



HOUSING TRUST SILICON VALLEY

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2016 AND 2015

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
 CONSOLIDATED FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2016 AND 2015

TABLE OF CONTENTS

	Page
Independent Auditor’s Report	1
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows.....	7
Notes to Consolidated Financial Statements	8
Supplementary Information.....	27
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 <i>Government Auditing Standards</i>	28
Independent Auditor’s Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	30
Schedule of Expenditures of Federal Awards.....	32
Notes to Schedule of Expenditures of Federal Awards	33
Schedule of Findings and Questioned Costs.....	34

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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, 2016 and 2015, 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, 2016 and 2015, 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 32 as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 13, 2016 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 13, 2016

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Current assets:		
Unrestricted cash and investments:		
Cash and cash equivalents	\$ 11,318,819	\$ 9,918,026
Certificates of deposit	7,146,960	-
Investment portfolio (Note 3)	3,985,433	3,788,454
Less: cash and investments restricted for programs	<u>(13,521,830)</u>	<u>(8,332,963)</u>
Total unrestricted cash and investments	8,929,382	5,373,517
Cash and investments restricted for programs	13,521,830	8,332,963
Receivables (Note 4)	1,080,686	1,431,856
Prepaid expenses	40,200	32,225
Notes receivable, net – current (Note 5)	<u>12,942,700</u>	<u>697,308</u>
Total current assets	36,514,798	15,867,869
Notes receivable, net – net of current portion (Note 5):		
Homebuyer programs	13,371,083	10,097,948
Multi-Family programs	28,680,733	24,086,692
Neighborhood Stabilization Program 2	6,708,884	3,885,093
Less: allowance for loan losses	<u>(1,204,000)</u>	<u>(1,000,000)</u>
Total notes receivable, net	47,556,700	37,069,733
Less: current portion	<u>(12,942,700)</u>	<u>(697,308)</u>
Total notes receivable, net – net of current portion	34,614,000	36,372,425
Deferred interest receivable	941,182	271,366
Property and equipment, net (Note 6)	38,731	42,416
Other assets	<u>28,500</u>	<u>-</u>
Total assets	<u>\$ 72,137,211</u>	<u>\$ 52,554,076</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 128,630	\$ 92,231
Accrued expenses	160,348	107,734
Grants payable (Note 10)	10,372	28,764
Deferred revenue (Note 11)	4,256,418	532,038
Notes payable – current portion (Note 8)	<u>500,000</u>	<u>1,000,000</u>
Total current liabilities	5,055,768	1,760,767
Non-recourse bank loan capital (Note 7)	6,315,871	5,002,813
Notes payable – net of current portion (Note 8)	<u>8,150,000</u>	<u>5,650,000</u>
Total liabilities	19,521,639	12,413,580
Net assets:		
Unrestricted	26,973,564	25,821,041
Temporarily restricted (Note 12)	<u>25,642,008</u>	<u>14,319,455</u>
Total net assets	52,615,572	40,140,496
Total liabilities and net assets	<u>\$ 72,137,211</u>	<u>\$ 52,554,076</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 ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016			2015		
	<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	\$ 30,814	\$ 2,324,645	\$ 2,355,459	\$ 339,236	\$ 2,876,327	\$ 3,215,563
Other grants and contributions	12,006	4,667,455	4,679,461	46,662	2,498,402	2,545,064
Other contributions	1,291,068	6,072,764	7,363,832	129,870	806,740	936,610
Revenue from special events	282,722	-	282,722	321,667	-	321,667
Less: cost of special events	(95,299)	-	(95,299)	(102,257)	-	(102,257)
Interest income	728,462	-	728,462	536,808	-	536,808
Investment return (Note 3)	62,966	-	62,966	48,486	-	48,486
Program service fees	723,689	-	723,689	408,123	-	408,123
Net assets released from restrictions (Note 12)	1,742,311	(1,742,311)	-	1,318,837	(1,318,837)	-
Total support and revenue	4,778,739	11,322,553	16,101,292	3,047,432	4,862,632	7,910,064
Expenses:						
Program services	2,847,872	-	2,847,872	3,007,775	-	3,007,775
Management and general	586,323	-	586,323	134,897	-	134,897
Fundraising	192,021	-	192,021	175,190	-	175,190
Total expenses	3,626,216	-	3,626,216	3,317,862	-	3,317,862
Change in net assets	1,152,523	11,322,553	12,475,076	(270,430)	4,862,632	4,592,202
Net assets, beginning of year	25,821,041	14,319,455	40,140,496	26,091,471	9,456,823	35,548,294
Net assets, end of year	\$ 26,973,564	\$ 25,642,008	\$ 52,615,572	\$ 25,821,041	\$ 14,319,455	\$ 40,140,496

