, LLC	Administrative Member	50.00%
Highland Residential GP, LLC	Capitol Housing Partners, LLC	Sole Member	100.00%
Highland Residential, LP	Highland Residential GP, LLC	General Partner	0.01%
CHP Square 882N Affordable, LLC	Capitol Housing Partners, LLC	Sole Member	100.00%
Square 882N Affordable GP, LLC	CHP Square 882N Affordable, LLC	Administrative Member	50.00%
Square 882N Affordable, LP	Square 882N Affordable GP, LLC	General Partner	0.09%
CHP Square 769N Owner, LLC	Capitol Housing Partners, LLC	Sole Member	100.00%
CHP Square 769N Affordable, LLC	Capitol Housing Partners, LLC	Sole Member	100.00%
Parkway Overlook II GP, LLC	Capitol Housing Partners, LLC	Sole Member	100.00%
Parkway Overlook II, LP	Parkway Overlook II GP, LLC	General Partner	0.01%
Kenilworth 166 LLC	Capitol Housing Partners, LLC	Sole Member	100.00%
MELVO GP LLC	Capitol Housing Partners, LLC	Sole Member	100.00%
Barry Farm Phase 1B-HA LLC	Capitol Housing Partners, LLC	Sole Member	100.00%
Barry Farm Phase IA-HA LLC	Capitol Housing Partners, LLC	Sole Member	100.00%
Park Morton Phase I, LLC	Capitol Housing Partners, LLC	Sole Member	100.00%
Barry Farm Rental Flats HA LLC	Capitol Housing Partners, LLC	Sole Member	100.00%
CHP Henson I GP LLC	Capitol Housing Partners, LLC	Sole Member	100.00%
CHP Henson I Investor, LLC	Capitol Housing Partners, LLC	Sole Member	100.00%
CHP Henson II Investor, LLC	Capitol Housing Partners, LLC	Sole Member	100.00%
Accessibuild I, LP	CHP Henson II Investor, LLC	Limited Partner	99.99%
Capper Senior, LLC	Capitol Housing Partners, LLC	Sole Member	100.00%
Capper Townhomes I LLC	Capitol Housing Partners, LLC	Sole Member	100.00%
400 Capper M LP, LLC	Capitol Housing Partners, LLC	Sole Member	100.00%
Capper Senior II, LP	400 Capper M LP, LLC	Limited Partner	99.99%
Capper Residential I, LP	Capper Townhomes I LLC	Limited Partner	99.99%

Square 882N Owner LLC

The purpose of Square 882N Owner LLC is to develop, own, and operate 156 condominium units. DCHS reports their financial interest in the entity on the equity method. As of September 30, 2025, their investment interest was $50.

Square 882N Affordable L.P.

The purpose of Square 882N Affordable L.P. is to develop, own, and operate 39 affordable rental units. DCHS reports their financial interest in the entity on the equity method. As of September 30, 2025, their investment interest was $1,883,938.

Parkway Overlook L.P.

The purpose of Parkway Overlook L.P. is to develop, own, and operate an apartment complex. As of September 30, 2025, their investment interest was $100.

NOTE 6 INVESTMENTS IN GENERAL PARTNERS (CONTINUED)

Highland Residential L.P.

The purpose of Highland Residential L.P. is to develop, own, and operate an apartment complex. As of September 30, 2025, their investment interest was $10.

Kenilworth 166 LLC

CHP is sole member of Kenilworth 166 LLC, whose purpose is to develop, own, and operate an apartment complex.

Park Morton Phase I, LLC

CHP is sole member of Park Morton Phase I, LLC, whose purpose is to develop, own, and operate an apartment complex.

Barry Farm – Phase 1B (The Asberry)

CHP is sole member of Barry Farm – Phase 1B (The Asberry), whose purpose is to develop, own, and operate an apartment complex.

NOTE 7 CAPITAL ASSETS

Business-Type Activities

There was no capital asset activity for the year ended September 30, 2025. The only capital asset is land which has the balance of $33,013,803 at September 30, 2025.

Discretely Presented Component Unit – Highland Residential, L.P.

