



**HOUSING TRUST SILICON VALLEY**  
**(FORMERLY HOUSING TRUST OF SANTA CLARA**  
**COUNTY, INC.)**

*(A California Nonprofit Public Benefit Corporation)*

**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED JUNE 30, 2015 AND 2014**

HOUSING TRUST SILICON VALLEY  
*(A California Nonprofit Public Benefit Corporation)*  
 CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2015 AND 2014

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## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Housing Trust Silicon Valley, a California nonprofit public benefit corporation, which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Housing Trust Silicon Valley as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards on page 30 as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the consolidated financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued a report dated October 8, 2015 on our consideration of Housing Trust Silicon Valley'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Trust Silicon Valley's internal control over financial reporting and compliance.

*Lindquist, von Husen and Joyce LLP*

October 8, 2015

HOUSING TRUST SILICON VALLEY  
*(A California Nonprofit Public Benefit Corporation)*  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2015 AND 2014

	2015	2014
<b>ASSETS</b>		
Current assets:		
Cash:		
Unrestricted cash	\$ 4,206,660	\$ 3,302,194
Cash restricted for programs	5,382,966	6,160,842
Total cash	9,589,626	9,463,036
Investments (Note 3)	4,116,854	4,116,936
Receivables (Note 4)	1,431,856	676,140
Prepaid expenses	32,225	25,132
Notes receivable, net – current (Note 5)	697,308	1,637,574
Total current assets	15,867,869	15,918,818
Notes receivable, net – net of current portion (Note 5)		
Homebuyer program, net of allowance for loan losses	9,347,948	9,572,974
Affordable housing developer loans, net of allowance for loan losses	17,521,039	15,847,461
Affordable housing and community facilities loan pool	-	387,574
Affordable housing growth fund, net of allowance for loan losses	6,315,653	2,183,898
Neighborhood Stabilization Program (NSP2)	3,885,093	2,241,634
Total notes receivable	37,069,733	30,233,541
Less: current portion	(697,308)	(1,637,574)
Total non-current notes receivable	36,372,425	28,595,967
Deferred interest receivable	271,366	267,192
Lending capital provided for programs (Note 6)	-	1,215,000
Property and equipment – net (Note 7)	42,416	33,897
Total assets	\$ 52,554,076	\$ 46,030,874
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 92,231	\$ 91,117
Accrued expenses	107,734	97,615
Grants payable (Note 10)	28,764	138,007
Loan servicing liability	-	22,219
Deferred revenue (Note 11)	532,038	1,459,816
Notes payable – current portion (Note 8)	1,000,000	-
Total current liabilities	1,760,767	1,808,774
Non-recourse bank loan capital (Note 5)	5,002,813	3,073,806
Notes payable – net of current portion (Note 8)	5,650,000	5,600,000
Total liabilities	12,413,580	10,482,580
Net assets:		
Unrestricted	25,821,041	26,091,471
Temporarily restricted (Note 12)	14,319,455	9,456,823
Total net assets	40,140,496	35,548,294
Total liabilities and net assets	\$ 52,554,076	\$ 46,030,874

*The accompanying notes are an integral part of these consolidated financial statements.*

HOUSING TRUST SILICON VALLEY  
*(A California Nonprofit Public Benefit Corporation)*  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2015 AND 2014

	2015			2014		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Support and revenue:						
Government grants and contributions:						
NSP2	\$ 339,236	\$ 2,876,327	\$ 3,215,563	\$ 890,240	\$ 273,594	\$ 1,163,834
Other grants and contributions	46,662	2,498,402	2,545,064	108,226	2,898,456	3,006,682
Other contributions	129,870	806,740	936,610	440,469	230,000	670,469
Revenue from special events	321,667	-	321,667	211,617	-	211,617
Less: cost of special events	(102,257)	-	(102,257)	(62,267)	-	(62,267)
Interest income	536,808	-	536,808	632,606	-	632,606
Investment return (Note 3)	48,486	-	48,486	140,264	-	140,264
Program service fees	408,123	-	408,123	184,817	-	184,817
Net assets released from restrictions (Note 12)	1,318,837	(1,318,837)	-	1,816,847	(1,816,847)	-
Total support and revenue	<u>3,047,432</u>	<u>4,862,632</u>	<u>7,910,064</u>	<u>4,362,819</u>	<u>1,585,203</u>	<u>5,948,022</u>
Expenses:						
Program services	3,007,775	-	3,007,775	4,022,618	-	4,022,618
Management and general	134,897	-	134,897	123,515	-	123,515
Fundraising	175,190	-	175,190	150,071	-	150,071
Total expenses	<u>3,317,862</u>	<u>-</u>	<u>3,317,862</u>	<u>4,296,204</u>	<u>-</u>	<u>4,296,204</u>
Change in net assets	(270,430)	4,862,632	4,592,202	66,615	1,585,203	1,651,818
Net assets, beginning of year	<u>26,091,471</u>	<u>9,456,823</u>	<u>35,548,294</u>	<u>26,024,856</u>	<u>7,871,620</u>	<u>33,896,476</u>
Net assets, end of year	<u>\$ 25,821,041</u>	<u>\$ 14,319,455</u>	<u>\$ 40,140,496</u>	<u>\$ 26,091,471</u>	<u>\$ 9,456,823</u>	<u>\$ 35,548,294</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

HOUSING TRUST SILICON VALLEY  
(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2015 AND 2014