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, 2016 AND 2015

	2016												
	Program Services								Supporting Services				
	Home Buyer	Multi-Family Loan Programs	Safety Net & Homeless Prevention	Asset Management	HUD NSP2	Advocacy and Policy	SV@Home	Foreclosure Help Center	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries & benefits	\$ 177,134	\$ 395,115	\$ 90,064	\$ 262,414	\$ 58,696	\$ 117,662	\$ 372,680	\$ -	\$ 1,473,765	\$ 381,638	\$ 122,479	\$ 504,117	\$ 1,977,882
Office rent	11,915	26,579	6,058	17,652	3,948	7,915	25,069	-	99,136	25,672	8,239	33,911	133,047
Marketing and communications	1,112	1,169	147	692	96	192	4,199	-	7,607	622	51,706	52,328	59,935
Investment management and bank fees	330	736	168	489	199	219	1,728	-	3,869	31,779	228	32,007	35,876
Professional fees	27,891	40,471	1,668	15,285	6,785	35,724	10,077	-	137,901	85,972	2,268	88,240	226,141
Meetings, conferences and travel	2,521	11,002	264	2,677	1,190	58	9,825	-	27,537	4,384	404	4,788	32,325
Grants awarded (Note 10)	131,173	-	463,838	-	39,170	-	-	-	634,181	20,000	-	20,000	654,181
Loan administration	24,097	-	-	2,750	-	-	-	-	26,847	-	-	-	26,847
Interest	-	102,119	-	-	-	-	-	-	102,119	-	-	-	102,119
Donations/sponsorships	-	4,500	-	-	-	9,500	-	-	14,000	525	-	525	14,525
Other operating expenses	8,963	20,558	2,296	9,271	2,224	12,083	19,893	-	75,288	32,930	5,798	38,728	114,016
Total operating expenses before provision for loan losses, and depreciation	385,136	602,249	564,503	311,230	112,308	183,353	443,471	-	2,602,250	583,522	191,122	774,644	3,376,894
Provision for loan losses	59,000	170,000	-	-	-	-	-	-	229,000	-	-	-	229,000
Depreciation	1,300	2,899	661	7,732	431	864	2,735	-	16,622	2,801	899	3,700	20,322
Total expenses as shown in the consolidated statements of activities	445,436	775,148	565,164	318,962	112,739	184,217	446,206	-	2,847,872	586,323	192,021	778,344	3,626,216
Cost of special events	-	-	-	-	-	-	31,149	-	31,149	-	64,150	64,150	95,299
Total expenses	\$ 445,436	\$ 775,148	\$ 565,164	\$ 318,962	\$ 112,739	\$ 184,217	\$ 477,355	\$ -	\$ 2,879,021	\$ 586,323	\$ 256,171	\$ 842,494	\$ 3,721,515