Capital asset activity for the year ended December 31, 2024 consists of the following:

	Balance January 1, 2024	Additions	Transfers	Balance December 31, 2024
Not Being Depreciated:				
Land	$ -	$ -	$ -	$ -
Total Not Being Depreciated	-	-	-	-
Depreciable:				
Buildings and Improvements	60,991,047	-	-	60,991,047
Land Improvements	13,215,826			13,215,826
Furniture and Equipment	1,272,773	-	-	1,272,773
Total Depreciable Capital Assets	75,479,646	-	-	75,479,646
Accumulated Depreciation	(29,109,207)	(2,143,977)	-	(31,253,184)
Total Capital Assets, Being Depreciated, Net	46,370,439	(2,143,977)	-	44,226,462
Total	$ 46,370,439	$ (2,143,977)	$ -	$ 44,226,462

NOTE 7 CAPITAL ASSETS (CONTINUED)

Discretely Presented Component Unit – Parkway Overlook II, L.P.

Capital asset activity for the year ended December 31, 2024 consists of the following:

	Balance January 1, 2024	Additions	Transfers	Balance December 31, 2024
Not Being Depreciated:				
Land	$ 1,800,000	$ -	$ -	$ 1,800,000
Total Not Being Depreciated	1,800,000	-	-	1,800,000
Depreciable:				
Buildings and Improvements	57,767,502	-	-	57,767,502
Land Improvements	6,812,520	-	-	6,812,520
Furniture and Equipment	5,242,263	27,646	-	5,269,909
Total Depreciable Capital Assets	69,822,285	27,646	-	69,849,931
Accumulated Depreciation	(12,470,243)	(2,653,702)	-	(15,123,945)
Total Capital Assets, Being Depreciated, Net	57,352,042	(2,626,056)	-	54,725,986
Total	$ 59,152,042	$ (2,626,056)	$ -	$ 56,525,986

NOTE 8 LONG-TERM DEBT

Discretely Presented Component Unit – Highland Residential, L.P.

The long-term debt of Highland Residential, L.P. consists of the following at December 31, 2024.

Mortgage Payable

Highland Residential L.P. entered into a first mortgage agreement on October 1, 2014, with DCHFA in the original amount of $35,510,000, funded with proceeds from the issuance of Multifamily Housing Revenue Bonds, Series 2014 (the Bonds). Pursuant to the bond purchase agreement, the total principal amount of the Bonds was purchased from DCHFA by Capital One, N.A., and Citibank, N.A. in the aggregate principal amounts of $25,510,000 and $10,000,000, respectively. Commencing on the closing date, the Bonds shall bear interest at a tax-exempt fixed rate of 4.8% per annum. Interest shall be payable monthly in arrears, commencing November 1, 2014. Payments of interest-only will be due during the construction period. Upon conversion to the permanent term, the construction portion of the bonds will be paid down with a scheduled conversion date of October 1, 2017. During 2017, the maturity date was extended and on April 23, 2018 conversion to the permanent term occurred and the construction portion of the bonds of $13,910,000 were paid in full with capital contributions from the investor limited partner. After conversion, monthly amortizing principal and interest payments shall be due through April 23, 2033, the maturity date, which is 15 years following the conversion date. All outstanding principal and accrued interest shall be due at maturity.

NOTE 8 LONG-TERM DEBT (CONTINUED)

Discretely Presented Component Unit – Highland Residential, L.P. (Continued)

Mortgage Payable (Continued)

At December 31, 2024, the outstanding principal balance was $19,865,809. During the year ended December 31, 2024 $1,019,080 of interest was incurred, of which $79,463 remains payable.

The liability of the Partnership under the above mortgages is limited to the underlying value of the real estate collateral, improvements, easements or other interests, assignment of rents, assignment of leases and personal property.

Seller Note

Highland Residential L.P. entered into a loan agreement (the Seller Note) on October 23, 2014, with DCHA, an affiliate of the general partner, in the original amount of $4,739,000. Commencing on the date of the note, interest shall accrue at a fixed rate of 2.98% per annum, compounding annually on the 15th day of January of each year. Payments of principal and interest shall be made from project surplus net cash flow and project available net capital proceeds at times and pari passu in right of payment in all other respects to the outstanding authority notes, in the amount and in the order of priority as provided in the partnership agreement. Payments shall be due and payable no later than 30 days after distribution of project surplus net cash flow or project available net capital proceeds. The entire outstanding principal amount of the note and any unpaid interest is due at maturity on October 23, 2044.