	2015											
	Program Services							Supporting Services				Total
	Home Buyer	Foreclosure Mitigation		HUD	Homeless Housing	Multi-Family Housing	Advocacy and Policy	Total Program Services	Management and General	Fundraising	Total Supporting Services	
	Foreclosure Help Center	Lease-to-Own Again										
Grants awarded (Note 10)	\$ 671,220	\$ 3,691	\$ -	\$ 236,707	\$ 356,504	\$ -	\$ -	\$ 1,268,122	\$ 9,000	\$ -	\$ 9,000	\$ 1,277,122
Salaries	287,086	35,349	-	99,171	157,313	385,324	71,178	1,035,421	80,286	94,772	175,058	1,210,479
Employee benefits	38,024	1,808	-	9,336	24,259	64,059	6,244	143,730	10,132	12,640	22,772	166,502
Consulting	46,208	1,583	-	-	6,774	29,884	20,660	105,109	2,517	4,315	6,832	111,941
Payroll taxes	22,278	2,783	-	7,161	12,394	28,369	4,085	77,070	5,362	7,262	12,624	89,694
Rent	22,152	3,437	-	6,113	14,712	24,520	2,086	73,020	5,468	8,286	13,754	86,774
Interest (Note 8)	-	-	-	-	-	73,555	-	73,555	-	-	-	73,555
Retirement plan contributions	12,170	482	-	4,619	7,498	17,716	3,105	45,590	3,707	3,487	7,194	52,784
Program administration	31,765	1,418	-	223	4,793	8,026	680	46,905	1,781	2,700	4,481	51,386
Legal and professional	10,130	1,926	-	6,363	6,885	13,623	954	39,881	2,500	3,789	6,289	46,170
Investment management fees	10,492	1,628	-	-	6,968	11,614	988	31,690	2,590	3,925	6,515	38,205
Outside computer services	7,417	1,151	-	2,004	4,926	8,209	698	24,405	1,831	2,774	4,605	29,010
Office supplies	7,950	760	-	412	4,096	7,201	2,725	23,144	1,410	3,301	4,711	27,855
Bank service charges	1,256	195	-	222	938	21,450	118	24,179	310	536	846	25,025
Auto, mileage and parking	6,371	1,336	-	1,520	3,121	5,459	536	18,343	977	1,714	2,691	21,034
Insurance	5,019	663	-	1,683	2,835	4,725	401	15,326	1,054	1,597	2,651	17,977
Donations/sponsorships	4,095	597	-	-	2,553	7,006	362	14,613	949	1,438	2,387	17,000
Telephone	3,784	1,540	-	732	2,627	5,065	352	14,100	923	1,399	2,322	16,422
Printing and reproduction	3,087	152	-	421	752	1,160	519	6,091	241	8,378	8,619	14,710
Membership dues	3,567	425	-	-	1,824	3,315	259	9,390	678	1,126	1,804	11,194
Travel and accommodations	1,905	240	-	2,587	1,026	4,156	146	10,060	381	578	959	11,019
Equipment and maintenance	2,670	768	-	213	1,773	2,955	251	8,630	659	999	1,658	10,288
Meetings and conferences	3,368	881	-	-	1,327	3,318	140	9,034	364	810	1,174	10,208
Advertising and promotion	-	-	-	-	-	-	560	560	-	4,449	4,449	5,009
Postage and delivery	747	178	-	123	298	796	39	2,181	103	1,832	1,935	4,116
Payroll processing fees	1,104	171	-	-	733	1,222	104	3,334	272	413	685	4,019
Staff development	1,677	85	-	-	720	914	52	3,448	135	205	340	3,788
Taxes – other	1,260	51	-	-	372	709	32	2,424	83	125	208	2,632
Publications	317	41	-	-	632	302	24	1,316	64	96	160	1,476
Staff recruitment	98	-	-	-	-	748	249	1,095	-	349	349	1,444
Capital purchases – equipment	232	37	-	-	154	505	22	950	57	284	341	1,291
Website support	136	21	-	-	91	151	312	711	34	51	85	796
Miscellaneous	100	-	-	-	-	-	-	100	-	-	-	100
Total operating expenses before provision for loan losses, debt forgiveness and depreciation	1,207,685	63,397	-	379,610	628,898	736,056	117,881	3,133,527	133,868	173,630	307,498	3,441,025
Provision for loan losses	(138,834)	-	-	-	-	-	-	(138,834)	-	-	-	(138,834)
Debt forgiveness	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	4,171	647	-	-	2,770	5,101	393	13,082	1,029	1,560	2,589	15,671
Total expenses as shown in the consolidated statements of activities	1,073,022	64,044	-	379,610	631,668	741,157	118,274	3,007,775	134,897	175,190	310,087	3,317,862
Cost of special events	13,732	2,131	-	-	9,119	15,199	1,293	41,474	3,389	57,394	60,783	102,257
Total expenses	\$ 1,086,754	\$ 66,175	\$ -	\$ 379,610	\$ 640,787	\$ 756,356	\$ 119,567	\$ 3,049,249	\$ 138,286	\$ 232,584	\$ 370,870	\$ 3,420,119

*The accompanying notes are an integral part of these consolidated financial statements.*

HOUSING TRUST SILICON VALLEY  
(A California Nonprofit Public Benefit Corporation)  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2015 AND 2014

	2014											
	Program Services							Supporting Services				Total
	Home Buyer	Foreclosure Mitigation		HUD	Homeless Housing	Multi-Family Housing	Advocacy and Policy	Total Program Services	Management and General	Fundraising	Total Supporting Services	
	Foreclosure Help Center	Lease-to-Own Again										
Grants awarded (Note 10)	\$ 9,115	\$ 41,984	\$ -	\$ 1,125,629	\$ 762,135	\$ 7,380	\$ -	\$ 1,946,243	\$ 1,513	\$ 2,866	\$ 4,379	\$ 1,950,622
Salaries	261,452	55,724	-	113,956	172,589	332,647	-	936,368	78,199	75,823	154,022	1,090,390
Employee benefits	39,013	4,650	-	10,141	26,213	67,117	-	147,134	12,162	11,535	23,697	170,831
Consulting	11,203	12,693	-	-	6,301	9,072	-	39,269	1,860	3,523	5,383	44,652
Payroll taxes	19,527	5,054	-	8,366	12,275	23,983	-	69,205	5,063	5,743	10,806	80,011
Rent	24,463	5,187	-	7,225	13,758	19,806	-	70,439	4,061	7,692	11,753	82,192
Interest (Note 8)	-	-	-	-	-	80,539	-	80,539	-	-	-	80,539
Retirement plan contributions	12,007	1,260	-	5,413	7,749	14,674	-	41,103	3,461	2,522	5,983	47,086
Program administration	27,692	782	-	259	968	1,392	-	31,093	285	672	957	32,050
Legal and professional	14,128	80	600	6,720	7,947	10,782	-	40,257	2,346	4,442	6,788	47,045
Investment management fees	8,179	-	-	-	4,598	6,622	-	19,399	1,358	2,572	3,930	23,329
Outside computer services	11,297	1,496	-	3,172	6,354	9,147	-	31,466	1,876	3,552	5,428	36,894
Office supplies	8,261	1,066	-	542	3,706	5,067	-	18,642	1,024	3,158	4,182	22,824
Bank service charges	1,934	-	-	296	1,043	1,389	-	4,662	280	831	1,111	5,773
Auto, mileage and parking	6,329	2,246	-	2,138	3,511	5,028	-	19,252	894	2,146	3,040	22,292
Insurance	6,306	667	-	4,037	3,124	4,499	-	18,633	922	1,748	2,670	21,303
Donations/sponsorships	3,028	125	-	-	1,632	4,350	-	9,135	482	913	1,395	10,530
Telephone	3,500	1,530	-	1,124	3,228	3,947	-	13,329	581	1,180	1,761	15,090
Printing and reproduction	7,285	2,884	-	620	1,247	1,900	-	13,936	368	3,378	3,746	17,682
Membership dues	3,385	150	-	-	1,903	2,740	-	8,178	562	1,064	1,626	9,804
Travel and accommodations	3,429	-	-	5,468	832	5,664	-	15,393	245	952	1,197	16,590
Equipment and maintenance	2,507	477	-	307	1,410	3,369	-	8,070	416	788	1,204	9,274
Meetings and conferences	1,565	1,290	-	662	820	4,783	-	9,120	149	533	682	9,802
Advertising and promotion	21,205	-	-	-	11,926	17,170	-	50,301	3,521	6,668	10,189	60,490
Postage and delivery	2,058	867	-	167	518	885	-	4,495	108	767	875	5,370
Payroll processing fees	1,225	-	-	-	689	992	-	2,906	203	385	588	3,494
Staff development	4,007	-	-	2,775	1,493	4,482	-	12,757	441	2,459	2,900	15,657
Taxes – other	1,272	-	1,725	-	986	791	-	4,774	93	176	269	5,043
Publications	360	30	-	2,558	202	291	-	3,441	60	113	173	3,614
Staff recruitment	227	-	-	-	43	62	-	332	13	34	47	379
Capital purchases – equipment	118	-	-	116	67	424	-	725	20	37	57	782
Website support	707	150	-	-	398	572	-	1,827	117	222	339	2,166
Miscellaneous	868	36	-	-	88	127	-	1,119	26	50	76	1,195
Total operating expenses before provision for loan losses, debt forgiveness and depreciation	517,652	140,428	2,325	1,301,691	1,059,753	651,693	-	3,673,542	122,709	148,544	271,253	3,944,795
Provision for loan losses	(12,443)	-	-	-	-	250,000	-	237,557	-	-	-	237,557
Debt forgiveness	-	-	-	-	-	100,000	-	100,000	-	-	-	100,000
Depreciation	4,856	-	-	-	2,731	3,932	-	11,519	806	1,527	2,333	13,852
Total expenses as shown in the consolidated statements of activities	510,065	140,428	2,325	1,301,691	1,062,484	1,005,625	-	4,022,618	123,515	150,071	273,586	4,296,204
Cost of special events	-	-	-	-	-	-	-	-	-	62,267	62,267	62,267
Total expenses	\$ 510,065	\$ 140,428	\$ 2,325	\$ 1,301,691	\$ 1,062,484	\$ 1,005,625	\$ -	\$ 4,022,618	\$ 123,515	\$ 212,338	\$ 335,853	\$ 4,358,471