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, 2016 AND 2015

	2015												Total
	<i>Program Services</i>								<i>Supporting Services</i>				
	<i>Home Buyer</i>	<i>Multi-Family Loan Programs</i>	<i>Safety Net & Homeless Prevention</i>	<i>Asset Management</i>	<i>HUD NSP 2</i>	<i>Advocacy and Policy</i>	<i>SV@Home</i>	<i>Foreclosure Help Center</i>	<i>Total Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total Supporting Services</i>	
Salaries & benefits	\$ 359,557	\$ 495,469	\$ 201,464	\$ -	\$ 120,287	\$ 84,612	\$ -	\$ 40,422	\$ 1,301,811	\$ 99,487	\$ 118,161	\$ 217,648	\$ 1,519,459
Office rent	26,023	28,804	17,283	-	7,394	2,450	-	4,039	85,993	6,423	9,734	16,157	102,150
Marketing and communications	9,344	7,944	4,643	-	544	1,627	-	1,170	25,272	1,679	16,683	18,362	43,634
Investment management and bank fees	11,748	33,065	7,906	-	221	1,106	-	1,824	55,870	2,900	4,461	7,361	63,231
Professional fees	58,345	45,728	14,992	-	8,367	21,803	-	3,819	153,054	5,513	8,854	14,367	167,421
Meetings, conferences and travel	7,773	8,649	2,903	-	2,826	458	-	1,856	24,465	767	1,654	2,421	26,886
Grants awarded (Note 10)	671,220	-	356,505	-	236,708	-	-	3,689	1,268,122	9,000	-	9,000	1,277,122
Loan administration	31,765	8,026	4,793	-	223	680	-	1,417	46,904	1,781	2,700	4,481	51,385
Interest	-	73,555	-	-	-	-	-	-	73,555	-	-	-	73,555
Donations/sponsorships	4,095	7,006	2,553	-	-	362	-	597	14,613	949	1,438	2,387	17,000
Other operating expenses	27,815	27,810	15,856	-	3,040	4,783	-	4,564	83,868	5,369	9,945	15,314	99,182
Total operating expenses before provision for loan losses, and depreciation	1,207,685	736,056	628,898	-	379,610	117,881	-	63,397	3,133,527	133,868	173,630	307,498	3,441,025
Provision for loan losses	(138,834)	-	-	-	-	-	-	-	(138,834)	-	-	-	(138,834)
Depreciation	4,171	5,101	2,770	-	-	393	-	647	13,082	1,029	1,560	2,589	15,671
Total expenses as shown in the consolidated statements of activities	1,073,022	741,157	631,668	-	379,610	118,274	-	64,044	3,007,775	134,897	175,190	310,087	3,317,862
Cost of special events	13,732	15,199	9,119	-	-	1,293	-	2,131	41,474	3,389	57,394	60,783	102,257
Total expenses	\$ 1,086,754	\$ 756,356	\$ 640,787	\$ -	\$ 379,610	\$ 119,567	\$ -	\$ 66,175	\$ 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 CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 12,475,076	\$ 4,592,202
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Unrealized loss on investments	40,697	154,412
Unrealized appreciation of ESCO notes receivable	(25,722)	(30,933)
Provision for loan losses	229,000	(138,834)
Write-off of lending capital provided for programs	-	650,000
Contributed notes receivable, net	(4,450,803)	-
Depreciation	20,322	15,671
(Increase) decrease in assets:		
Receivables	351,170	(755,716)
Prepaid expenses	(7,975)	(7,093)
Deferred interest receivable	(172,598)	26,759
Other assets	(28,500)	-
Increase (decrease) in liabilities:		
Accounts payable	36,399	1,114
Accrued expenses	52,614	10,119
Grants payable	(18,392)	(109,243)
Loan servicing liability	-	(22,219)
Deferred revenue	3,724,380	(927,778)
Net cash provided by operating activities	12,225,668	3,458,461
Cash flows from investing activities:		
Purchase of certificates of deposit and investments	(7,384,636)	174,070
Notes receivable disbursed	(14,878,815)	(9,975,466)
Collection of notes receivable	8,142,155	3,278,108
Repayment of lending capital provided for programs	-	565,000
Purchase of property and equipment	(16,637)	(24,190)
Net cash used in investing activities	(14,137,933)	(5,982,478)
Cash flows from financing activities:		
Non-recourse bank loan capital received	3,110,192	2,851,196
Non-recourse bank loan capital returned	(1,797,134)	(922,189)
Payment of notes payable	(1,500,000)	-
Proceeds from notes payable	3,500,000	1,050,000
Net cash provided by financing activities	3,313,058	2,979,007
Increase in cash and cash equivalents	1,400,793	454,990
Cash and cash equivalents, beginning of year	9,918,026	9,463,036
Cash and cash equivalents, end of year	\$ 11,318,819	\$ 9,918,026
Supplementary information:		
Cash and cash equivalents paid for interest	\$ 99,619	\$ 73,722

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, 2016 AND 2015

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 and preserve the supply of affordable housing, assist homebuyers, prevent homelessness and stabilize neighborhoods.

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 and the GAP Assistance Program to help qualified homebuyers in Silicon Valley with second mortgage that could serve as a downpayment. The Housing Trust’s Closing Cost Assistance Program and Equity Share Co Investment Program closed in fiscal 2016.
- 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.
- 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.
- Asset Management Services – The program provides outsourced administration and advisory services to cities’ BMR (Below Market Rate) housing programs. Housing Trust partners with the cities and their developers to help market, outreach and to qualify buyers for below market price condos and townhomes. Housing Trust advises, performs special projects and administers several loan programs for cities and counties.
- 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. Housing Trust Silicon Valley is incubating this organization as one of its programs. 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.

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

It is anticipated that SV@Home will become an independent 501(c)(3) nonprofit organization within the next 12 months. As of June 30, 2016, Housing Trust's net assets include approximately \$520,000 which is expected to be transferred to the independent organization upon formation.

- 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.

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 participates in these grant programs and other programs offered by the CDFI Fund.

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. The rating was renewed at 'AA-' in July of 2016.

Housing Trust is also 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.

Housing Trust is especially vulnerable to the inherent risks associated with revenue that is substantially dependent on government funding, public support and contributions from Santa Clara County and other government agencies and corporations located in Silicon Valley. Government grants of all kinds can create fluctuations in revenue from year to year. However, with the development of bank loan pools and COIN and EQ2 loans and other bank lines, Housing Trust's sources of funds have diversified. Housing Trust continues to be dependent on corporate and individual contributions from within Silicon Valley, however, its self-sufficiency ratio has improved such that it is less dependent upon such contributions to support operations than it had in the past.

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.

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

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 and Cash Equivalents

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 \$8,537,000 as of June 30, 2016. Housing Trust has not experienced any losses in such accounts.

Certificates of Deposit

Certificates of deposit represent deposits with original maturities greater than 3 months. Like cash and cash equivalents, the certificates of deposit are highly liquid investments and are not subject to withdrawal limitations. The certificates are stated at fair value based on quoted prices in active markets (all Level 1 measurements). The fair value of the certificates of deposit approximate the cost basis, which includes the amount initially invested plus accrued interest.

