

**HOUSING TRUST OF SANTA
CLARA COUNTY, INC.**

(A California Nonprofit Public Benefit Corporation)

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED JUNE 30, 2011 AND 2010**

HOUSING TRUST OF SANTA CLARA COUNTY, INC.

(A California Nonprofit Public Benefit Corporation)

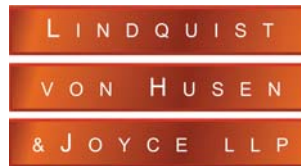
FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

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Board of Directors
Housing Trust of Santa Clara County, Inc.
San Jose, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of Housing Trust of Santa Clara County, Inc., a California nonprofit public benefit corporation, as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Housing Trust of Santa Clara County, Inc.'s management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of Housing Trust of Santa Clara County, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Housing Trust of Santa Clara County, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 8, 2012 on our consideration of Housing Trust of Santa Clara County, Inc.'s internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The Schedule of Expenditures of Federal Awards on page 23 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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 basic financial statements taken as a whole.

Lindquist, von Haven and Joyce LLP

February 8, 2012

HOUSING TRUST OF SANTA CLARA COUNTY, INC.

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets:		
Cash – unrestricted	\$ 3,244,880	\$ 2,906,403
Cash – restricted for programs	6,360,452	3,450,824
Certificates of deposit – unrestricted	-	1,000,000
	<u>9,605,332</u>	<u>7,357,227</u>
Receivables:		
Contributions, net – current (Note 3)	2,099,831	1,060,376
Lending capital provided for programs – current (Note 5)	2,071,899	909,259
Grants receivable	2,849,146	102,068
Others	90,608	109,166
Prepaid expenses	14,851	34,634
Total current assets	<u>16,731,667</u>	<u>9,572,730</u>
Contributions receivable, net – net of current portion (Note 3)	-	666,369
Notes receivable – net (Note 4)	9,512,833	8,153,937
Lending capital provided for programs – net of current portion (Note 5)	12,636,171	12,264,719
Property and equipment – net (Note 6)	<u>32,431</u>	<u>15,113</u>
Total assets	<u>\$ 38,913,102</u>	<u>\$ 30,672,868</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 9,841	\$ 14,812
Accrued expenses	72,545	68,416
Grants payable (Note 9)	2,909,865	690,384
Interest payable (Note 7)	6,384	-
Total current liabilities	<u>2,998,635</u>	<u>773,612</u>
Notes payable (Note 7)	<u>3,000,000</u>	<u>1,500,000</u>
Total liabilities	<u>5,998,635</u>	<u>2,273,612</u>
Net assets:		
Unrestricted	23,261,125	22,653,070
Temporarily restricted (Note 10)	<u>9,653,342</u>	<u>5,746,186</u>
Total net assets	<u>32,914,467</u>	<u>28,399,256</u>
Total liabilities and net assets	<u>\$ 38,913,102</u>	<u>\$ 30,672,868</u>

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

HOUSING TRUST OF SANTA CLARA COUNTY, INC.