*The accompanying notes are an integral part of these consolidated financial statements.*



HOUSING TRUST SILICON VALLEY  
(A California Nonprofit Public Benefit Corporation)  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 4,592,202	\$ 1,651,818
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Unrealized loss (gain) on investments	154,412	(80,043)
Unrealized appreciation	(30,933)	(152,204)
Provision for loan losses	(138,834)	237,557
Write-off of lending capital provided for programs	650,000	-
Debt forgiveness	-	100,000
Depreciation	15,671	13,852
Loss on retirement of property and equipment	-	34
(Increase) decrease in assets:		
Receivables	(755,716)	545,842
Prepaid expenses	(7,093)	(3,552)
Deferred interest receivable	26,759	(11,836)
Increase (decrease) in liabilities:		
Accounts payable	1,114	23,633
Accrued expenses	10,119	7,238
Grants payable	(109,243)	(432,905)
Loan servicing liability	(22,219)	(101,732)
Deferred revenue	(927,778)	1,200,920
Net cash provided by operating activities	3,458,461	2,998,622
Cash flows from investing activities:		
Purchase of investments	(154,330)	(4,036,893)
Notes receivable disbursed	(9,975,466)	(5,145,297)
Collection of notes receivable	3,278,108	3,669,564
Repayment of lending capital provided for programs	565,000	-
Purchase of property and equipment	(24,190)	(13,803)
Net cash used in investing activities	(6,310,878)	(5,526,429)
Cash flows from financing activities:		
Non-recourse bank loan capital received	2,851,196	2,776,211
Non-recourse bank loan capital returned	(922,189)	(365,509)
Proceeds from notes payable	1,050,000	1,500,000
Net cash provided by financing activities	2,979,007	3,910,702
Increase in cash	126,590	1,382,895
Cash, beginning of year	9,463,036	8,080,141
Cash, end of year	\$ 9,589,626	\$ 9,463,036
Supplementary information:		
Cash paid for interest	\$ 73,722	\$ 80,539

*The accompanying notes are an integral part of these consolidated financial statements.*

HOUSING TRUST SILICON VALLEY  
*(A California Nonprofit Public Benefit Corporation)*  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2015 AND 2014

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Housing Trust Silicon Valley (Housing Trust) was incorporated on May 22, 2000 as a non-profit public benefit corporation. Housing Trust was formed with the mission to make Silicon Valley a more affordable place to live. Housing Trust makes loans and grants to increase the supply of affordable housing, assist homebuyers, prevent homelessness and stabilize neighborhoods.

Housing Trust is the sole member of LTOA, LLC (LTOA), a California limited liability company formed on July 2, 2012. These financial statements consolidate the activities of Housing Trust and LTOA.

In order to augment affordable housing throughout Silicon Valley, Housing Trust currently offers the following programs:

- Homebuyer Programs – Housing Trust offers the Downpayment Assistance Program, Mortgage Assistance Program, Closing Cost Assistance Program, Equity Share Co-Investment and the GAP Assistance Program to help qualified homebuyers in Silicon Valley with second mortgage, downpayment and closing costs.
- ForeclosureHelpSCC – Housing Trust was awarded a \$300,000 grant from the City of San Jose Housing Department CDBG funds. Housing Trust is the lead entity in the ForeclosureHelpSCC consortium, which also includes Asian Inc., Law Foundation of Silicon Valley, Neighborhood Housing Services Silicon Valley, Project Sentinel, Santa Clara County Association of Realtors, and Surepath Financial Solutions. ForeclosureHelpSCC provides information and referral services to assist families impacted by foreclosure navigate through the foreclosure process. Services provided include prevention, intervention and family re-stabilization. Volunteer staff meets with families to determine their circumstances and connect them to the appropriate resources including HUD-certified foreclosure prevention counselors, nonprofit legal services, emergency financial assistance and other housing services. The program was discontinued in 2015.
- Affordable Multi-Family Rental Program – The program is designed to help create affordable multi-family rental housing units in communities throughout Santa Clara County through loans to qualified developers of affordable multi-family rental housing.
- Homeless and Special Needs Program – The program is designed to help prevent homelessness in cities across Santa Clara County through grants and loans to qualified developers of housing for the homeless and/or those with special needs.

In September 2013, Housing Trust was awarded \$1,500,000 in Sequester Eviction Prevention Program (SEPP) grant funds from the County of Santa Clara (\$1,000,000) and the Housing Authority of the County of Santa Clara (\$500,000). The SEPP funds are being used to assist families at risk of eviction due to the federal reduction of housing subsidies under the Section 8 program throughout Santa Clara County. SEPP provides emergency financial assistance to households and to help families stabilize their housing by assisting with new rental and security deposit requirements. The term of the grant agreements expired September 5, 2014, at which point any uncommitted funds were required to be returned to the appropriate agencies.

- The Finally Home Grant Program – The program replaces other homeless assistance grant programs administered by the Housing Trust in previous years. This program provides assistance to individuals and families moving from homelessness or unsuitable housing into permanent sustainable housing in the form of Security Deposit Assistance Grants.

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- Neighborhood Stabilization Program (NSP2) – In February 2010, Housing Trust was awarded \$25,000,000 in NSP2 funds from the U.S. Department of Housing and Urban Development (HUD) under the American Recovery and Reinvestment Act. Housing Trust is the lead entity in the San Jose Consortium, which also includes the City of San Jose (the City) and Neighborhood Housing Services Silicon Valley. These NSP2 funds are being used in targeted areas across 35 census tracts that have been the hardest hit by foreclosures within the City of San Jose. Housing Trust used a portion of the funds to provide up to 100 Purchase Assistance Loans to low and moderate income households buying foreclosed and abandoned properties within the designated areas. The Consortium also acquires and rehabilitates up to 64 foreclosed or abandoned homes for resale to low and moderate income households. Twenty-five percent of the grant totaling \$6,250,000 is reserved to assist households at or below fifty percent of area median income. The NSP2 funds, and the leveraging of \$2,250,000 in additional funds, reduce the number of foreclosed or abandoned homes and residential properties in the targeted areas and help to stabilize the housing market.
- Advocacy and Policy – Housing Trust launched SV@Home, an Affordable Housing Policy and Education Program in June 2015. SV@Home is the new voice for affordable housing in the Silicon Valley. Included in the Housing Trust Silicon Valley, SV@Home is a membership organization that advocates for policies, programs, land use, and funding that lead to an increased supply of affordable housing. Additionally, SV@Home educates elected officials and the community about the need for housing, and the link between housing and other quality of life outcomes, including education, health, transportation and the environment.

