



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

(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2013 AND 2012

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

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Board of Directors
Housing Trust Silicon Valley
San Jose, California

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CHARLOTTE SIEW-KUN TAY
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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, 2013 and 2012, 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

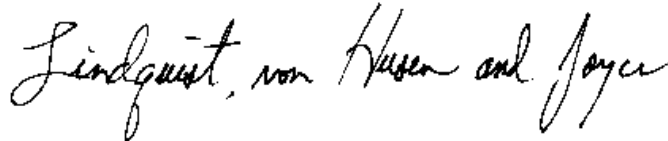
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Housing Trust Silicon Valley as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting 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 26 as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the consolidated financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued a report dated November 22, 2013 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.



November 22, 2013

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
Current assets:		
Cash:		
Unrestricted cash	\$ 3,447,458	\$ 2,082,115
Cash restricted for programs	4,632,683	6,385,051
Total cash	8,080,141	8,467,166
Receivables:		
Contributions (Note 3)	439,619	403,794
Lending capital provided for programs – current (Note 5)	-	1,207,216
Grants receivable	740,091	1,013,976
Others	42,272	69,601
Prepaid expenses	21,580	20,276
Notes receivable, net – current (Note 4)	4,368,046	-
Total current assets	13,691,749	11,182,029
Notes receivable, net – net of current portion (Note 4)		
First-time homebuyer program, net of allowance for loan losses	10,065,879	9,004,459
Affordable housing developer loans	15,217,244	-
Affordable housing and community facilities loan pool	880,608	-
NSP2	2,931,634	2,357,949
Total notes receivable	29,095,365	11,362,408
Less: current portion	(4,368,046)	-
Total non-current notes receivable	24,727,319	11,362,408
Deferred interest receivable		
Lending capital provided for programs – net of current portion (Note 5)	103,152	58,841
Property and equipment – net (Note 6)	1,215,000	15,183,169
Total assets	\$ 39,771,200	\$ 37,811,362
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 65,817	\$ 52,058
Accrued expenses	90,377	66,209
Grants payable (Note 9)	570,912	1,041,468
Interest payable (Note 7)	1,667	6,667
Loan servicing liability	123,951	-
Deferred revenue	258,896	-
Total current liabilities	1,111,620	1,166,402
Funds provided for affordable housing and community facilities		
loan pool without recourse (Note 4)	663,104	-
Notes payable (Note 7)	4,100,000	3,000,000
Total liabilities	5,874,724	4,166,402
Net assets:		
Unrestricted	26,024,856	23,057,467
Temporarily restricted (Note 10)	7,871,620	10,587,493
Total net assets	33,896,476	33,644,960
Total liabilities and net assets	\$ 39,771,200	\$ 37,811,362

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, 2013 AND 2012

	2013			2012		
	<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	\$ 7,930,983	\$ 845,500	\$ 8,776,483	\$ 13,024,915	\$ 2,722,953	\$ 15,747,868
Other	496,090	199,300	695,390	398,973	70,000	468,973
Revenue from special events	171,270	-	171,270	129,107	-	129,107
Less: cost of special events	(53,488)	-	(53,488)	(41,404)	-	(41,404)
Interest and investment income	453,977	-	453,977	360,788	-	360,788
Program service fees	99,922	-	99,922	106,401	-	106,401
Net assets released from restrictions (Note 10)	3,760,673	(3,760,673)	-	1,858,802	(1,858,802)	-
Total support and revenue	<u>12,859,427</u>	<u>(2,715,873)</u>	<u>10,143,554</u>	<u>15,837,582</u>	<u>934,151</u>	<u>16,771,733</u>
Expenses:						
Program services	9,632,281	-	9,632,281	15,680,369	-	15,680,369
Management and general	163,247	-	163,247	263,917	-	263,917
Fundraising	96,510	-	96,510	96,954	-	96,954
Total expenses	<u>9,892,038</u>	<u>-</u>	<u>9,892,038</u>	<u>16,041,240</u>	<u>-</u>	<u>16,041,240</u>
Change in net assets	2,967,389	(2,715,873)	251,516	(203,658)	934,151	730,493
Net assets, beginning of year	<u>23,057,467</u>	<u>10,587,493</u>	<u>33,644,960</u>	<u>23,261,125</u>	<u>9,653,342</u>	<u>32,914,467</u>
Net assets, end of year	<u>\$ 26,024,856</u>	<u>\$ 7,871,620</u>	<u>\$ 33,896,476</u>	<u>\$ 23,057,467</u>	<u>\$ 10,587,493</u>	<u>\$ 33,644,960</u>