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2011 AND 2010

	2011			2010		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Support and revenue:						
Contributions:						
Government	\$ 6,948,620	\$ 5,278,388	\$ 12,227,008	\$ 112,069	\$ 2,342,500	\$ 2,454,569
Other	288,649	395,000	683,649	86,940	34,000	120,940
Revenue from special events	91,947	-	91,947	34,344	-	34,344
Less: cost of special events	(43,375)	-	(43,375)	(12,981)	-	(12,981)
Interest and investment income	249,414	-	249,414	191,945	-	191,945
Program service fees	99,750	-	99,750	100,281	-	100,281
Net assets released from restrictions (Note 10)	1,766,232	(1,766,232)	-	1,690,997	(1,690,997)	-
Total support and revenue	<u>9,401,237</u>	<u>3,907,156</u>	<u>13,308,393</u>	<u>2,203,595</u>	<u>685,503</u>	<u>2,889,098</u>
Expenses:						
Program services	8,565,335	-	8,565,335	1,941,836	-	1,941,836
Management and general	136,197	-	136,197	172,213	-	172,213
Fundraising	91,650	-	91,650	80,282	-	80,282
Total expenses	<u>8,793,182</u>	<u>-</u>	<u>8,793,182</u>	<u>2,194,331</u>	<u>-</u>	<u>2,194,331</u>
Change in net assets	608,055	3,907,156	4,515,211	9,264	685,503	694,767
Net assets, beginning of year	<u>22,653,070</u>	<u>5,746,186</u>	<u>28,399,256</u>	<u>22,643,806</u>	<u>5,060,683</u>	<u>27,704,489</u>
Net assets, end of year	<u>\$ 23,261,125</u>	<u>\$ 9,653,342</u>	<u>\$ 32,914,467</u>	<u>\$ 22,653,070</u>	<u>\$ 5,746,186</u>	<u>\$ 28,399,256</u>

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

HOUSING TRUST OF SANTA CLARA COUNTY, INC.
(A California Nonprofit Public Benefit Corporation)
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2011 AND 2010

	2011								Total Program Supporting Services
	Program Services				Total Program Services	Supporting Services		Total Supporting Services	
	First-Time Home Buyer	HUD	Homeless Housing	Multi-Family Housing		Management and General	Fundraising		
Grants awarded (Note 9)	\$ -	\$ 6,736,060	\$ 211,829	\$ -	\$ 6,947,889	\$ -	\$ -	\$ -	\$ 6,947,889
Salaries	262,918	202,576	99,577	59,115	624,186	84,844	56,847	141,691	765,877
Employee benefits	44,419	34,205	16,617	9,770	105,011	14,458	9,108	23,566	128,577
Program administration	41,197	1,989	40,537	34,074	117,797	-	-	-	117,797
Payroll taxes	22,966	17,736	8,591	5,051	54,344	7,424	4,709	12,133	66,477
Legal and professional	22,902	21,024	7,845	2,030	53,801	2,983	1,892	4,875	58,676
Rent	17,121	13,223	6,405	3,766	40,515	5,534	3,511	9,045	49,560
Retirement plan contributions	10,262	7,925	3,839	2,257	24,283	3,318	2,104	5,422	29,705
Interest	21,384	-	-	-	21,384	-	-	-	21,384
Outside computer services	4,534	11,629	1,666	980	18,809	1,442	1,591	3,033	21,842
Office supplies	6,417	4,508	2,123	1,249	14,297	1,950	1,164	3,114	17,411
Membership dues	5,813	4,476	2,168	1,274	13,731	1,873	1,188	3,061	16,792
Travel and accommodations	7,549	3,992	1,721	1,008	14,270	1,485	941	2,426	16,696
Advertising and promotion	3,107	7,541	765	449	11,862	1,156	1,625	2,781	14,643
Printing and reproduction	4,159	2,114	1,024	602	7,899	1,710	2,118	3,828	11,727
Telephone	3,540	2,640	1,583	1,644	9,407	1,070	679	1,749	11,156
Insurance	3,516	2,715	1,315	773	8,319	1,137	720	1,857	10,176
Equipment and maintenance	2,736	2,113	1,023	602	6,474	1,214	561	1,775	8,249
Taxes – other	1,976	1,302	630	371	4,279	544	346	890	5,169
Meeting and conference	2,115	1,219	428	252	4,014	725	235	960	4,974
Bank service charges	1,802	1,112	336	205	3,455	321	174	495	3,950
Postage and delivery	1,250	739	358	211	2,558	309	196	505	3,063
Consulting	1,071	827	401	236	2,535	346	220	566	3,101
Staff development	2,566	90	44	26	2,726	38	24	62	2,788
Payroll processing fees	956	739	358	210	2,263	310	196	506	2,769
Website support	481	372	180	106	1,139	152	99	251	1,390
Meals and entertainment	441	923	-	-	1,364	-	-	-	1,364
Publications	431	333	161	95	1,020	141	88	229	1,249
Capital purchases – equipment	300	232	112	66	710	97	62	159	869
Miscellaneous	1,603	1,238	600	353	3,794	162	329	491	4,285
Total operating expenses before provision for loan losses and depreciation	499,532	7,085,592	412,236	126,775	8,124,135	134,743	90,727	225,470	8,349,605
Provision for loan losses	430,553	-	-	-	430,553	-	-	-	430,553
Depreciation	4,499	3,475	1,683	990	10,647	1,454	923	2,377	13,024
Total expenses as shown in the statements of activities	934,584	7,089,067	413,919	127,765	8,565,335	136,197	91,650	227,847	8,793,182
Cost of special events	-	-	-	-	-	-	43,375	43,375	43,375
Total expenses	\$ 934,584	\$ 7,089,067	\$ 413,919	\$ 127,765	\$ 8,565,335	\$ 136,197	\$ 135,025	\$ 271,222	\$ 8,836,557