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

Investment Portfolio

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.

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 received solely for cash are carried at their outstanding principal balances, net of an allowance for loan losses. Contributed notes receivable are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates (including a premium) applicable to the years in which the contributed notes receivable are received. Amortization of discounts, if any, is included in contribution revenue. Loan origination fees are recognized immediately, which management has determined is not materially different from generally accepted accounting principles. 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.

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

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.

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 2012 through 2015 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 13, 2016, the date on which the consolidated financial statements were available to be issued.

Reclassification

Certain amounts previously reported in the 2015 consolidated financial statements were reclassified to conform to the 2016 presentation for comparative purposes.

NOTE 3 – INVESTMENT PORTFOLIO

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:

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

Long Term Reserve

The Long Term Reserve consists of excess unrestricted cash that is not expected to be needed for HTSV operations in the coming five years and therefore can be invested medium-term and in equities. The investment objective of this fund is to provide income to support the ongoing operations of HTSV while achieving growth to insure the portfolio value grows equal to or exceeding inflation. The Long Term Reserve is forecasted in detail at each three year strategic planning cycle and reviewed and updated annually. At June 30, 2016 this reserve was \$5,000,000, which includes amounts classified as cash and cash equivalents and certificates of deposit.

General Investment Reserve

The General Investment Reserve consists of funds, most often restricted program funds, which will not be deployed within the ensuing 12 months but will likely be deployed within 18 months to 4 years. The investment objective of these funds is capital preservation and income generation but with a longer duration than the Short Term Operating Funds. This reserve is determined based on a medium term cash flow forecast and is reassessed at least annually. At June 30, 2016 this reserve was \$2,000,000, which includes amounts classified as cash and cash equivalents and certificates of deposit.

Short-Term Operating Funds

Short-term operating funds should be available to satisfy short-term cash flow requirements as determined by management. This pool includes funds that can be expected to be lent out within a year. The funds are invested exclusively in cash and cash equivalent securities in order to maintain a high degree of liquidity. At June 30, 2016 short term operating cash was \$5,296,625, which includes amounts classified as cash and cash equivalents and certificates of deposit.

Investments are summarized as follows:

	2016		2015	
	<i>Cost</i>	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>	<i>Cost</i>	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>
Domestic fixed income	\$ 1,709,134	\$ 1,703,549	\$ 1,781,263	\$ 1,772,016
Domestic equity	1,729,321	1,731,864	1,383,640	1,405,846
Foreign equity mutual funds	339,997	341,343	337,510	331,393
Foreign fixed income	206,201	208,677	279,240	279,199
	\$ 3,984,653	\$ 3,985,433	\$ 3,781,653	\$ 3,788,454

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

Investment management fees of \$31,068 and \$38,205 for 2016 and 2015, respectively, are included in investment management and bank fees on the consolidated statements of functional expenses, separate from investment return. Investment return consists of the following components:

	2016	2015
Interest	\$ 90,551	\$ 88,853
Dividends	43,937	46,474
Unrealized losses	(40,697)	(154,412)
Realized gains (losses)	(30,825)	67,571
	<u>\$ 62,966</u>	<u>\$ 48,486</u>

NOTE 4 – RECEIVABLES

Receivables are summarized as follows:

	2016	2015
Contributions:		
Restricted for programs	\$ 899,120	\$ 1,249,993
Unrestricted contributions	188	9,803
Total contributions receivable	<u>899,308</u>	<u>1,259,796</u>
Other receivable	<u>181,378</u>	<u>172,060</u>
Total receivables – current	<u>\$ 1,080,686</u>	<u>\$ 1,431,856</u>

NOTE 5 – NOTES RECEIVABLE

Notes receivable consist of the following:

	2016	2015
Homebuyer Programs:		
Closing Cost Assistance Program (CCA) ⁽¹⁾	\$ 3,927,839	\$ 4,569,738
Mortgage Assistance Program (MAP) ⁽²⁾	3,505,879	4,167,662
Equity Share Co-Investment (ESCO) ⁽³⁾	270,756	270,756
Gap Assistance Program (GAP) ⁽⁴⁾	1,868,380	1,089,792
Contributed Notes Receivable:		
NHS Deferred Loan Portfolio ⁽⁵⁾	3,655,900	-
NHS Amortizing Loan Portfolio ⁽⁵⁾	404,857	-
Less: NHS discount ⁽⁵⁾	(262,528)	-
	<u>13,371,083</u>	<u>10,097,948</u>