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

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

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2013 AND 2012

	2013										
	Program Services						Supporting Services			Total	
	First-Time Home Buyer	Foreclosure Mitigation		HUD	Homeless Housing	Multi-Family Housing	Total Program Services	Management and General	Fundraising		Total Supporting Services
	Foreclosure Help Center	Lease-to-Own Again									
Grants awarded (Note 9)	\$ -	\$ 90,319	\$ -	\$ 7,659,569	\$ 180,531	\$ -	\$ 7,930,419	\$ -	\$ -	\$ -	\$ 7,930,419
Salaries	366,016	88,972	61,751	126,636	128,114	165,195	936,684	100,213	56,713	156,926	1,093,610
Employee benefits	50,636	6,912	10,650	8,837	14,483	20,650	112,168	11,098	6,183	17,281	129,449
Rent	27,439	20,300	4,629	6,048	9,604	12,384	80,404	7,513	4,252	11,765	92,169
Payroll taxes	28,116	7,990	5,119	8,620	9,002	11,758	70,605	6,613	4,086	10,699	81,304
Program administration	47,022	3,709	327	65	678	21,890	73,691	530	5,150	5,680	79,371
Legal and professional	15,489	-	11,425	4,000	5,273	26,367	62,554	4,124	2,334	6,458	69,012
Contractor services	2,597	1,070	530	530	891	41,799	47,417	697	730	1,427	48,844
Interest	42,066	-	-	-	-	-	42,066	-	-	-	42,066
Retirement plan contributions	12,852	3,294	1,927	5,708	5,228	6,028	35,037	4,111	1,919	6,030	41,067
Consulting	-	-	-	-	-	20,000	20,000	1,073	-	1,073	21,073
Auto, mileage and parking	6,025	2,959	929	2,901	1,976	3,071	17,861	1,443	1,002	2,445	20,306
Telephone	4,914	4,247	984	1,048	2,377	2,558	16,128	1,453	887	2,340	18,468
Office supplies	6,542	1,824	993	376	2,109	3,286	15,130	1,559	1,428	2,987	18,117
Outside computer services	7,238	24	966	998	2,004	2,585	13,815	1,568	2,149	3,717	17,532
Insurance	4,120	776	548	4,894	1,138	1,467	12,943	890	504	1,394	14,337
Printing and reproduction	2,483	5,883	502	-	845	1,090	10,803	661	469	1,130	11,933
Meetings and conferences	3,210	200	503	82	1,043	2,935	7,973	1,027	1,039	2,066	10,039
Staff development	3,475	40	495	-	1,028	2,785	7,823	1,197	951	2,148	9,971
Membership dues	3,826	250	645	-	1,339	1,727	7,787	1,048	968	2,016	9,803
Equipment and maintenance	2,817	1,388	475	1,297	986	1,272	8,235	771	436	1,207	9,442
Donations/sponsorships	-	-	-	-	-	-	-	7,860	-	7,860	7,860
Advertising and promotion	353	3,250	-	1,500	-	-	5,103	-	1,500	1,500	6,603
Miscellaneous	300	1,566	-	-	-	100	1,966	3,292	1,000	4,292	6,258
Travel and accommodations	1,672	52	156	303	324	2,806	5,313	254	164	418	5,731
Taxes – other	3,327	-	124	-	257	332	4,040	1,289	114	1,403	5,443
Bank service charges	2,000	-	249	730	517	731	4,227	404	229	633	4,860
Payroll processing fees	1,399	-	324	-	490	631	2,844	383	217	600	3,444
Postage and delivery	1,130	466	71	103	167	212	2,149	115	400	515	2,664
Capital purchases – equipment	29	991	559	307	10	13	1,909	8	496	504	2,413
Staff recruitment	300	385	10	-	-	690	1,385	214	150	364	1,749
Publications	410	30	69	-	143	185	837	112	64	176	1,013
Website support	90	94	15	-	32	41	272	25	13	38	310
Total operating expenses before provision for loan losses and depreciation	647,893	246,991	104,975	7,834,552	370,589	354,588	9,559,588	161,545	95,547	257,092	9,816,680
Provision for loan losses	60,447	-	-	-	-	-	60,447	-	-	-	60,447
Depreciation	6,216	-	1,049	-	2,176	2,805	12,246	1,702	963	2,665	14,911
Total expenses as shown in the consolidated statements of activities	714,556	246,991	106,024	7,834,552	372,765	357,393	9,632,281	163,247	96,510	259,757	9,892,038
Cost of special events	-	-	-	-	-	-	-	-	53,488	53,488	53,488
Total expenses	\$ 714,556	\$ 246,991	\$ 106,024	\$ 7,834,552	\$ 372,765	\$ 357,393	\$ 9,632,281	\$ 163,247	\$ 149,998	\$ 313,245	\$ 9,945,526