During the year ended December 31, 2024, $177,762 of interest was incurred and $1,596,601 remains payable at December 31, 2024. The Seller Note was entered into by the Partnership in exchange for the acquisition of the Project. In accordance with the accounting guidance for business combinations under common control, the Seller Note, and the associated interest is included as a component of the general partners' equity on the statement of partners’ equity (deficit) included in the financial statements of Highland Residential L.P. Therefore, the loan balance is not included as a liability.

Authority Notes

Highland Residential L.P. entered into a loan agreement on October 23, 2014, with DCHA, an affiliate of the general partner, in the original amount of $10,552,713. The loan is evidenced by two promissory notes in the amounts of $3,975,000 (Authority Note A) and $6,577,713 (Authority Note B). DCHA was awarded Capital Fund Recovery Competition (CFRC) funds under the American Recovery and Reinvestment Act in the amount of $6,577,713, which comprises Authority Note B, for energy efficient improvements of the Project, which will be substantially rehabilitated. Additionally, DCHA has provided a Program Income Funds loan in the amount of $3,975,000, which comprises Authority Note A. Both promissory notes bear no interest during the term of the loans. Upon stabilization, as defined in the partnership agreement, principal payments shall be due to the extent that surplus cash exists at the end of each fiscal year. Payments of principal on one authority note shall be pari passu with the other Authority note and the Seller Note. Any unpaid principal shall be due at maturity. Authority Note A has a maturity date of October 23, 2044 and Authority Note B has a maturity date of October 23, 2049. At December 31, 2024, the outstanding principal balance of $10,552,713 remains payable.

NOTE 8 LONG-TERM DEBT (CONTINUED)

Discretely Presented Component Unit – Highland Residential, L.P. (Continued)

Authority Notes (Continued)

On March 18, 2016, Highland Residential L.P. entered into another loan agreement with DCHA in the original amount of $3,300,000. The proceeds of the loan will be used to rehabilitate, construct, and equip the development. The loan bears no interest during the term of the loan. Upon stabilization, as defined in the partnership agreement, principal payments shall be due to the extent that surplus cash exists at the end of each fiscal year and any payment on the loan shall be subordinate in right of payment to the Seller Note, Authority Note A and Authority Note B. Any outstanding principal shall be due at maturity on October 23, 2044. At December 31, 2024 the outstanding principal balance of $3,300,000 remains payable.

On November 20, 2017, Highland Residential L.P. obtained an additional loan from DCHA, in the original amount of $2,300,000. The proceeds of the loan were used to rehabilitate, construct, and equip the development. The loan bears no interest during the term of the loan. Upon stabilization, as defined in the partnership agreement, principal payments shall be due to the extent that surplus cash exists at the end of each fiscal year and any payment on the loan shall be subordinate in right of payment to the Seller Note, Authority Note A, Authority Note B and Authority Note $3.3M. Any outstanding principal shall be due at maturity on October 23, 2044. At December 31, 2024, the outstanding principal balance of $2,300,000 remains payable.

The following table reflects amortization of long-term debt for the year ended December 31, 2024:

Date	Principal	Interest	Totals
2025	$ 315,832	$ 1,025,565	$ 1,341,397
2026	332,652	1,008,745	1,341,397
2027	350,369	991,029	1,341,397
2028	369,028	972,369	1,341,397
2029	388,682	952,715	1,341,397
2030-2034	2,672,249	5,040,785	7,713,034
2035-2039	4,928,207	5,132,272	10,060,479
2040-2044	16,352,828	2,787,743	19,140,571
2045-2049	9,813,768	229,209	10,042,977
Total	$ 35,523,614	$ 18,140,433	$ 53,664,047

Discretely Presented Component Unit – Parkway Overlook II, L.P.

District of Columbia Housing Finance Agency (DCHFA) Mortgage

Parkway Overlook II, L.P. entered into a first mortgage agreement on February 7, 2018 with DCHFA, in the original amount of $38,041,000, funded with proceeds from the issuance of Multifamily Housing Bonds (the Bonds). The mortgage consists of 2018 Series Multifamily Tax-Exempt Mortgage-Backed Bonds (M-TEBS), in the amount of $22,041,000, and 2018 Series Multifamily Housing Revenue Bonds, in the amount of $16,000,000.