It is anticipated that SV@Home will become an independent 501(c)(3) nonprofit organization within the next 18 months.

Housing Trust is certified as a Community Development Financial Institution (CDFI) by the U.S. Department of Treasury – CDFI Fund. As a certified CDFI, Housing Trust is eligible to receive Technical Assistance and Financial Assistance awards from the CDFI Fund to promote economic revitalization in low-income communities. Technical Assistance awards of up to \$125,000 allow CDFIs to build their capacity to provide affordable financial products and services to low-income communities and families. Financial Assistance awards of up to \$2,000,000 can be in the form of grants, loans, deposits or equity investments and are used for financing capital, loan loss reserves, capital reserves or operations. CDFIs are required to match Financial Assistance awards dollar-for-dollar with non-federal funds of the same type as the award itself. Housing Trust was awarded Financial Assistance Awards of \$1,500,000 and \$1,347,000 in 2015 and 2014, respectively, which are included in government grants and contributions on the consolidated statements of activities.

Housing Trust Silicon Valley is the first nonprofit CDFI in the U.S. to earn a credit rating from Standard & Poor's Ratings Services (S&P). During 2015, S&P assigned its 'AA-' issuer credit rating (stable outlook) to Housing Trust. The rating came after an extensive review of Housing Trust's financial activities, strategic plans, and future prospects.

Housing Trust is especially vulnerable to the inherent risks associated with revenue that is substantially dependent on government funding, corporations, public support and contributions located in Santa Clara County.

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### Principles of Consolidation

The consolidated financial statements include the accounts of a subsidiary, LTOA, LLC. Housing Trust is the sole member of LTOA, LLC. All significant intercompany transactions and balances have been eliminated in the consolidation.

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Accounting Method

Housing Trust uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

Estimates

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

Basis of Presentation

Housing Trust reports information regarding its financial position and activities according to up to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, as applicable.

Revenue Recognition

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recorded at their fair value as unrestricted support, temporarily restricted support, or permanently restricted support, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Contributions restricted for the purchase of long-lived assets, are reported as unrestricted when expended for that purpose.

Contributions receivable, that are expected to be collected in future years, are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the contributions are received. Amortization of the discounts, if any, is included in contribution revenue. Conditional contributions, if any, are not included as support until the conditions are substantially met.

Contributed services are stated at their estimated fair value, if they are ordinarily purchased and are of a specialized nature.

Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash. Generally, only investments with original maturities of 3 months or less qualify as cash equivalents. Housing Trust occasionally maintains cash on deposit at various banks in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balance was approximately \$7,919,000 as of June 30, 2015. Housing Trust has not experienced any losses in such accounts.

Investments

Investments are presented in the consolidated financial statements at fair value based on quoted prices in active markets. Under generally accepted accounting principles, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date.

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Generally accepted accounting principles establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of Housing Trust. Unobservable inputs, if any, reflects Housing Trust's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that Housing Trust has the ability to access at measurement date. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on significant inputs that are observable, either directly or indirectly or quoted prices in markets that are not active, that is, markets in which there are few transactions, the prices are not current or price quotations vary substantially either over time or among market makers.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed.

Notes Receivable and Allowance for Loan Losses

Notes receivable consists of loans made to homebuyers and developers under the Homebuyer, Affordable Multi-Family Rental and NSP2 Programs and are carried at their outstanding principal balances, net of an allowance for loan losses. Loan origination fees are recognized immediately, which management has determined is not materially different from generally accepted accounting principles. All notes are secured except for \$240,000. Management has the intent and ability to hold these notes in the foreseeable future or until maturity or payoff.

An allowance for loan losses is established through a charge to the consolidated statements of activities and decreased by loss as charged against loans, net of recoveries. The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, and economic conditions.

Property and Equipment

Property and equipment is stated at cost of acquisition or fair value, if donated. The costs of maintenance and repairs are charged to expense as incurred. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets ranging from 3 to 5 years.

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Income Taxes

Housing Trust is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and the related California code sections. Contributions to Housing Trust qualify for the charitable contribution deduction and Housing Trust is not classified as a private foundation.

No income tax provision has been included in the consolidated financial statements for the single member limited liability company (LLC) which is generally considered a disregarded entity. The income and loss of the LLC is included in the tax return of its sole member. Only the annual California limited liability company minimum tax and the annual fee appear as expense in the consolidated financial statements.

Housing Trust believes that it has appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the consolidated financial statements. Housing Trust's federal and state information returns for the years 2011 through 2014 are subject to examination by regulatory agencies, generally for three years and four years after they were filed federal and state, respectively.

Functional Expense Allocation

The costs of providing program services and supporting services are summarized on a functional basis in the consolidated statements of activities and consolidated statements of functional expenses. Accordingly, certain costs are allocated among program services and supporting services based on estimates of employees' time incurred and on usage of resources.

Subsequent Events

Housing Trust has evaluated subsequent events through October 8, 2015, the date on which the consolidated financial statements were available to be issued.

Reclassification

Certain amounts previously reported in the 2014 consolidated financial statements were reclassified to conform to the 2015 presentation for comparative purposes.

**NOTE 3 – INVESTMENTS**

Housing Trust's investments can be liquidated at any time. Housing Trust manages their investments under three separate objectives serving different goals and purposes as follows:

Investable Residual

The investable residual is that amount which shall be determined on a quarterly basis and is the amount of excess cash which can safely be invested based upon cash flow forecasts and current cash balances. The balance of the investable residual was \$666,854 and \$554,023 as of June 30, 2015 and 2014, respectively.

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Program Spending Reserve

The program spending reserve consists of program funds held by Housing Trust and which will not be deployed within the next 12 months but which will likely be deployed within 36 months. This includes loan and grant funds received by Housing Trust and held in cash accounts. The balance of the program spending reserve was \$2,950,000 and \$3,039,789 as of June 30, 2015 and 2014, respectively.

Long Term Operating Reserve

The long term operating reserve consists of excess unrestricted cash over the operating reserve and program spending reserve and can be invested for long-term purposes. The balance of the long term operating reserve was \$500,000 and \$523,124 as of June 30, 2015 and 2014, respectively.

Investments consist of the following:

	2015	2014
Restricted for programs	\$ 2,950,000	\$ 3,039,789
Unrestricted	1,166,854	1,077,147
	\$ 4,116,854	\$ 4,116,936.