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, 2013 AND 2012

	2012									
	<i>Program Services</i>					<i>Supporting Services</i>				<i>Total</i>
	<i>First-Time Home Buyer</i>	<i>HUD</i>	<i>Homeless Housing</i>	<i>Multi-Family Housing</i>	<i>Total Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total Supporting Services</i>		
Grants awarded (Note 9)	\$ -	\$ 13,164,719	\$ 9,860	\$ -	\$ 13,174,579	\$ -	\$ -	\$ -	\$ 13,174,579	
Salaries	272,339	201,607	126,297	64,491	664,734	86,622	55,762	142,384	807,118	
Employee benefits	47,639	35,194	22,092	11,280	116,205	15,151	9,753	24,904	141,109	
Program administration	45,888	3,512	30,664	30,414	110,478	469	217	686	111,164	
Rent	989	13,574	-	-	14,563	45,309	-	45,309	59,872	
Payroll taxes	18,655	13,782	8,650	4,417	45,504	5,933	3,819	9,752	55,256	
Legal and professional	267	18,964	-	3,954	23,185	31,587	-	31,587	54,772	
Advertising and promotion	698	733	-	-	1,431	39,857	-	39,857	41,288	
Outside computer services	9,536	5,531	3,617	1,524	20,208	5,154	6,712	11,866	32,074	
Consulting	-	23,476	-	-	23,476	8,027	-	8,027	31,503	
Retirement plan contributions	10,438	6,716	5,250	2,992	25,396	3,709	2,289	5,998	31,394	
Interest	30,282	-	-	-	30,282	-	-	-	30,282	
Travel and accommodations	6,287	4,510	1,573	671	13,041	1,721	2,897	4,618	17,659	
Insurance	4,576	1,918	1,996	948	9,438	1,684	929	2,613	12,051	
Telephone	4,411	1,737	1,735	731	8,614	1,881	1,521	3,402	12,016	
Office supplies	4,468	1,748	1,514	638	8,368	1,641	1,166	2,807	11,175	
Equipment and maintenance	4,024	1,822	1,608	677	8,131	1,742	807	2,549	10,680	
Meetings and conferences	3,291	613	1,123	473	5,500	1,610	732	2,342	7,842	
Printing and reproduction	1,459	581	451	190	2,681	489	4,319	4,808	7,489	
Taxes – other	5,785	955	193	81	7,014	210	97	307	7,321	
Membership dues	3,241	-	1,135	478	4,854	1,230	569	1,799	6,653	
Postage and delivery	2,822	309	870	366	4,367	942	810	1,752	6,119	
Bank service charges	561	1,209	-	93	1,863	2,025	78	2,103	3,966	
Miscellaneous	488	-	195	82	765	2,931	99	3,030	3,795	
Staff development	970	30	262	111	1,373	284	2,032	2,316	3,689	
Payroll processing fees	1,016	750	471	240	2,477	323	208	531	3,008	
Staff recruitment	669	26	140	59	894	151	525	676	1,570	
Website support	100	250	450	450	1,250	-	-	-	1,250	
Publications	336	-	134	56	526	146	67	213	739	
Capital purchases – equipment	487	-	-	-	487	-	-	-	487	
Meals and entertainment	137	-	55	23	215	59	143	202	417	
Total operating expenses before provision for loan losses and depreciation	481,859	13,504,266	220,335	125,439	14,331,899	260,887	95,551	356,438	14,688,337	
Provision for loan losses	1,337,500	-	-	-	1,337,500	-	-	-	1,337,500	
Depreciation	6,995	-	2,797	1,178	10,970	3,030	1,403	4,433	15,403	
Total expenses as shown in the consolidated statements of activities	1,826,354	13,504,266	223,132	126,617	15,680,369	263,917	96,954	360,871	16,041,240	
Cost of special events	-	-	-	-	-	-	41,404	41,404	41,404	
Total expenses	\$ 1,826,354	\$ 13,504,266	\$ 223,132	\$ 126,617	\$ 15,680,369	\$ 263,917	\$ 138,358	\$ 402,275	\$ 16,082,644	