NOTE 8 LONG-TERM DEBT (CONTINUED)

Discretely Presented Component Unit – Parkway Overlook II, L.P. (Continued)

District of Columbia Housing Finance Agency (DCHFA) Mortgage (Continued)

In connection with this mortgage, the Partnership is subject to various lender restrictions, fees and requirements stated in the trust indenture between the District of Columbia Housing Finance Agency and the Trustee. The 2018 Series M-TEBS bear interest at a tax-exempt fixed rate of 3.50% per annum and have a maturity date of March 1, 2036. The 2018 Series Multifamily Housing Revenue Bonds bear interest at a fixed rate of 2.00% per annum and were paid off in full on their maturity date September 1, 2020. As of December 31, 2024, the principal balance of the remaining bonds was $21,043,195.

On April 1, 2022, The Partnership entered into a first mortgage agreement with Wells Fargo Bank, N.A. in the original amount of $21,769,971. The loan bears interest at a fixed rate of 4.50% per annum and has a maturity date of March 1, 2036. The loan requires monthly amortizing payments of interest and principal in the amount of $104,311 based on a 34-year amortization period. Additionally, monthly deposits for reserve for replacements and insurance escrow are required under the agreement. As of December 31, 2024, the principal balance was $21,043,195.

Wells Fargo Construction Loan

Parkway Overlook II, L.P. entered into a loan agreement on February 7, 2018 with Wells Fargo in an amount not to exceed $38,041,000. The Partnership entered into a construction loan agreement on February 7, 2018, with Wells Fargo Bank, National Association, an affiliate to the limited partner, in the original amount of $38,041,000. The loan bears interest at a rate of One-Month LIBO Rate, as defined. The One-Month LIBO Rate will equal the sum of 1.90% and the One-Month Rate, as defined, divided by one minus the Reserve Percentage, as defined. If, at any time, the One-Month Rate divided by one minus the Reserve Percentage falls below 0%, then during such time the One-Month Rate shall be deemed to be 0.25%. Interest accrued on the construction loan shall be due and payable on the first day of each month, commencing with the first month after February 7, 2018. The outstanding principal and all accrued and unpaid interest were all to be due in full on the maturity date, August 7, 2020, subject to extension provisions. During 2021, the maturity date was extended to February 1, 2022, which resulted in a $36,780 extension fee. On December 31, 2022, $35,141,845 of the construction loan had been drawn and remained payable. During the year ended December 31, 2022, $303,337 of additional proceeds were drawn prior to the construction loan being paid in full on April 1, 2022.

DHCD Housing Production Trust Funds Loan

Parkway Overlook II, L.P. entered into a loan agreement on February 7, 2018 with the Department of Housing and Community Development (DHCD) in an amount not to exceed $20,100,000. The loan bears interest at a rate of 3.00% per annum and has a maturity date of February 7, 2058. Payments of principal and interest will be deferred until the earlier of the Deferral Period, as defined, or 120 days after the end of the calendar year in which the Deferral Period occurs. The loan will be payable in annual installments, paid solely out of Available Cash Flow, as defined. As of December 31, 2024, $20,100,000 of the loan has been drawn and remains outstanding.

NOTE 8 LONG-TERM DEBT (CONTINUED)

Discretely Presented Component Unit – Parkway Overlook II, L.P. (Continued)

Solar for All Note

Parkway Overlook II, L.P. entered into a loan agreement on February 7, 2018 with DCHA, an affiliate of the general partner, in the original amount of $1,246,079. On August 1, 2018, the note was amended to increase the original principal amount by an additional $266,902 to a total of $1,512,981. The note bears interest at 2.66% per annum, compounding annually. Principal and interest payments shall be due no later than 90 days following the end of each fiscal year to the extent that Cash Flow or Net Proceeds exist as defined in the Amended and Restated Agreement of Limited Partnership. All accrued and unpaid interest and loan principal shall become due and payable in full on February 7, 2048. As of December 31, 2024, the outstanding principal balance of $1,512,981 remains payable.