Investments are summarized as follows:

	2015		2014	
	Cost	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>	Cost	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>
Cash and equivalents	\$ 328,400	\$ 328,400	\$ 73,826	\$ 73,826
Certificate of deposits	300,000	299,585	-	-
Fixed income securities – bonds	1,730,088	1,721,593	2,085,908	2,087,872
Mutual funds	84,186	83,399	117,710	118,300
Equity securities	1,026,296	1,055,816	1,294,253	1,371,019
Global diversification portfolio	72,380	72,147	78,982	84,990
Exchange-traded and closed-end funds	568,703	555,914	359,927	380,929
	\$ 4,110,053	\$ 4,116,854	\$ 4,010,606	\$ 4,116,936

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Investment management fees of \$38,205 and \$23,329 for 2015 and 2014, respectively, are reported on the consolidated statements of functional expenses, separate from investment return. Investment return consists of the following components:

	2015	2014
Interest	\$ 88,853	\$ 31,923
Dividends	46,474	24,031
Unrealized gains (losses)	(154,412)	80,043
Realized gains	67,571	4,267
	<u>\$ 48,486</u>	<u>\$ 140,264</u>

**NOTE 4 – RECEIVABLES**

Receivables are summarized as follows:

	2015	2014
Contributions:		
Restricted for programs	\$ 573,100	\$ 576,000
Unrestricted contributions	9,803	18,819
Total contributions receivable	<u>582,903</u>	<u>594,819</u>
Grants receivable	676,893	18,256
Other receivable	172,060	63,065
	<u>676,893</u>	<u>676,893</u>
Total receivables – current	<u>\$ 1,431,856</u>	<u>\$ 676,140</u>



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**NOTE 5 – NOTES RECEIVABLE**

Notes receivable consist of the following:

	2015	2014
Homebuyer Programs <sup>(1)</sup>		
Closing Cost Assistance Program (CCA) <sup>(2)</sup>	\$ 4,569,738	\$ 5,248,440
Mortgage Assistance Program (MAP) <sup>(3)</sup>	4,167,662	4,371,232
Equity Share Co-Investment (ESCO) <sup>(4)</sup>	270,756	392,256
Gap Assistance Program (GAP) <sup>(5)</sup>	1,089,792	512,880
Subtotal	10,097,948	10,524,808
Affordable Housing Developer Loans <sup>(6)</sup>		
Affordable Multi-Family Rental Program	11,168,057	9,502,084
Homeless with Special Needs Program	6,352,982	6,345,377
Subtotal	17,521,039	15,847,461
Affordable Housing and Community Facilities Loan Pool		
Loan Pool Fund I <sup>(7)</sup>	-	387,574
Affordable Housing Growth Fund		
Affordable Housing Growth Fund Loan (AHGF) <sup>(8)</sup>	6,565,653	2,433,898
NSP2		
Purchase Assistance Loan (PAL) <sup>(9)</sup>	1,758,884	1,941,634
Dream Home <sup>(10)</sup>	-	300,000
VLI Affordable Multi-Family Housing <sup>(11)</sup>	2,126,209	-
Subtotal	3,885,093	2,241,634
Gross notes receivable	38,069,733	31,435,375
Less: allowance for loan losses	(1,000,000)	(1,201,834)
Net notes receivable	37,069,733	30,233,541
Less: current portion	(697,308)	(1,637,574)
Long-term portion	\$ 36,372,425	\$ 28,595,967

<sup>(1)</sup> Homebuyer programs are designed to help qualified homebuyers in Santa Clara County purchase their home. Applicants must meet household income requirements as set forth by HUD and must not have owned a home in Santa Clara County within three years of application date. Borrower's first loan must be a 30-year fixed mortgage. In addition, borrowers must reside in the financed home as their principal residence or a default has occurred and the loan becomes due and payable immediately.

<sup>(2)</sup> CCA – maximum loan amount up to \$20,000, secured by deeds of trust with 0% to 3% simple interest. Payment of principal and accrued interest is deferred until the maturity date of the related first loan, or upon any sale, transfer assignment or refinance of the first loan or upon default of the terms of the Housing Trust loan, whichever occurs first.

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- (3) MAP – maximum loan amount of 17% of the purchase price up to \$85,000, 30-year amortized mortgage, secured by deeds of trust with interest at a rate of 1% to 1.5% above the interest rate on the related first mortgage. Payment of principal and interest are due monthly or upon any sale, transfer assignment or refinance of the first loan or upon default of the terms of the Housing Trust loan, whichever occurs first.
- (4) ESCO – maximum loan amount is \$75,000, secured by deeds of trust and bears interest at 0%. Qualified homebuyers are required to make downpayment of at least 5% of the purchase price of the home. Housing Trust will match the downpayment amount up to the maximum loan amount. Payment is deferred with entire balance due in full in 15 years, or upon any sale, transfer assignment or refinance of the first loan or upon default of the terms of the Housing Trust Loan, whichever occurs first. There are no interest payments due on the ESCO loan. Instead, borrower will share a portion of their home’s appreciation with the Housing Trust at the time of sale, prepayment or refinance of the first loan or upon default based upon a calculation as defined by the loan agreement. Housing Trust’s share of the home’s appreciation was \$133,161 and \$152,204 as of June 30, 2015 and 2014, which is included in deferred interest receivable on the consolidated statements of financial position.
- (5) GAP – maximum loan amount is \$50,000, secured by deeds of trust and bears interest at 3%. Payment of principal and accrued interest is deferred until maturity date of the related first loan, or upon any sale, transfer, assignment or refinance of the first loan or upon default of the terms of Housing Trust loan, whichever occurs first.
- (6) Affordable Housing Developer Loans – Under Housing Trust’s Affordable Multi-Family Housing Program, qualified developers may borrow up to \$15,000 per affordable unit, up to maximum loan amount of \$500,000 for predevelopment and \$2,000,000 for acquisition, construction, and rehabilitation. For predevelopment, acquisition, and construction financing loan, the term of the loan is up to 5 years with fixed interest ranging from 6% to 8%. For permanent financing loan, the term of the loan is up to 55 years with deferred interest rate of up to 3%.
- (7) Loan Pool Fund I – Housing Trust entered into an Amended Funds Pooling Agreement which assigned to Housing Trust agreements with Investor Banks who committed to provide funds for affordable housing and community facilities loans with interest at a rate of 7.0% to 8.0%. Included in non-recourse bank loan capital were total liabilities to Investor Banks under the agreement totaling \$0- and \$297,595 as of June 30, 2015 and 2014, respectively. All Loan Pool Fund I loans have been fully collected as of June 30, 2015.
- (8) AHGF – Housing Trust has entered into a Funds Pooling Agreement for Affordable Housing Loan with various Investor Banks, whereby Housing Trust and the Investor Banks have committed to provide funds to enable Housing Trust to originate affordable housing development loans to qualified developers of multi-family rental projects or New Market Tax Credit-eligible projects. The total loan pool commitment is \$8,769,676, of which \$6,769,676 is from Investor Banks and \$2,000,000 from Housing Trust. The qualified developers may borrow up to 80% of appraised value plus approved advance rate on the value of tax credits (if applicable), up to maximum loan amount of \$2,000,000 for real estate secured loans or \$500,000 for non-real estate secured loans. The term of the loan is up to maximum of 5 years with fixed interest rates ranging from 4.75% to 6.00%. Housing Trust is also required to maintain from its own funds a loan loss reserve equal to the greater of \$250,000 or 5% of the combined contributed capital of the Housing Trust and the Investor Banks. Loan loss reserves were \$250,000 for both 2015 and 2014. Included in non-recourse bank loan capital were total liabilities to Investor Banks under the agreement totaling \$5,002,813 and \$2,776,211 as of June 30, 2015 and 2014, respectively.

For both Loan Pool Fund I and AHGF, Housing Trust is responsible for monitoring and receiving monthly payments from the borrowers. Heritage Bank acts as Administrative Agent. Payments from borrowers are received by Heritage Bank and are disbursed proportionately by Housing Trust to the Investor Banks in arrears on a quarterly basis. Interest earned on Investor Bank principal are shared 50% to Housing Trust as custodian fee and 50% is shared proportionately among all investors and is remitted to Investor Banks on a quarterly basis.