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

HOUSING TRUST OF SANTA CLARA COUNTY, INC.
(A California Nonprofit Public Benefit Corporation)
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2011 AND 2010

	2010								Total Program Supporting Services
	Program Services				Supporting Services				
	First-Time Home Buyer	HUD	Homeless Housing	Multi-Family Housing	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Grants awarded (Note 9)	\$ -	\$ -	\$ 835,034	\$ -	\$ 835,034	\$ -	\$ -	\$ -	\$ 835,034
Salaries	197,253	50,841	88,770	46,508	383,372	95,517	46,553	142,070	525,442
Employee benefits	27,820	7,172	12,520	6,560	54,072	13,472	6,566	20,038	74,110
Program administration	36,142	2,665	26,501	9,250	74,558	-	-	-	74,558
Payroll taxes	16,175	4,169	7,280	3,814	31,438	7,833	3,818	11,651	43,089
Legal and professional	3,410	2,898	-	766	7,074	16,466	-	16,466	23,540
Rent	15,094	3,891	6,794	3,559	29,338	7,310	3,563	10,873	40,211
Retirement plan contributions	9,888	1,986	4,280	2,230	18,384	4,633	2,228	6,861	25,245
Interest	20,000	-	-	-	20,000	-	-	-	20,000
Outside computer services	3,354	864	1,509	791	6,518	1,624	791	2,415	8,933
Office supplies	3,052	787	1,374	720	5,933	1,478	720	2,198	8,131
Membership dues	5,137	201	891	724	6,953	377	184	561	7,514
Travel and accommodations	1,154	3,969	-	-	5,123	-	-	-	5,123
Advertising and promotion	2,495	7,442	-	-	9,937	-	-	-	9,937
Printing and reproduction	2,380	1,275	136	72	3,863	147	4,565	4,712	8,575
Telephone	3,369	868	1,516	794	6,547	1,631	795	2,426	8,973
Insurance	3,643	939	1,639	859	7,080	1,764	860	2,624	9,704
Equipment and maintenance	1,173	302	528	277	2,280	568	277	845	3,125
Taxes – other	-	-	-	-	-	1,011	-	1,011	1,011
Meeting and conference	1,481	140	-	-	1,621	1,216	545	1,761	3,382
Bank service charges	1,001	-	450	236	1,687	1,687	-	1,687	3,374
Postage and delivery	1,849	-	-	-	1,849	893	434	1,327	3,176
Consulting	27,509	2,573	12,312	6,438	48,832	-	-	-	48,832
Staff development	96	24	36	36	192	539	2,835	3,374	3,566
Payroll processing fees	922	237	414	217	1,790	446	217	663	2,453
Website support	8,841	2,279	3,978	2,084	17,182	4,281	2,086	6,367	23,549
Meals and entertainment	-	-	-	-	-	1,119	-	1,119	1,119
Publications	161	-	-	-	161	1,013	195	1,208	1,369
Capital purchases – equipment	588	151	264	138	1,141	284	139	423	1,564
Staff recruitment	160	1,238	-	-	1,398	538	-	538	1,936
Contractor services	-	-	-	-	-	825	-	825	825
Auto	3,503	467	912	470	5,352	1,246	1,449	2,695	8,047
Promotional materials	1,168	550	-	-	1,718	-	99	99	1,817
Fines, penalties and judgments	-	-	-	-	-	1,500	-	1,500	1,500
Moving costs	1,926	496	867	454	3,743	933	455	1,388	5,131
Total operating expenses before provision for loan losses and depreciation	400,744	98,424	1,008,005	86,997	1,594,170	170,351	79,374	249,725	1,843,895
Provision for loan losses	340,191	-	-	-	340,191	-	-	-	340,191
Depreciation	3,846	991	1,731	907	7,475	1,862	908	2,770	10,245
Total expenses as shown in the statements of activities	744,781	99,415	1,009,736	87,904	1,941,836	172,213	80,282	252,495	2,194,331
Cost of special events	-	-	-	-	-	-	12,981	12,981	12,981
Total expenses	\$ 744,781	\$ 99,415	\$ 1,009,736	\$ 87,904	\$ 1,941,836	\$ 172,213	\$ 93,263	\$ 265,476	\$ 2,207,312