Seller Note

Parkway Overlook II, L.P. entered into a loan agreement (the Seller Note) on February 7, 2018 with Parkway Overlook LP, the general partner, in the original amount of $2,400,000. Commencing on the date of the note, interest shall accrue at a fixed rate of 2.66% per annum, compounding annually. Payments of principal and interest shall be made from available cash flow or net proceeds, as defined by the amended and restated agreement of limited partnership. Payments shall be due and payable no later than ninety days following the end of each fiscal year for any year in which the funds are available. The entire outstanding principal amount of the note and any unpaid interest is due at maturity on February 7, 2048. For the period ending December 31, 2024, $74,408 of interest was incurred. As of December 31, 2024, $471,709 of interest remains payable. The Seller Note was entered into by the Partnership in exchange for the acquisition of the Project. In accordance with the accounting guidance for business combinations under common control, the Seller Note and the associated interest is included as a component of the general partners' equity on the statement of partners' equity (deficit) included in the financial statements of Parkway Overlook II, L.P. Therefore, the loan balance is not included as a liability.

The following table reflects amortization of long-term debt for the year ended December 31, 2024:

Date	Principal
2025	$ 595,684
2026	623,436
2027	652,484
2028	677,694
2029	714,458
2030-2034	-
2035-2039	37,725,483
2040-2044	-
2045-2049	1,512,981
2058	20,100,000
Total	$ 62,602,220

NOTE 9 SCHEDULE OF CHANGES IN NONCURRENT LIABILITIES

The following schedule summarizes changes in noncurrent liabilities of the discretely presented component units for the period ending December 31, 2024:

Discretely Presented Component Unit – Highland Residential, L.P.

	1/1/2024 Balance	Additions	Reductions	12/31/2025 Balance	Current Portion	Long-Term Portion
Mortgage and Notes Payable	$ 35,764,668	$ -	$ (241,054)	$ 35,523,614	$ 315,832	$ 35,207,782
Developer Fee Payable	2,215,361	-	-	2,215,361	-	2,215,361
Developer Fee Accrued Interest	453,447	67,347	-	520,794	-	520,794
Asset Management Fees Payable	366,154	75,455	-	441,609	-	441,609
Total	$ 38,799,630	$ 142,802	$ (241,054)	$ 38,701,378	$ 315,832	$ 38,385,546

Discretely Presented Component Unit – Parkway Overlook II, L.P.

	1/1/2024 Balance	Additions	Reductions	12/31/2025 Balance	Current Portion	Long-Term Portion
Mortgage and Notes Payable	$ 63,065,108	$ -	$ (462,888)	$ 62,602,220	$ 595,684	$ 62,006,536
Developer Fee Payable	4,027,964	123,382	-	4,151,346	-	4,151,346
Developer Fee Accrued Interest	77,740	-	-	77,740	-	77,740
Due to Affiliates	1,538,292	75,705	-	1,613,997	-	1,613,997
Asset Management Fees Payable	90,256	19,706	-	109,962	-	109,962
Total	$ 68,799,360	$ 218,793	$ (462,888)	$ 68,555,265	$ 595,684	$ 67,959,581

NOTE 10 CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS

	Blended Component Unit Capitol Housing Partners LLC	DCHS	Total
Assets			
Current Assets	$ 6,872,376	$ 1,203,620	$ 8,075,996
Other Assets	8,386,850	-	8,386,850
Capital Assets	33,013,803	-	33,013,803
Total Assets	$ 48,273,029	$ 1,203,620	$ 49,476,649
Liabilities			
Current Liabilities	$ -	$ 1,128,305	$ 1,128,305
Due to Related Party	-	102,110	102,110
Total Liabilities	$ -	$ 1,230,415	$ 1,230,415
Net Position			
Net Investment in Capital Assets	$ 33,013,803	$ -	$ 33,013,803
Restricted	3,964,500	1,143,558	5,108,058
Unrestricted	11,294,726	(1,170,353)	10,124,373
Total Net Position	48,273,029	(26,795)	48,246,234
Total Liabilities and Net Position	$ 48,273,029	$ 1,203,620	$ 49,476,649