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Multi-Family Programs:		
Affordable Multi-Family Rental Program ⁽⁶⁾	13,926,201	11,168,057
Homeless with Special Needs Program ⁽⁶⁾	6,352,982	6,352,982
Loan Funds:		
Affordable Housing Growth Fund (AHGF) ⁽⁷⁾	5,401,550	6,565,653
2015 Loan Fund ⁽⁸⁾	3,000,000	-
	28,680,733	24,086,692
Neighborhood Stabilization Program 2 (NSP2):		
Purchase Assistance Loan (PAL) ⁽⁹⁾	1,708,884	1,758,884
VLI Affordable Multi-Family Housing ⁽¹⁰⁾	5,000,000	2,126,209
	6,708,884	3,885,093
Gross notes receivable	48,760,700	38,069,733
Less: allowance for loan losses	(1,204,000)	(1,000,000)
Net notes receivable	47,556,700	37,069,733
Less: current portion	(12,942,700)	(697,308)
Long-term portion	\$ 34,614,000	\$ 36,372,425

Homebuyer Programs

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. Housing Trust's homebuyer programs are as follows:

- (1) CCA – maximum loan amount up to 20% of the purchase price up to \$50,000, 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.
- (2) MAP – maximum loan amount of 17% of the purchase price up to \$85,000, 30-year amortized second 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.

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

- (3) 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 \$158,883 and \$133,161 as of June 30, 2016 and 2015, respectively, which is included in deferred interest receivable on the consolidated statements of financial position.
- (4) GAP – maximum loan amount of 20% of the purchase price up to \$57,500, 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.
- (5) Housing Trust received a portfolio of notes receivable contributed by Neighborhood Housing Silicon Valley (NHSSV) upon its dissolution. The NHS Deferred Loan Portfolio consist of loans ranging from \$8,000 to \$80,000 in face value and bear interest at between 2% and 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 the loan, whichever occurs first. The NHS Amortizing Loan Portfolio consist of loans that have a face value of between \$12,000 and \$26,000 and carry interest of between 3% and 8%. They have a provision to begin amortizing after five years.

These notes were recorded at fair value on the contribution date.

	2016	
	<i>Face Amount</i>	<i>Unobservable Inputs (Level 3)</i>
NHS Deferred Loan Portfolio	\$ 3,655,900	\$ 3,393,372
NHS Amortizing Loan Portfolio	404,857	404,857
	\$ 4,060,757	\$ 3,798,229

Fair value is estimated to be the present value of the expected future cash flows from the notes receivable calculated using a risk-free rate (including a premium). To cover the credit risk of the loans, expected cash flows included in the computation were reduced by 8% of the principal balance. The risk free rates used in the computation were based on the Treasury Inflation Protected Securities (TIPS) yield rates. A risk premium of 1.1% was added to the TIPS yield rates. The present value calculation resulted in a \$262,528 discount for the NHS Deferred Loan Portfolio. The present value calculation for the NHS Amortizing Loan Portfolio approximates face value, therefore no discount or premium was recorded on the amortizing portfolio.

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

Multi-Family Programs

- (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%.

Housing Trust also enters into Loan Pooling Agreements for Affordable Housing Loans 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. Housing Trust’s loan pools are as follows:

- (7) AHGF – Housing Trust entered in a Funds Pooling Agreement on May 6, 2013, where 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. Cash restricted for loan loss reserve was \$250,000 for both 2016 and 2015.
- (8) 2015 Loan Fund – Housing Trust entered into a 2015 Affordable Housing Loan Pool agreement on September 30, 2015, where total loan pool commitment is \$7,800,000, of which \$5,800,000 is from Investor Banks and \$2,000,000 from Housing Trust. The qualified developers may borrow up to 85% 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.

Neighborhood Stabilization Program 2 (NSP2)

- (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) 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 was 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.

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

The following are the details of activities on the allowance for loan losses during the years ended June 30, 2016 and 2015:

	2016		
	<i>Homebuyer / Contributed Notes / PAL Allowance</i>	<i>Multi-Family / Loan Pool Allowance</i>	<i>Total Allowance</i>
Balance, beginning of year	\$ 750,000	\$ 250,000	\$ 1,000,000
Provision for loan losses during the year	59,000	170,000	229,000
Recoveries	-	-	-
Write-off	(25,000)	-	(25,000)
Balance, end of year	<u>\$ 784,000</u>	<u>\$ 420,000</u>	<u>\$ 1,204,000</u>

	2015		
	<i>Homebuyer / Contributed Notes / PAL Allowance</i>	<i>Multi-Family / Loan Pool 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>

Future maturities on Home Buyer, Contributed Notes 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:

2017	\$ 12,942,700
2018	5,007,512
2019	130,504
2020	139,938
2021	150,055

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

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, 2016, follow:

	<i>Interest Bearing</i>	<i>Non-interest Bearing</i>	<i>Allowance</i>	<i>Total</i>
2 nd liens and less	\$ 16,234,849	\$ 6,504,234	\$ (445,895)	\$ 22,293,188
3 rd liens	2,158,771	3,286,625	(148,854)	5,296,542
4 th liens	2,798,407	4,050,189	(101,470)	6,747,126
5 th liens and greater	6,478,962	4,919,911	(87,781)	11,311,092
Secured by UCC1	1,587,900	-	(420,000)	1,167,900
Unsecured	500,852	240,000	-	740,852
Total	\$ 29,759,741	\$ 19,000,959	\$ (1,204,000)	\$ 47,556,700

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2016	2015
Office equipment	\$ 39,257	\$ 29,182
Software	46,224	43,719
Furniture and fixtures	71,559	67,502
	157,040	140,403
Less: accumulated depreciation	(118,309)	(97,987)
Total property and equipment	\$ 38,731	\$ 42,416

NOTE 7 – NON-RECOURSE BANK LOAN CAPITAL

Included in non-recourse bank loan capital were total liabilities to Investor Banks under the loan pool agreements broken down as follows:

	2016	2015
Affordable Housing Growth Fund	\$ 4,085,102	\$ 5,002,813
2015 Loan Fund	2,230,769	-
Total non-recourse bank loan capital	\$ 6,315,871	\$ 5,002,813

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.

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 8 – NOTES PAYABLE

Notes payable consist of the following:

	2016	2015
<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 \$4,000 and \$3,096 for 2016 and 2015, respectively.	\$ 200,000	\$ 200,000
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 for both 2016 and 2015.	350,000	350,000
U.S. Bank loan, bears 3% simple interest rate. Requires quarterly interest payments with the entire principal and interest due on December 2017. Interest expense was \$22,875 and \$22,813 for 2016 and 2015, respectively.	750,000	750,000
Boston Private Bank & Trust loan, bears 3% simple interest. Requires quarterly interest payments with the entire principal and interest due on April 2018. Interest expense was \$10,675 and \$10,646 for 2016 and 2015, respectively.	350,000	350,000
First Bank loan, bears 2.75% simple interest rate. Requires quarterly interest payments with the entire principal and interest due on August 5, 2017. Interest expense was \$35,292 and \$-0- for 2016 and 2015, respectively.	1,500,000	-
<u>Equity-Equivalent Loans (EQ2)</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 \$10,778 and \$20,000 for 2016 and 2015, respectively. Housing Trust made a \$500,000 principal payment in 2016 with proceeds from the new Wells Fargo COIN loan.	500,000	1,000,000
<u>California Organized Investment Network (COIN) Loans</u>		
Silicon Valley Bank unsecured loan, non-interest bearing. Principal was fully repaid in June 2016.	-	1,000,000

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Rabobank, N.A. unsecured loan, non-interest bearing. Principal is due 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	2,000,000
Wells Fargo Bank loan, non-interest bearing, After the 0% period, as defined in the agreement, quarterly payments at the rate of 2% simple interest will be made. The entire outstanding principal and interest is due on August 12, 2025.	2,000,000	-
<i><u>Program-Related Investments (PRIs)</u></i>		
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 for both 2016 and 2015.	500,000	500,000
Total	8,650,000	6,650,000
Less: current portion	(500,000)	(1,000,000)
Total	\$ 8,150,000	\$ 5,650,000

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

2017	\$ 500,000
2018	2,600,000
2019	1,000,000
2020	2,200,000
2021	350,000

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 \$1,045,802 and \$601,646 for the years ended June 30, 2016 and 2015, respectively. Total unconditional contributions receivable from related parties were approximately \$50,000 and \$188,100 as of June 30, 2016 and 2015, respectively.

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 10 – GRANTS AWARDED

Grants payable and expenses are summarized as follows:

<i>Payable to/ Description</i>	<i>Payable at June 30, 2016</i>	<i>2016 Grant Expense</i>	<i>Payable at June 30, 2015</i>	<i>2015 Grant Expense</i>
City of San Jose – NSP2 ⁽¹⁾	\$ 10,372	\$ 39,170	\$ 24,264	\$ 236,708
Other nonprofit organizations – ForeclosureHelpSCC – CDBG ⁽²⁾	-	-	4,500	3,689
NHSSV ⁽³⁾	-	-	-	650,000
Other individuals – Finally Home Security Deposit Program ⁽⁴⁾	-	313,838	-	282,253
County of Santa Clara and the Housing Authority of the County of Santa Clara – SEPP ⁽⁵⁾	-	-	-	74,252
Other homeowners – Rehabilitation Program – City of Morgan Hill and Wells Fargo ⁽⁶⁾	-	131,173	-	21,220
Other ⁽⁷⁾	-	170,000	-	9,000
Total	\$ 10,372	\$ 654,181	\$ 28,764	\$ 1,277,122

(1) 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 2016 and 2015, proceeds from sale of rehabilitated homes receive from the City were \$107,744 and \$221,801, respectively. The amount is included in Government Contributions in the accompanying consolidated statements of activities.

(2) 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.