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- (9) PAL – the program is funded under NSP2. PAL is designed to help homebuyers purchase foreclosed and abandoned homes and those at risk of foreclosure in the City of San Jose. The loans are secured by deeds of trust, have a maximum loan amount of \$50,000 and bear simple interest of 0% to 3%. Payment of principal and accrued interest is deferred with entire balance due in full on the maturity date of the related first loan, or upon any sale, transfer, assignment or refinance of the first loan, whichever occurs first. The PAL program was discontinued as of June 30, 2013.
- (10) Dream Home loan program is designed to assist developers purchase foreclosed or abandoned homes through the NSP2 acquisition/rehabilitation program managed by the City of San Jose. Loans are secured by first deed of trust, have a maximum loan amount of \$150,000 and bear interest at 5%. Payment of principal and accrued interest is due upon the rehabilitation and subsequent sale of the property to moderate- and low-income homebuyers. Repayment on all loans is expected not to exceed 9 months. All Dream Home loans have been fully collected as of June 30, 2015.
- (11) Very Low Income (VLI) Multi-Family Housing funded under the NSP2 Program was provided to a project known as The Metropolitan located in San Jose. The project consists of 102 low-income multifamily units, constructed in two phases. Up to \$5,000,000 of NSP2 funds will be used in the first phase. The loan bears 0.25% simple interest, due monthly, and is due the earlier of March 2017, or the date which permanent financing has been funded. The maturity date is subject to extension as described in the Loan agreement.

The following are the details of activities on the allowance for loan losses during the years ended June 30, 2015 and 2014:

	2015		
	<i>Home Buyer/PAL Allowance</i>	<i>Affordable Housing Allowance</i>	<i>Total Allowance</i>
Balance, beginning of year	\$ 951,834	\$ 250,000	\$ 1,201,834
Provision for loan losses during the year	(138,834)	-	(138,834)
Recoveries	-	-	-
Write-off	(63,000)	-	(63,000)
Balance, end of year	<u>\$ 750,000</u>	<u>\$ 250,000</u>	<u>\$ 1,000,000</u>

	2014		
	<i>Home Buyer/PAL Allowance</i>	<i>Affordable Housing Allowance</i>	<i>Total Allowance</i>
Balance, beginning of year	\$ 1,015,000	\$ -	\$ 1,015,000
Provision for loan losses during the year	(12,443)	250,000	237,557
Recoveries	13,000	-	13,000
Write-off	(63,723)	-	(63,723)
Balance, end of year	<u>\$ 951,834</u>	<u>\$ 250,000</u>	<u>\$ 1,201,834</u>

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Future maturities on Home Buyer and PAL notes receivable within the next five years cannot be reasonably estimated. Future principal repayments for the Affordable Housing loans are estimated as follows:

2016	\$ 697,308
2017	7,417,972
2018	2,619,097
2019	130,504
2020	139,938

Housing Trust evaluates notes receivable based on the following credit quality indicators: collateral and lien position. These credit quality indicators are updated at least annually. Details about the notes receivable, as of June 30, 2015, follow:

	<i>Interest bearing</i>	<i>Non-interest bearing</i>	<i>Allowance</i>	<i>Total</i>
2 <sup>nd</sup> liens and less	\$ 12,395,440	\$ 3,145,562	\$ (511,071)	\$ 15,029,931
3 <sup>rd</sup> liens	1,163,419	3,297,300	(76,176)	4,384,543
4 <sup>th</sup> liens	2,089,494	4,152,420	(82,660)	6,159,254
5 <sup>th</sup> liens and greater	4,408,564	5,228,911	(80,093)	9,557,382
Secured by UCC1	1,514,786	-	(250,000)	1,264,786
Unsecured	673,837	-	-	673,837
<b>Total</b>	<b>\$ 22,245,540</b>	<b>\$ 15,824,193</b>	<b>\$ (1,000,000)</b>	<b>\$ 37,069,733</b>

**NOTE 6 – LENDING CAPITAL PROVIDED FOR PROGRAMS**

Lending capital provided for programs consists of the following:

	<u>2015</u>	<u>2014</u>
Neighborhood Housing Services Silicon Valley: Downpayment Assistance Program <sup>(1)</sup>	\$ -	\$ 1,215,000
<b>Total lending capital</b>	<b>\$ -</b>	<b>\$ 1,215,000</b>

<sup>(1)</sup> Housing Trust entered into an agreement with Neighborhood Housing Services Silicon Valley (NHSSV) to serve as the fund administrator to manage the lending activities of its Downpayment Assistance Program. This includes making and approving loans using Housing Trust funds, monitoring and receiving monthly payments from the borrowers and remitting the same to the Housing Trust including any interest earned on idle funds, on a quarterly basis. Under this agreement, NHSSV serves as the lender and holds the note and deed of trust. Housing Trust established a fund of \$1,215,000 with NHSSV to provide fixed, below-market interest rate secondary financing that may be used as a downpayment for qualified homebuyers in Santa Clara County. Qualified homebuyers may borrow up to \$25,000 when they finance their homes through NHSSV. Loans are deferred for the first 60 months and payments will begin on the 61<sup>st</sup> month through the remaining 25 years of the loan. During 2015, NHSSV returned \$565,000 of lending capital to Housing Trust, and the remaining \$650,000 was written off and included in grants awarded on the consolidated statements of functional expenses.

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**NOTE 7 – PROPERTY AND EQUIPMENT**

Property and equipment is summarized as follows:

	2015	2014
Office equipment	\$ 29,182	\$ 25,325
Software	43,719	26,229
Furniture and fixtures	67,502	64,658
	140,403	116,212
Less: accumulated depreciation	(97,987)	(82,315)
	\$ 42,416	\$ 33,897

**NOTE 8 – NOTES PAYABLE**

Notes payable consist of the following:

	2015	2014
<u>Term Loans</u>		
Religious Communities Investment Fund, Inc. unsecured loan, bears 2% simple interest. Requires quarterly interest payments with entire principal and interest due on May 2, 2016. In June 2015, the amount of loan was increased to \$200,000 and the maturity date extended to June 2, 2020. Interest expense was \$3,096 and \$3,000 for 2015 and 2014, respectively.	\$ 200,000	\$ 150,000
Mercy Investment Services, Inc. unsecured loan, bears 2% simple interest rate. Requires quarterly interest payments of \$1,750 with entire principal and interest due on May 15, 2016. In August 2015, the maturity date of the loan was extended to August 15, 2020. Interest expense was \$7,000 annually for 2015 and 2014.	350,000	350,000
U.S. Bank loan, bears 3% simple interest rate. Requires quarterly interest payments with the entire principal and interest due in December 2017. Interest expense was \$22,813 annually for 2015 and 2014. Housing Trust must have not less than \$1.5 million in unrestricted cash, cash equivalents, and short-term receivables on the last day of the fiscal year-end.	750,000	750,000
Boston Private Bank & Trust loan, bears 3% simple interest. Requires quarterly interest payments with the entire principal and interest due in April 2018. Interest expense was \$10,646 and \$10,733 for 2015 and 2014, respectively. Housing Trust must have not less than \$1.5 million in unrestricted cash, cash equivalents, and short-term receivables on the last day of the fiscal year-end.	350,000	350,000
Rabobank, N.A. unsecured loan in the original amount of \$1,000,000, bears 2.25% interest. Requires quarterly interest payments with entire principal and interest due on September 25, 2018. Principal and interest were fully repaid in 2014. Interest expense was \$0- and \$9,493 for 2015 and 2014, respectively.	-	-