	Blended Component Unit Capitol Housing Partners LLC	DCHS	Total
Operating Revenue			
Interest Income on Developer Fee Receivable	$ 77,740	$ -	$ 77,740
Total Operating Revenue	77,740	-	77,740
Operating Expenses			
Administrative	29,671	52,379	82,050
Professional and Contract Services	-	1,730,042	1,730,042
Insurance	-	30,369	30,369
Bad Debt	655,571	-	655,571
Total Operating Expenses	685,242	1,812,790	2,498,032
Total Operating Income	(607,502)	(1,812,790)	(2,420,292)
Total Nonoperating Revenues	102,047	27,763	129,810
Change in Net Position	(505,455)	(1,785,027)	(2,290,482)
Total Net Position - Beginning of Year, As Restated	48,778,484	1,758,232	50,536,716
Total Net Position - End of Year	$ 48,273,029	$ (26,795)	$ 48,246,234

NOTE 10 CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS (CONTINUED)

	Blended Component Unit Capitol Housing Partners LLC	DCHS	Total
Net Cash Provided (Used) By			
Operating Activities	$ (1,151,886)	$ (739,485)	$ (1,891,371)
Investing Activities	102,047	27,763	129,810
Capital and Related Financial Activities	(4,291,013)	60,740	(4,230,273)
Net Decrease in Cash and Cash Equivalents	(5,340,852)	(650,982)	(5,991,834)
Cash and Cash Equivalents - Beginning of Year	9,333,226	1,794,540	11,127,766
Cash and Cash Equivalents - End of Year	$ 3,992,374	$ 1,143,558	$ 5,135,932

NOTE 11 ECONOMIC DEPENDENCY

DCHS is economically dependent on DCHA which provided the bulk of assets held by DCHS.

NOTE 12 GUARANTEES

As part of the Highland Dwellings development, DCHS' blended component unit, Capitol Housing Partners LLC took the following actions and entered into the following guaranty obligations:

A $2 million deposit was made at Wells Fargo considered to be unencumbered liquidity to meet the investor requirements for the Highland Dwellings redevelopment during the development period. Following the completion of the development obligation period and upon conversion to permanent financing, the liquidity requirement steps down from $2 million to $1 million. The full $2 million is included in restricted cash on the Statement of Net Position.

Guaranty of Completion to DCHFA, U.S. Bank, and Capital One through conversion to permanent financing. Guaranty includes guaranty of full payment to complete construction. Performance and Completion Guaranty to DCHFA, limited to the Total Developer Fee.

Guaranty of Environmental Obligations for the benefit of DCHFA, U.S. Bank, Capitol One, and Citibank which shall be in effect for six years after the Bonds and Loan have been indefeasibly paid in full.

NOTE 12 GUARANTEES (CONTINUED)

Guaranty for the benefit of Wells Fargo Affordable Community Development Corporation and Highland Residential LP of performance and Payment of all general partner obligations under the Partnership Agreement. This includes a guaranty of payment for outstanding tax credits in the event of tax credit recapture or tax credit adjustor.

As part of the Lofts at Capitol Quarter development, DCHS' blended component unit, Capitol Housing Partners LLC entered into the following guaranty requirements:

An Exception to Nonrecourse for the benefit to District of Columbia Housing Finance Agency (DCHFA), U.S. Bank, and Citibank. This is primarily for problems and environmental concerns. It should be noted that the development partners have procured an insurance policy covering environmental conditions.

Completion Guaranty to DCHFA, U.S. Bank, and Citibank.

Environmental Obligation Guaranty for the benefit of DCHFA (please note reference to environmental insurance referenced previously).

Guaranty of Agency Fees, Owner Bankruptcy, and Nonrecourse Exception Guaranty for the benefit of DCHFA.

Payment and Performance guaranty limited to $1 million for the benefit of Industrial Bank (released upon repayment from capital contributions from the LIHTC Investor RBC Tax Credit Equity LLC (RBC) which is expected to occur at the second capital contribution following construction completion. This is in the form of a pledge backed by a deposit of $1 million with Industrial Bank. This is reflected within Certificate of Deposit on the Statement of Net Position.

Guaranty for the benefit of RBC in the amount of $500,000 of unrestricted cash which is effective upon the second capital contribution until the maturity of the permanent phase of the Bond Loan. After the maturity of the permanent phase of the Bond Loan, if a replacement loan is secured, then there are no additional guaranty requirements. After the maturity of the permanent phase of the Bond Loan and a replacement loan is not secured, then the amount is increased to an amount determined by RBC based on the potential risk of tax credit recapture due to a foreclosure under the Bond Loan and such increased amount shall remain until the replacement loan is secured. Nevertheless, the increased amount cannot exceed $1 million. The guaranty is for the benefit of RBC in the amount of outstanding LIHTC in the event of noncompliance.