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

HOUSING TRUST OF SANTA CLARA COUNTY, INC.

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,515,211	\$ 694,767
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	13,024	10,245
Provision for loan losses	430,553	340,191
Net amortization of discount on contributions receivable	(24,431)	(32,145)
(Increase) decrease in assets:		
Grants receivable	(2,747,078)	(102,068)
Contributions receivable – net	(348,655)	(331,425)
Other receivable	18,558	1,069,340
Prepaid expenses	19,783	(1,429)
Increase (decrease) in liabilities:		
Accounts payable	(4,971)	(25,880)
Accrued expenses	4,129	18,913
Grants payable	2,219,481	690,384
Interest payable	6,384	(5,000)
	<u>4,101,988</u>	<u>2,325,893</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Lending capital provided for programs	(2,583,500)	(2,734,298)
Repayment of lending capital provided for programs	1,049,408	1,117,195
Notes receivable disbursed – First-time Homebuyer Programs	(2,297,313)	(1,127,437)
Collection of notes receivable – First-time Homebuyer Programs	507,864	399,002
Net (increase) decrease in restricted cash – programs	(2,909,628)	71,189
Decrease in certificates of deposit	1,000,000	1,665,929
Purchase of property and equipment	(30,342)	-
	<u>(5,263,511)</u>	<u>(608,420)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Proceeds from notes payable	1,500,000	-
	<u>1,500,000</u>	<u>-</u>
Net cash provided by financing activities		
Increase in unrestricted cash	338,477	1,717,473
Unrestricted cash, beginning of year	<u>2,906,403</u>	<u>1,188,930</u>
Unrestricted cash, end of year	<u>\$ 3,244,880</u>	<u>\$ 2,906,403</u>
Supplementary information:		
Cash paid for interest	<u>\$ 15,000</u>	<u>\$ 25,000</u>

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

HOUSING TRUST OF SANTA CLARA COUNTY, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Housing Trust of Santa Clara County, Inc. (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 first-time homebuyers, prevent homelessness and stabilize neighborhoods.

In order to augment affordable housing throughout Santa Clara County, Housing Trust currently offers four programs:

- First-time Homebuyer Programs – Housing Trust offers the Downpayment Assistance Program, Mortgage Assistance Program, Closing Cost Assistance Program, and Equity Share Co-Investment Program to help qualified first-time homebuyers in Santa Clara County with second mortgage, downpayment and closing costs.
- 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 grants and 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.
- 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 will use 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 will also acquire and rehabilitate 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 will be 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, will reduce the number of foreclosed or abandoned homes and residential properties in the targeted areas and help to stabilize the housing market. During 2011 and 2010, Housing Trust recognized contribution revenue of \$7,737,008 and \$102,068, respectively from NSP2.