(3) In December 2007, Housing Trust entered into a Grant Agreement with NHSSV to serve as the fund administrator to manage the lending activities of its Downpayment Assistance Program. This included 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. 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. During 2015, NHSSV returned \$565,000 of the lending capital to Housing Trust, and the remaining \$650,000 was included in grants awarded on the consolidated statements of functional expenses given the uncertainty surrounding future collection.

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

During 2016, Housing Trust and NHSSV entered into an Unwinding of Trust Agreement in which NHSSV transferred remaining trust assets related to the Grant Agreement to Housing Trust. The remaining trust assets transferred to Housing Trust were notes receivable with a face value of approximately \$460,000 and cash of approximately \$140,000. The remaining trust cash of \$50,000 was retained by NHSSV in accordance with the agreement. The transferred trust assets are included in other contributions on the consolidated statements of activities.

- (4) 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.
- (5) 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.
- (6) The City of Morgan Hill and Wells Fargo housing rehabilitation funds are used to provide loans and grants to eligible homeowners for the purpose of rehabilitating owner-occupied residences.
- (7) A \$100,000 donation to Sunnyvale Community Services was made in 2016 in response to a fire that displaced low-income residents in Sunnyvale.

NOTE 11 – DEFERRED REVENUE

Deferred revenue consists of the following:

	2016	2015
CalHome ⁽¹⁾	\$ 560,650	\$ 253,258
City of Morgan Hill ⁽²⁾	8,076	278,780
Santa Clara County – SNCI ⁽³⁾	735,000	-
Santa Clara County – SHF ⁽⁴⁾	2,952,692	-
Total deferred revenue	\$ 4,256,418	\$ 532,038

- (1) 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.
- (2) In 2015, 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. Some of the funds were returned as they were restricted for providing loans for rehab and there was no interest in that program. Nearly all of the remaining funds were used as intended with \$200,000 returned during this year at the end of the program.
- (3) Housing Trust received \$750,000 in 2016 from the County of Santa Clara for the Safety Net Capital Improvement (SNCI) Program for the rehabilitation of community facilities to increase shelter, transitional housing or drop-in services for the homeless.

HOUSING TRUST SILICON VALLEY

(A California Nonprofit Public Benefit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

- (4) The County of Santa Clara (the County) and Housing Trust entered into a Memorandum of Agreement (MOU) whereby the County will contribute \$5,000,000 in lending capital into a revolving Supportive Housing Fund (SHF) to make predevelopment loans for the creation and preservation of permanent housing with supportive services for extremely low-income individuals and families and those with special needs. Housing Trust shall contribute matching funds with its own resources, which will not include any funds from the local government. Uncommitted funds will be returned to the County upon termination, expiration or cancellation of the MOU. Any loan repayments received will be utilized by Housing Trust for SHF use. Moreover, if Housing Trust stops using the repayments for the intent and purpose of the SHF, principal repayments will be returned to the County and any interest will be retained by Housing Trust. The MOU expires on June 30, 2019, however also may be terminated at any time by either party. The balance in deferred revenue relates to uncommitted funds as of June 30, 2016.

NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS

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

	2016			
	<i>June 30, 2015</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>June 30, 2016</i>
General lending programs	\$ 5,166,068	\$ 229,100	\$ (564,976)	\$ 4,830,192
Homebuyer Programs	3,229,785	6,270,268	(215,943)	9,284,110
Very Low Income Multi-Family Housing – NSP2	2,768,812	2,231,188	-	5,000,000
Affordable Multi-Family Rental Program and Homeless with Special Needs Program	2,745,634	3,652,308	(196,767)	6,201,175
Finally Home Program	-	287,000	(287,000)	-
Sequester Eviction Prevention Program	-	-	-	-
Advocacy and Policy	342,156	395,000	(417,156)	320,000
Rehabilitation Program	67,000	-	(60,469)	6,531
	<u>\$ 14,319,455</u>	<u>\$ 13,064,864</u>	<u>\$ (1,742,311)</u>	<u>\$ 25,642,008</u>
	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>

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

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 \$18,721,727 and \$7,981,054 of disbursed funds with secondary-use restrictions as of June 30, 2016 and 2015, respectively.

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 \$63,761 and \$52,784 to the Plan during 2016 and 2015, respectively.

NOTE 14 – OFFICE LEASE

Housing Trust leases office space in San Jose under a non-cancellable operating lease expiring July 2017. Rent expense for the years ended June 30, 2016 and 2015 was \$111,996 and \$86,774, respectively. The following represents the future minimum lease payments:

	<u>Year Ending June 30,</u>	
2017	\$	84,867
2018		6,762

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Housing Trust had undisbursed loan commitments totaling \$1,912,495 as of June 30, 2016 relating to its Affordable Multi-Family Rental Program and Homeless with Special Needs Program.

In 2015, 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 June 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. Housing Trust has not drawn on this line of credit as of June 30, 2016.