NOTE 13 CONTINGENCIES

DCHS is subject to possible examinations made by federal regulators who determine compliance with terms, conditions, laws, and regulations governing grants given to DCHS in the current and prior years. These examinations may result in funds being remitted by DCHS to federal grantors and/or program beneficiaries.

NOTE 14 PRIOR PERIOD ADJUSTMENTS

During the year ended September 30, 2025, management recorded certain prior-period adjustments related to accrued interest receivable, investment balances, and beginning net position.

The adjustments included $364,145 recorded for accrued interest receivable on developer fee receivables that related to prior periods. Management also corrected a fiscal year 2024 error in which bad debt expense was incorrectly recorded and the investment account was understated, resulting in an adjustment of $320,175.

These adjustments increased beginning net assets by $364,145 and increased the 2024 change in net assets by $320,175, resulting in a cumulative increase to ending net assets of $684,320. Accordingly, net assets as of September 30, 2024 were restated as follows:

	2024 As Originally Reported	2024 Prior Period Adjustment	2024 As Restated
Net Position, Beginning of Year	$ 49,977,846	$ 364,145	$ 50,341,991
Increase (Decrease) In Net Position	(125,450)	320,175	194,725
Net Position, End of Year	$ 49,852,396	$ 684,320	$ 50,536,716

NOTE 15 SUBSEQUENT EVENTS

In December 2025, DC Housing Solutions obtained a line of credit from Key Bank to support predevelopment costs for upcoming projects.

INDEPENDENT AUDITORS' 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 Mayor, Members of the Council of the Government of the District of Columbia,
the Inspector General of the Government of the District of Columbia, and the
Board of Commissioners of the District of Columbia Housing Authority and
DC Housing Solutions, Inc.
Washington, D.C.

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of DC Housing Solutions, Inc. (DCHS), a nonprofit blended component unit of the District of Columbia Housing Authority (DCHA), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the DCHS' basic financial statements, and have issued our disclaimer of an opinion dated July 2, 2026. Our report disclaims an opinion on such financial statements because we were not able to obtain sufficient audit evidence on certain assets, liabilities, net position, revenues, expenses, and cash flows to form an opinion.

We did not audit the financial statements of Highland Residential, L.P. or Parkway Overlook II, LP, which represent 100 percent of the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component units as of and for the year ended December 31, 2024. Those financial statements were audited by another auditor, whose reports expressed unmodified opinions have been furnished to us, and our opinion, insofar as it relates to the amounts included for Highland Residential, L.P. and Parkway Overlook II, LP is based solely on the reports of the other auditor. Those audits were not performed in accordance with *Government Auditing Standards.*

Report on Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of DCHS, we considered DCHS' 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DCHS' internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified However, as described in the accompanying schedule of finding and response, we identified a certain deficiency in internal controls that we consider to be a material weakness.

A *deficiency in internal controls* 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 controls, such that there is a reasonable possibility that a material misstatement of DCHS' financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of finding and response as item 2025-001 to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether DCHS' 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*.

DCHS's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the DCHS's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The DCHS'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 DCHS' 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
July 2, 2026

Finding 2025 – 001:

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting – Financial Statement Closing Process

Condition: Material audit adjustments were required to properly state the financial statements, and one uncorrected material misstatement resulted in a qualified opinion on the business-type activities of DCHS. DCHS did not have adequate controls over the financial statement closing process to ensure that material balances were properly reviewed, supported, classified, and recorded.

During the audit, we noted that certain costs totaling approximately $819,000 were recorded as work-in-progress and capitalized as assets, although the costs related primarily to architectural, engineering, and other pre-development activities and should have been expensed as incurred. In addition, audit adjustments were proposed related to developer fee receivables and beginning net position, including approximately $2.8 million to properly state developer fee receivables and approximately $442,000 for accrued interest receivable and interest revenue. We also noted that DCHS omitted recording material developer fee receivables of approximately $3.9 million related to certain projects, which resulted in an understatement of developer fee receivables and net position.