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

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.

HOUSING TRUST OF SANTA CLARA COUNTY, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

Estimates

The preparation of 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 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 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 receivable, 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 and investment accounts in excess of the Securities Investor Protection Corporation limit. The uninsured cash balance was approximately \$8,369,000 as of June 30, 2011. Housing Trust has not experienced any losses in such accounts.

Contributions Receivable

Contributions receivable represent unconditional promises to give and are stated at the present value of the future cash flows Housing Trust expects to collect. The related discount on promises to give is amortized on a straight-line basis over the number of years the receivable is expected to be collected.

HOUSING TRUST OF SANTA CLARA COUNTY, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

Notes Receivable and Allowance for Loan Losses

Notes receivable consists of loans made to first-time homebuyers under the First-time Homebuyer 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. 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 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.

Certificates of Deposit

Certificates of deposit are stated at fair value based on unadjusted quoted prices that are readily and regularly available in an active market, which is defined as a level 1 input in accordance with generally accepted accounting principles.

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.

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 financial statements. Housing Trust's federal and state information returns for the years 2007 through 2010 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 statements of activities and 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 February 8, 2012, the date on which the financial statements were available to be issued.

HOUSING TRUST OF SANTA CLARA COUNTY, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows:

	2011	2010
Restricted for programs	\$ 2,100,000	\$ 1,725,000
Unrestricted contributions	11,531	37,875
Gross contributions receivable ⁽¹⁾	<u>2,111,531</u>	<u>1,762,876</u>
Less: unamortized discount	(11,700)	(36,131)
Net contributions receivable	<u>\$ 2,099,831</u>	<u>\$ 1,726,745</u>
Amounts due (net of unamortized discount) in:		
Less than one year	\$ 2,099,831	\$ 1,060,376
One year to five years	-	666,369
	<u>\$ 2,099,831</u>	<u>\$ 1,726,745</u>

- ⁽¹⁾ Total unconditional contributions receivable from the board of directors, companies with which the board of directors is affiliated, and jurisdictions represented on our board by elected officials were \$1,210,000 and \$1,012,400 as of June 30, 2011 and 2010, respectively.

NOTE 4 – NOTES RECEIVABLE

Notes receivable consists of the following:

	2011	2010
First-time Homebuyer Programs ⁽¹⁾		
Closing Cost Assistance Program ⁽²⁾	\$ 7,470,772	\$ 7,555,257
Mortgage Assistance Program(MAP) ⁽³⁾	1,153,191	479,648
Equity Share Co-Investment (ESCO) ⁽⁴⁾	578,488	322,032
Subtotal	<u>9,202,451</u>	<u>8,356,937</u>
NSP2		
Purchase Assistance Loan (PAL) ⁽⁵⁾	838,388	50,000
Deferred interest receivable	21,994	-
Gross notes receivable	<u>10,062,833</u>	<u>8,406,937</u>
Less: allowance for loan losses	(550,000)	(253,000)
Net notes receivable	<u>\$ 9,512,833</u>	<u>\$ 8,153,937</u>

- ⁽¹⁾ First-time homebuyer programs are designed to help qualified first-time homebuyers in Santa Clara County purchase their first 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 OF SANTA CLARA COUNTY, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

- (2) Maximum loan amount was \$6,500, secured by deeds of trust with 0% interest. Effective October 1, 2009, new loans bear 3% simple interest. Effective October 2010, the maximum loan amount is 3% of the purchase price up to \$15,000. 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.
- (3) Maximum loan amount was \$15,000, 30-year amortized mortgage, secured by deeds of trust with interest at a rate 1.5% above the interest rate on the related first mortgage. Effective October 2010, the maximum loan amount is 17% of the purchase price up to \$85,000, 30 year amortized mortgage, secured by deeds of trust and bears interest at a rate 1% 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) 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.
- (5) The program is funded under the 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 and have a maximum loan amount of \$50,000 and bear simple interest of 3%. Effective March 31, 2011, new loans bear 0% interest rate. 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 following are the details of activities on the allowance for loan losses during the years ended June 30, 2011 and 2010:

	2011	2010
Balance, beginning of year	\$ 253,000	\$ 210,659
Provision for loan losses during the year	430,553	340,191
Write-off	(133,553)	(297,850)
Balance, end of year	\$ 550,000	\$ 253,000

Future maturities on loans receivable within the next five years cannot be reasonably estimated.

HOUSING TRUST OF SANTA CLARA COUNTY, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 5 – LENDING CAPITAL PROVIDED FOR PROGRAMS

Lending capital provided for programs consists of the following:

	2011	2010
Neighborhood Housing Services Silicon Valley: Downpayment Assistance Program ⁽¹⁾	\$ 1,215,000	\$ 900,000
Opportunity Fund:		
Affordable Multi-Family Rental Program ⁽²⁾	6,607,697	5,714,346
Homeless with Special Needs Program ⁽²⁾	6,885,373	6,559,632
Total	14,708,070	13,173,978
Less: current portion	(2,071,899)	(909,259)
Long-term portion	<u>\$ 12,636,171</u>	<u>\$ 12,264,719</u>

⁽¹⁾ Housing Trust has 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 will serve as the lender and will hold the note and deed of trust. Housing Trust established a fund of \$500,000 with NHSSV to provide fixed, below-market interest rate secondary financing that may be used as a downpayment for qualified first-time homebuyers in Santa Clara County. During 2011 and 2010, Housing Trust funded an additional \$315,000 and \$400,000, respectively. Qualified first-time 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 61st month through the remaining 25 years of the loan. There were 21 and 24 loans originated by NHSSV totaling \$455,000 and \$418,500 as of June 30, 2011 and 2010, respectively.

⁽²⁾ Housing Trust has entered into an agreement with Opportunity Fund (OF) to serve as the fund administrator to manage the lending and grant making activities of its Affordable Multi-Family Housing Program and the Homeless with Special Needs Program. Under this agreement, OF works under the direction of the executive director of Housing Trust to underwrite and close loans using Housing Trust funds as the source of capital to the qualified developers. OF serves as the lender and holds the note and deed of trust. Also, OF is responsible for 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. For the years ended June 30, 2011 and 2010, fees paid to OF for these services were \$77,678 and \$32,250, respectively. The qualified developers may borrow up to \$15,000 per affordable unit, up to maximum loan amount of \$500,000. For acquisition, predevelopment, and construction financing loan, the term of the loan is up to 24 months with fixed interest ranging from 2% to 4.5%. For permanent financing loan, the term of the loan is up to 55 years with deferred interest rate of up to 3%.

Future principal repayments are estimated as follows:

2012	\$ 2,071,899
2013	1,007,216
2014	157,548
2015	7,894
2016	8,257

HOUSING TRUST OF SANTA CLARA COUNTY, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2011	2010
Office equipment	\$ 27,733	\$ 22,946
Software	43,749	29,572
Furniture and fixtures	53,357	41,979
	<u>124,839</u>	<u>94,497</u>
Less: accumulated depreciation	(92,408)	(79,384)
Total property and equipment	<u>\$ 32,431</u>	<u>\$ 15,113</u>

NOTE 7 – NOTES PAYABLE

Notes payable consist of the following:

	2011		2010	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
Wells Fargo Bank loan, non-interest bearing. Principal is due on March 4, 2012 and was extended for five years through March 4, 2017.	\$ -	\$ 500,000	\$ -	\$ 500,000
Wells Fargo Bank loan, bears 2% simple interest. Required 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 2011 and 2010.	5,000	1,000,000	-	1,000,000
Religious Communities Investment Fund, Inc. loan, bears 2% simple interest. Required quarterly principal and interest payments of \$750 with entire principal and interest due in full on May 2, 2016. Interest expense was \$500 in 2011.	500	150,000	-	-
Mercy Investment Services, Inc. loan, bears 2% simple interest rate. Required quarterly interest payments of \$1,750 with entire principal and interest due on May 15, 2016. Interest expense was \$884 in 2011.	884	350,000	-	-

HOUSING TRUST OF SANTA CLARA COUNTY, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

	2011		2010	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
Silicon Valley Bank loan, non-interest bearing. Principal is due on June 27, 2016.	-	1,000,000	-	-
Total	6,384	3,000,000	-	1,500,000
Less: current portion	(6,384)	-	-	-
Total	\$ -	\$ 3,000,000	\$ -	\$ 1,500,000

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

2012	\$ -
2013	-
2014	-
2015	-
2016	1,500,000

NOTE 8 – 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 were \$1,191,938 and \$1,117,900 as of June 30, 2011 and 2010, respectively.

NOTE 9 – GRANTS AWARDED

Grants payable and expenses are summarized as follows:

<i>Payable to/Description</i>	<i>Payable at June 30, 2011</i>	<i>2011 Grant Expense</i>	<i>Payable at June 30, 2010</i>	<i>2010 Grant Expense</i>
City of San Jose – NSP2 ⁽¹⁾	\$ 2,705,525	\$ 6,736,060	\$ -	\$ -
Other non-profit organizations – transition housing programs ⁽²⁾	204,340	211,829	690,384	835,034
Total	\$ 2,909,865	\$ 6,947,889	\$ 690,384	\$ 835,034

HOUSING TRUST OF SANTA CLARA COUNTY, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

- (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 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.
- (2) Housing Trust has established two programs to assist providers in Santa Clara County with transitioning their clients toward permanent housing:
- Emergency Homelessness Prevention Grants – The program is designed to provide one-time rental assistance to local non-profit agencies working to prevent eviction, or move families into more stable housing. The qualified non-profit agencies may apply for the grant with a maximum amount of \$25,000 and \$12,500 for the year ended June 30, 2011 and 2010, respectively.
 - Safety Net Capital Improvement program – The program is designed to provide funds on a one-time basis to qualifying non-profit agencies serving families and individuals who are homeless or at risk of homelessness. Grant funds are to be used for capital renovations and improvements to existing facilities. The qualified non-profit agencies may apply for the grant with a maximum amount of \$200,000.

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

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

	2011			
	<i>June 30, 2010</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>June 30, 2011</i>
General lending programs	\$ 4,267,193	\$ 2,885,000	\$ (1,226,500)	\$ 5,925,693
First-time Homebuyer Programs	1,234,723	2,288,388	(404,734)	3,118,377
Affordable Multi-Family Rental Program and Homeless with Special Needs Program	244,270	500,000	(134,998)	609,272
	<u>\$ 5,746,186</u>	<u>\$ 5,673,388</u>	<u>\$ (1,766,232)</u>	<u>\$ 9,653,342</u>

	2010			
	<i>June 30, 2009</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>June 30, 2010</i>
General lending programs	\$ 3,691,816	\$ 1,651,500	\$ (1,076,123)	\$ 4,267,193
First-time Homebuyer Programs	911,069	725,000	(401,346)	1,234,723
Affordable Multi-Family Rental Program and Homeless with Special Needs Program	457,798	-	(213,528)	244,270
	<u>\$ 5,060,683</u>	<u>\$ 2,376,500</u>	<u>\$ (1,690,997)</u>	<u>\$ 5,746,186</u>

HOUSING TRUST OF SANTA CLARA COUNTY, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

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. A total of \$5,652,114 and \$2,527,031 was included in temporarily restricted net assets for funds that have secondary-use restrictions as of June 30, 2011 and 2010, respectively.