On December 15, 2015, Housing Trust entered into a promissory note with Bank of America in a maximum principal amount of \$3,000,000, which may be advanced once per calendar quarter in amounts not less than \$100,000. The note bears fixed interest at 3% per annum payable quarterly in arrears. Annual payments of principal in the amount of \$750,000 are due and payable yearly starting December 15, 2022 with the outstanding balance payable in full on December 15, 2025. Housing Trust has not drawn on this note as of June 30, 2016.

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 16 – SUBSEQUENT EVENTS

Housing Trust amended its revolving line of credit agreement (credit line) with MUFG Union Bank, N.A. The line of credit was reduced to \$4,000,000 and the maturity date extended to July 1, 2018. In addition the Security Agreement was cancelled and the line became unsecured. The 3 financial covenants were removed and replaced by one: a ratio of current assets to current liability of not less than 1.5 to 1.0, as measured quarterly

Silicon Valley Bank, N.A. provided an unsecured loan in the amount of \$2,000,000. Principal is due on September 26, 2021. The maturity date may be extended by the bank for two consecutive terms if certain conditions to extend are met as defined in the agreement.

Rabobank, N.A. advanced a second unsecured loan in the amount of \$500,000. Principal is due on September 22, 2021. The maturity date may be extended by the bank for two consecutive one-year terms if certain conditions to extend are met as defined in the agreement.

Housing Trust and Cisco Systems Foundation entered into a \$2,500,000 unsecured loan to Housing Trust which bears 2% simple interest. Requires quarterly interest payments of \$12,500 with entire principal and interest due on September 26, 2026.

Housing Trust purchased a portfolio of amortizing loans from NHSSV with face value of \$324,479, including 2 non-performing loans for the price of \$76,586 in August, 2016. The loans were discounted by the difference between the purchase price and the face value.

Housing Trust received an additional portfolio of 10 notes receivable contributed by NHSSV. The loans had a face value of \$565,000 and interest receivable of \$17,825 at the time of contribution. Payment of principal and accrued interest on these notes is deferred until maturity date. The loans were discounted using the same methodology as the earlier contributed NHSSV portfolio of deferred loans.

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, 2016, 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 13, 2016.

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 Haven and Joyce LLP

October 13, 2016



Board of Directors
Housing Trust Silicon Valley
San Jose, California

JAMES M. KRAFT
S. SCOTT SEAMANDS
MARK O. BRITTAIN
ALEXIS H. WONG
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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sindquist, von Husen and Joyce LLP

October 13, 2016

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

<i>Federal Grantor/Pass-Through Grantor/Title</i>	<i>Federal CFDA Number</i>	<i>Agency or Pass-Through Number</i>	<i>Federal Expenditures</i>	<i>Expenditures to Subrecipients</i>
<u>U.S. Department of Housing and Urban Development:</u>				
Neighborhood Stabilization Program 2 (NSP2):				
Loans made in prior years for which continuing compliance is required	14.256	N/A	\$ 4,527,696	\$ -
Direct awards	14.256	N/A	2,330,805	-
Total NSP2			6,858,501	-
Home Investment Partnerships Program:				
Pass-through awards from the City of Santa Clara	14.239		25,341	-
<u>U.S. Department of the Treasury:</u>				
Community Development Financial Institutions Program (CDFI):				
Loans made in prior years for which continuing compliance is required	21.020		549,215	-
Direct awards	21.020		1,464,089	-
Total CDFI			2,013,304	-
TOTAL FEDERAL AWARDS			\$ 8,897,146	\$ -

HOUSING TRUST SILICON VALLEY

(A California Nonprofit Public Benefit Corporation)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The purpose of the Schedule is to present a summary of those activities of Housing Trust Silicon Valley for the year ended June 30, 2016, which have been financed by the U.S. Government. For purposes of the Schedule, federal awards include all federal assistance entered into directly and indirectly between Housing Trust Silicon Valley and the federal government. Housing Trust Silicon Valley did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2 – PRIOR YEARS' EXPENDITURES

The accompanying schedule of expenditures of federal awards includes \$5,076,911 in expenditures from prior year for which continuing compliance is required.

NOTE 3 – YEAR-END LOAN BALANCES

The loan balances outstanding at year-end are summarized as follows:

Neighborhood Stabilization Program 2 – VLI Affordable Multi-Family Housing	\$ 5,000,000
Neighborhood Stabilization Program 2 – Purchase Assistance Loan	1,708,884
Community Development Financial Institutions Program	<u>1,318,372</u>
Total	<u>\$ 8,027,256</u>

HOUSING TRUST SILICON VALLEY
 (A California Nonprofit Public Benefit Corporation)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2016

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 200.516 of the Uniform Guidance? _____ Yes X No

Identification of major programs: Name of Federal Program or Cluster

CFDA #14.256 Neighborhood Stabilization Program 2

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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.