Criteria or Specific Requirement: The Internal Control-Integrated Framework (COSO Report) requires adequate internal controls over financial reporting to ensure that transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and demonstrate compliance with laws, regulations and other compliance requirements. Internal controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP. According to GASB Cod. Sec. 1100.101, a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Effect: These deficiencies resulted in material audit adjustments and an uncorrected material misstatement that gave rise to a qualified opinion on the business-type activities of DCHS. The lack of controls in place over the financial reporting function increases the risk of misstatements, fraud, or errors occurring and not being detected and corrected on a timely basis. Ineffective controls over the financial reporting and close process could result in inaccurate account balances, a significant number of audit adjustments or restatements or a lack of timely financial information.

Cause: DCHS lacked adequate controls over the financial statement closing process to ensure the year end balances are accurate and all transactions during the year were properly recorded.

Repeat Finding: Yes; 2024-001

Recommendation: We recommend that DCHS establish a formal closing process that reconciles and analyzes all material account balances. This process should include specific timelines, defined responsibilities, appropriate supervisory reviews, review of developer fee agreements, evaluation of capitalized costs, verification of beginning balance rollforwards, and recording of necessary standard journal entries before the financial statements are finalized.

Views of Responsible Officials: There is no disagreement with the finding.

DC HOUSING SOLUTIONS, INC.
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2025

U.S. Department of Housing and Urban Development

DC Housing Solutions, Inc. (DCHS), a component unit of the District of Columbia Housing Authority, respectfully submits the following summary schedule of prior audit findings for the year ended September 30, 2025.

Audit period: October 1, 2024 – September 30, 2025

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2025-001 Material Weakness in Internal Control over Financial Reporting - Financial Statement Closing and Verification of Balances

Recommendation: We recommend that DCHS establish a formal closing process that reconciles and analyzes all material account balances. This process should include specific timelines, defined responsibilities, appropriate supervisory reviews, review of developer fee agreements, evaluation of capitalized costs, verification of beginning balance rollforwards, and recording of necessary standard journal entries before the financial statements are finalized.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken or planned in response to finding:

DCHS Management acknowledges the finding and agrees that improvements are needed in the formal financial statement closing and reconciliation process.

A checklist was created and implemented as a result of the FY2024 finding. However, due to a miscommunication regarding the segregation of duties between the internal staff and fee accountants several functions were not completed timely and accurately.

The following steps will be taken immediately:

a. Revise month end close checklist.
b. Create and formalize SOPs.
c. Train staff on new SOPs and revised checklist.
d. Create a monthly comprehensive financial report for the Executive team's review.

Name(s) of the contact person(s) responsible for corrective action: Isra Elkhazeen and Zewdneh Shiferaw.
Planned completion date for corrective action plan: August 31, 2026.

DC HOUSING SOLUTIONS, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2025

U.S. Department of Housing and Urban Development

DC Housing Solutions, Inc. (DCHS), a component unit of the District of Columbia Housing Authority, respectfully submits the following summary schedule of prior audit findings for the year ended September 30, 2025.

Audit period: October 1, 2024 – September 30, 2025

The finding from the prior audit's schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

2024-001 Material Weakness – Financial Closing Process and Verification of Balances

Condition: SBC noted that CSA lacks an adequate closing process. Additionally, there was no validation to ensure that all material account balances in the general ledger were supported and accurate. The deficiencies in the close process resulted in SBC being unable to obtain sufficient audit evidence to verify or determine the proper accounting for balances related to the statement of net position.

Status: See current year finding 2025-001.

Reason for finding's recurrence: A checklist was created and implemented as a result of the FY2024 finding. However, during FY2025, responsibilities between the DCHA finance team and the fee accountant were not sufficiently defined and communicated. As a result, certain closing procedures, account reconciliations, and balance sheet reviews were not completed timely and consistently. This led to delays in validating and supporting certain account balances and contributed to the recurrence of the finding. Management has since clarified responsibilities, revised the closing process, and strengthened review procedures to ensure all material account balances are reconciled, supported, and reviewed timely.

Corrective Action: The following steps will be taken immediately:

a. Revise month end close checklist.
b. Create and formalize SOPs.
c. Train staff on new SOPs and revised checklist.
d. Create a monthly comprehensive financial report for the Executive team's review.

REPORT WASTE, FRAUD, ABUSE, AND MISMANAGEMENT

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