HOUSING TRUST SILICON VALLEY  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
<u>Equity-Equivalent Loans (EO2)</u>		
Wells Fargo Bank unsecured loan, non-interest bearing. Principal is due on March 4, 2017.	500,000	500,000
Wells Fargo Bank unsecured loan, bears 2% simple interest. Requires quarterly interest payments with entire principal and interest due in full on December 1, 2018. Housing Trust has the option to extend the repayment date of the loan by 2 years after the stated maturity date. Interest expense was \$20,000 annually for 2015 and 2014.	1,000,000	1,000,000
<u>California Organized Investment Network (COIN) Loans</u>		
Silicon Valley Bank unsecured loan, non-interest bearing. Principal is due on June 27, 2016.	1,000,000	1,000,000
Rabobank, N.A. unsecured loan, non-interest bearing. Principal is due on May 9, 2019. In August 2014, the amount of loan was increased to \$2,000,000 and the maturity date extended to August 5, 2019. The maturity date may be extended by the bank for two consecutive 5 year terms if certain conditions to extend are met as defined in the agreement.	2,000,000	1,000,000
<u>Program-Related Investments (PRIs)</u>		
Cisco Systems Foundation unsecured loan, bears 2% simple interest. Requires quarterly interest payments of \$2,500 with entire principal and interest due on September 27, 2018. Interest expense was \$10,000 and \$7,500 for 2015 and 2014, respectively.	500,000	500,000
Total	6,650,000	5,600,000
Less: current portion	(1,000,000)	-
Total	\$ 5,650,000	\$ 5,600,000

Scheduled principal payments on the notes payable for the next five years are estimated as follows:

2016	\$ 1,000,000
2017	500,000
2018	1,100,000
2019	1,500,000
2020	2,200,000

HOUSING TRUST SILICON VALLEY  
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YEARS ENDED JUNE 30, 2015 AND 2014

**NOTE 9 – RELATED-PARTY TRANSACTIONS**

Housing Trust’s volunteer members of the board of directors are active in oversight of fundraising events, activities and in making private contributions. Certain board members also serve as elected officials on jurisdictions which support the Housing Trust. Contributions from the board of directors, from companies with which board members are affiliated, or from jurisdictions represented on the board by an elected official (related parties) were \$601,646 and \$150,536 for the years ended June 30, 2015 and 2014, respectively. Total unconditional contributions receivable from related parties were approximately \$188,100 and \$151,000 as of June 30, 2015 and 2014, respectively.

**NOTE 10 – GRANTS AWARDED**

Grants payable and expenses are summarized as follows:

<u>Payable to/ Description</u>	<u>Payable at June 30, 2015</u>	<u>2015 Grant Expense</u>	<u>Payable at June 30, 2014</u>	<u>2014 Grant Expense</u>
City of San Jose – NSP2 <sup>(1)</sup>	\$ 24,264	\$ 236,708	\$ 102,627	\$ 1,125,629
Other nonprofit organizations – ForeclosureHelpSCC – CDBG <sup>(2)</sup>	4,500	3,689	35,380	41,984
Other individuals – Finally Home Security Deposit Program <sup>(3)</sup>	-	282,253	-	151,307
County of Santa Clara and the Housing Authority of the County of Santa Clara – SEPP <sup>(4)</sup>	-	74,252	-	605,702
City of Morgan Hill – Rehabilitation Program <sup>(5)</sup>	-	21,220	-	-
Other <sup>(6)</sup>	-	659,000	-	26,000
<b>Total</b>	<b>\$ 28,764</b>	<b>\$ 1,277,122</b>	<b>\$ 138,007</b>	<b>\$ 1,950,622</b>

<sup>(1)</sup> As the lead entity in the San Jose Consortium under the NSP2 Program, Housing Trust is responsible to monitor the City’s eligible activities and submit cost reimbursements for the City. The San Jose Consortium allocated \$18,000,000 of the original award to the City to purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon in order to sell, rent or redevelop such homes and properties. During 2015 and 2014, proceeds from sale of rehabilitated homes received from the City were \$221,801 and \$858,819, respectively. The amount is included in Government Contributions in the accompanying consolidated statements of activities.

<sup>(2)</sup> ForeclosureHelpSCC provides information and referral services to assist families impacted by foreclosure navigate through the foreclosure process. Housing Trust distributes awards to the other nonprofit organizations in the ForeclosureHelpSCC consortium.

<sup>(3)</sup> Housing Trust has established Finally Home Security Deposit program – the program is designed to provide one-time, security deposit assistance to individuals, families, seniors, and persons with disabilities who are in need of security deposit assistance to transition from homelessness into permanent housing.

HOUSING TRUST SILICON VALLEY  
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YEARS ENDED JUNE 30, 2015 AND 2014

- (4) During 2014, Housing Trust awarded SEPP funds to assist families at risk of eviction due to the federal reduction of housing subsidies under the Section 8 program throughout Santa Clara County.
- (5) The housing rehabilitation funds are used to provide loans and grants to eligible homeowners for the purpose of rehabilitating owner-occupied residences located within the City of Morgan Hill.
- (6) The remaining lending capital due from NHSSV amounting to \$650,000 was written off and included in grants expense (See Note 6).

**NOTE 11 – DEFERRED REVENUE**

Deferred revenue consists of the following:

	2015	2014
SEPP <sup>(1)</sup>	\$ -	\$ 864,197
CalHome <sup>(2)</sup>	253,258	595,620
City of Morgan Hill <sup>(3)</sup>	278,780	-
Total deferred revenue	\$ 532,038	\$ 1,459,816

- (1) Housing Trust was the recipient of SEPP grants of \$1,000,000 from the County of Santa Clara and \$500,000 from the Housing Authority of the County of Santa Clara (See Note 1). The SEPP grants were received in advance, with \$71,490 and \$635,803 earned in 2015 and 2014, respectively. The term of the grant agreements expired September 5, 2014, at which point the remaining amount was returned to the appropriate agencies.
- (2) Housing Trust was the recipient of funds from the California Department of Housing and Community Development (HCD) under its CalHome Program to assist Housing Trust in the operation of its gap assistance program.
- (3) Housing Trust received \$300,000 from the City of Morgan Hill to provide loans and grants to eligible homeowners to rehabilitate owner-occupied residences located within the City of Morgan Hill.