NOTE 11 – 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. Prior to July 1, 2011, Housing Trust contributed 5% of eligible employees' compensation. As of July 1, 2011, 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 \$29,705 and \$25,245 to the Plan during 2011 and 2010, respectively.

NOTE 12 – LEASE

Housing Trust amended its lease agreement for office space in San Jose in June 2010. The new lease commenced in August 2010 and will expire in July 2014. The future minimum annual lease payments at June 30, 2011 are as follows:

2012	\$	53,951
2013		56,109
2014		58,353
2015		4,879
		<hr/>
	\$	173,292
		<hr/>

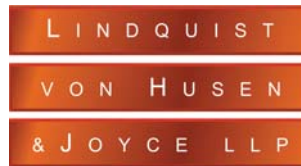
Rent expense for the years ended June 30, 2011 and 2010 was \$49,560 and \$40,211, respectively.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Amounts related to undisbursed loan commitments as of June 30, 2011 follow:

Affordable Multi-Family Rental Program and Homeless with Special Needs Program	\$	2,500,000
First-time Homebuyer Programs		188,046
		<hr/>
	\$	2,688,046
		<hr/>

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

Board of Directors
Housing Trust of Santa Clara County, Inc.
San Jose, California

**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 the financial statements of Housing Trust of Santa Clara County, Inc., a California nonprofit public benefit corporation, as of and for the year ended June 30, 2011, and have issued our report thereon dated February 8, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Housing Trust of Santa Clara County, Inc.’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Trust of Santa Clara County, Inc.’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Housing Trust of Santa Clara County, Inc.’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

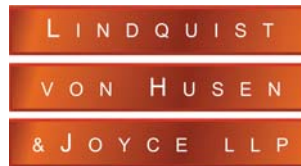
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Trust of Santa Clara County, Inc.'s 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 statements 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*.

This report is intended for the information and use of the management, others within the entity, the board of directors, U.S. Department of Housing and Urban Development and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Lindquist, von Hoven and Joyce LLP

February 8, 2012



Board of Directors
Housing Trust of Santa Clara County, Inc.
San Jose, California

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

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of Housing Trust of Santa Clara County, Inc., a California nonprofit public benefit corporation, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Housing Trust of Santa Clara County, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Housing Trust of Santa Clara County, Inc.'s management. Our responsibility is to express an opinion on Housing Trust of Santa Clara County, Inc.'s compliance based on our audit.

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 of Santa Clara County, Inc.'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. Our audit does not provide a legal determination on Housing Trust of Santa Clara County, Inc.'s compliance with those requirements.

In our opinion, Housing Trust of Santa Clara County, Inc. complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

The management of Housing Trust of Santa Clara County, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Housing Trust of Santa Clara County, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 of Santa Clara County, Inc.'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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the management, others within the entity, the board of directors, U.S. Department of Housing and Urban Development and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Lindquist, von Husen and Joyce LLP

February 8, 2012

HOUSING TRUST OF SANTA CLARA COUNTY, INC.
(A California Nonprofit Public Benefit Corporation)
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2011

<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>			
Direct awards:			
ARRA – Neighborhood Stabilization Program 2	14.256	N/A	\$ 7,787,008
Economic Development Initiative Special Project Grant	14.251	N/A	<u>251,105</u>
TOTAL FEDERAL AWARDS			<u><u>\$ 8,038,113</u></u>

HOUSING TRUST OF SANTA CLARA COUNTY, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO SCHEDULE OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2011

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant and loan activities of Housing Trust of Santa Clara County, Inc. 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 financial statements.

NOTE 2 – PRIOR YEARS' EXPENDITURES

The accompanying schedule of expenditures of federal awards includes \$50,000 in expenditures from prior year for which continuing compliance is required.

HOUSING TRUST OF SANTA CLARA COUNTY, INC.
(A California Nonprofit Public Benefit Corporation)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2011

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

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: Unqualified

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

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

Auditee qualified as low-risk auditee? _____ Yes X No

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

None noted.