HOUSING TRUST SILICON VALLEY  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2015 AND 2014

**NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS**

The temporarily restricted net assets are for the following purposes or periods:

	2015			
	<i>June 30, 2014</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>June 30, 2015</i>
General lending programs	\$ 5,257,618	\$ 360,600	\$ (452,150)	\$ 5,166,068
Homebuyer Programs	2,728,108	694,427	(192,750)	3,229,785
Very Low Income Multi-Family Housing – NSP2	-	2,768,812	-	2,768,812
Affordable Multi-Family Rental Program and Homeless with Special Needs Program	1,385,677	1,500,000	(140,043)	2,745,634
Finally Home Program	-	293,000	(293,000)	-
Sequester Eviction Prevention Program	-	71,490	(71,490)	-
Advocacy and Policy	25,000	393,140	(75,984)	342,156
Rehabilitation Program	60,420	100,000	(93,420)	67,000
	<u>\$ 9,456,823</u>	<u>\$ 6,181,469</u>	<u>\$ (1,318,837)</u>	<u>\$ 14,319,455</u>

  

	2014			
	<i>June 30, 2013</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>June 30, 2014</i>
General lending programs	\$ 5,441,888	\$ 601,650	\$ (785,920)	\$ 5,257,618
Homebuyer Programs	2,322,634	645,474	(240,000)	2,728,108
Affordable Multi-Family Rental Program and Homeless with Special Needs Program	107,098	1,347,000	(68,421)	1,385,677
Finally Home Program	-	90,000	(90,000)	-
Homeownership Counseling Program	-	627,926	(627,926)	-
Advocacy and Policy	-	25,000	-	25,000
Rehabilitation Program	-	65,000	(4,580)	60,420
	<u>\$ 7,871,620</u>	<u>\$ 3,402,050</u>	<u>\$ (1,816,847)</u>	<u>\$ 9,456,823</u>

Contributions received from government entities are released from restrictions once the funds are disbursed to qualified borrowers within the cities specified by the donors, granted as contributions to qualified organizations or used as program expense based on maximum amounts allowed by the donors. To the extent that agreements have secondary-use restrictions requiring Housing Trust to re-use the funds for another purpose, then restrictions are released when the secondary-use restrictions are fulfilled either through grants made to qualified organizations or use of funds for program expenses based on maximum amounts allowed by the donors. Temporarily restricted net assets include a total of \$7,981,054 and \$4,878,615 of disbursed funds with secondary-use restrictions as of June 30, 2015 and 2014, respectively.

HOUSING TRUST SILICON VALLEY  
*(A California Nonprofit Public Benefit Corporation)*  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2015 AND 2014

**NOTE 13 – PENSION PLAN**

Housing Trust has established a defined contribution plan (the Plan) for all eligible employees. An employee must have three (3) months service before they can participate in the Plan. Contributions to employee accounts are immediately fully vested. Housing Trust contributes 3% of eligible employees' compensation and up to an additional 2% of matching funds for those employees who contribute to the plan. Housing Trust contributed \$52,784 and \$47,086 to the Plan during 2015 and 2014, respectively.

**NOTE 14 – OFFICE LEASE**

Housing Trust leases office space in San Jose under a non-cancellable operating lease expiring July 2016. Rent expense for the years ended June 30, 2015 and 2014 was \$86,774 and \$82,192, respectively. The following represents the future minimum lease payments:

	<u>Year Ending June 30,</u>
2016	\$ 77,294
2017	<u>6,427</u>
	<u>\$ 83,721</u>

**NOTE 15 – COMMITMENTS AND CONTINGENCIES**

Housing Trust had undisbursed loan commitments totaling \$8,624,526 as of June 30, 2015 relating to its Affordable Multi-Family Rental Program and Homeless with Special Needs Program.

**NOTE 16 – SUBSEQUENT EVENT**

Housing Trust entered into a \$5,000,000 revolving line of credit agreement (credit line) with MUFG Union Bank, N.A. The credit line requires monthly interest only payments equal to the Reference Rate, as announced periodically by MUFG Union Bank, N.A., less 0.25%. The credit line will expire on July 1, 2017. The credit line also requires that for at least 30 consecutive days during each 12 month period during the term of the agreement, the outstanding advances of the credit line shall not exceed \$2,500,000. Certain financial covenants are also required to be maintained, including i.) a ratio of cash and cash equivalents (investments) plus 60% of the current portion of notes receivables divided by the current portion of long-term debt plus advances under the credit line of not less than 1.5 to 1.0, as measured quarterly, ii.) a net profit of not less than \$1.00 for each fiscal year, and iii.) a minimum S&P debt rating of BB+. The line is also secured by property as described in the Security Agreement.

**SUPPLEMENTARY INFORMATION**



JAMES M. KRAFT  
S. SCOTT SEAMANDS  
MARK O. BRITTAIN  
ALEXIS H. WONG  
CHARLOTTE SIEW-KUN TAY  
CATHY L. HWANG  
RITA B. DELA CRUZ  
STANLEY WOO  
SCOTT K. SMITH

Board of Directors  
Housing Trust Silicon Valley  
San Jose, California

**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**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Housing Trust Silicon Valley, which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 8, 2015.

*Internal Control Over Financial Reporting*

In planning and performing our audit of the consolidated financial statements, we considered Housing Trust Silicon Valley's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Trust Silicon Valley's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Trust Silicon Valley'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 consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of This Report

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

*Lindquist, von Husen and Joyce LLP*

October 8, 2015



JAMES M. KRAFT  
S. SCOTT SEAMANDS  
MARK O. BRITTAIN  
ALEXIS H. WONG  
CHARLOTTE SIEW-KUN TAY  
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SCOTT K. SMITH

Board of Directors  
Housing Trust Silicon Valley  
San Jose, California

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Report on Compliance for Each Major Federal Program

We have audited Housing Trust Silicon Valley’s compliance, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Housing Trust Silicon Valley’s major federal programs for the year ended June 30, 2015. Housing Trust Silicon Valley’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Housing Trust Silicon Valley’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Housing Trust Silicon Valley’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Housing Trust Silicon Valley’s compliance.

Opinion on Each Major Federal Program

In our opinion, Housing Trust Silicon Valley complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Housing Trust Silicon Valley is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Housing Trust Silicon Valley's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Housing Trust Silicon Valley's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Sindquist, von Husen and Joyce LLP*

October 8, 2015

HOUSING TRUST SILICON VALLEY  
(A California Nonprofit Public Benefit Corporation)  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015

<i>Federal Grantor/Pass-Through Grantor/Title</i>	<i>Federal CFDA Number</i>	<i>Agency or Pass-Through Number</i>	<i>Federal Expenditures</i>
<u>U.S. Department of Housing and Urban Development:</u>			
Pass-through awards from the City of San Jose: Community Development Block Grants Program	14.218		\$ 24,490
Pass-through awards from the City of Santa Clara: Home Investment Partnerships Program	14.239		800
Pass-through awards from the Enterprise Community Partners, Inc.: Capacity Building for Community Development and Affordable Housing	14.252		15,888
Direct awards: Neighborhood Stabilization Program 2	14.256	N/A	5,104,497
Pass-through awards from the Housing Authority of the County of Santa Clara: Moving to Work Demonstration Program	14.881		74,251
<u>U.S. Department of the Treasury:</u>			
Direct awards: Community Development Financial Institutions Program	21.020		688,198
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ 5,908,124</b>



HOUSING TRUST SILICON VALLEY  
*(A California Nonprofit Public Benefit Corporation)*  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant and loan activities of Housing Trust Silicon Valley and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

**NOTE 2 – PRIOR YEARS' EXPENDITURES**

The accompanying schedule of expenditures of federal awards includes \$1,941,634 in expenditures from prior year for which continuing compliance is required.

HOUSING TRUST SILICON VALLEY  
 (A California Nonprofit Public Benefit Corporation)  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2015

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes      X   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 Section 510(a) of Circular A-133? \_\_\_\_\_ Yes      X   No

Identification of major programs: Name of Federal Program or Cluster

CFDA #14.256 Neighborhood Stabilization Program 2

CFDA #21.020 Community Development Financial Institutions Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   Yes    \_\_\_\_\_ No

**Section II – Financial Statement Findings**

No matters were reported.

**Section III – Federal Award Findings and Questioned Costs**

None noted.