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, 2013 AND 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 251,516	\$ 730,493
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	14,911	15,403
Provision for loan losses	60,447	1,337,500
Loss on retirement of property and equipment	1,057	-
Net amortization of discount on contributions receivable	-	(11,700)
(Increase) decrease in assets:		
Grants receivable	273,885	1,835,170
Contributions receivable – net	(35,825)	1,707,737
Other receivable	27,329	21,007
Prepaid expenses	(1,304)	(5,425)
Deferred interest receivable	(44,311)	(36,847)
Increase (decrease) in liabilities:		
Accounts payable	13,759	42,217
Accrued expenses	24,168	(6,336)
Grants payable	(470,556)	(1,868,397)
Interest payable	(5,000)	283
Loan servicing liability	123,951	-
Deferred revenue	258,896	-
	492,923	3,761,105
Net cash provided by operating activities		
Cash flows from investing activities:		
Lending capital provided for programs	(614,679)	(3,560,500)
Repayment of lending capital provided for programs	572,820	1,878,185
Notes receivable disbursed	(3,295,259)	(3,701,495)
Collection of notes receivable	1,828,129	492,426
Acquisition of notes receivable – loan pool fund	(243,167)	-
Purchase of property and equipment	(25,033)	(7,887)
	(1,777,189)	(4,899,271)
Net cash used in investing activities		
Cash flows from financing activities:		
Payment of affordable housing loan pool liability	(202,759)	-
Proceeds from notes payable	1,100,000	-
	897,241	-
Net cash provided by financing activities		
Decrease in cash	(387,025)	(1,138,166)
Cash, beginning of year	8,467,166	9,605,332
Cash, end of year	\$ 8,080,141	\$ 8,467,166
Supplementary information:		
Cash paid for interest	\$ 47,066	\$ 25,000
Noncash investing and financing activities:		
Assets acquired by assuming liabilities	\$ 865,863	\$ -

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, 2013 AND 2012

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Housing Trust Silicon Valley (Housing Trust) was incorporated on May 22, 2000 as a non-profit public benefit corporation. Housing Trust was formed with the mission to make Silicon Valley a more affordable place to live. Housing Trust makes loans and grants to increase the supply of affordable housing, assist first-time homebuyers, prevent homelessness and stabilize neighborhoods. Housing Trust changed its name from Housing Trust of Santa Clara County, Inc. in March 2013.

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

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

- First-time Homebuyer Programs – Housing Trust offers the Downpayment Assistance Program, Mortgage Assistance Program, Closing Cost Assistance Program, Equity Share Co-Investment and the GAP Assistance Program to help qualified first-time homebuyers in Santa Clara County with second mortgage, downpayment and closing costs.
- ForeclosureHelpSCC – Housing Trust was awarded a \$300,000 grant from the City of San Jose Housing Department CDBG funds. Housing Trust is the lead entity in the ForeclosureHelpSCC consortium, which also includes Asian Inc., Law Foundation of Silicon Valley, Neighborhood Housing Services Silicon Valley, Project Sentinel, Santa Clara County Association of Realtors, and Surepath Financial Solutions. ForeclosureHelpSCC provides information and referral services to assist families impacted by foreclosure navigate through the foreclosure process. Services provided include prevention, intervention and family re-stabilization. Volunteer staff meets with families to determine their circumstances and connect them to the appropriate resources including HUD-certified foreclosure prevention counselors, nonprofit legal services, emergency financial assistance and other housing services.
- 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.
- 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.

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

- 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 uses 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, reduces the number of foreclosed or abandoned homes and residential properties in the targeted areas and help to stabilize the housing market. During 2013 and 2012, Housing Trust recognized revenue of \$7,804,174 and \$14,851,868, respectively from NSP2, and is included in government contributions in the accompanying consolidated statements of activities.

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.

During 2012, Housing Trust was certified as a Community Development Financial Institution (CDFI) by the U.S. Department of Treasury – CDFI.

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.

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.

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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 \$6,606,000 as of June 30, 2013. Housing Trust has not experienced any losses in such accounts.

Notes Receivable and Allowance for Loan Losses

Notes receivable consists of loans made to first-time homebuyers and developers under the First-time Homebuyer, NSP2, and Affordable Housing Programs, respectively, and are carried at their outstanding principal balances, net of an allowance for loan losses. Loan origination fees are recognized immediately, which management has determined is not materially different from generally accepted accounting principles. All notes are secured except for \$340,000. Management has the intent and ability to hold these notes in the foreseeable future or until maturity or payoff.

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

Property and Equipment

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

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Income Taxes

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

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 2009 through 2012 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 November 22, 2013, the date on which the consolidated financial statements were available to be issued.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows:

	2013	2012
Restricted for programs	\$ 402,625	\$ 340,000
Unrestricted contributions	36,994	63,794
Gross contributions receivable ⁽¹⁾	\$ 439,619	\$ 403,794
Amounts due in:		
Less than one year	\$ 439,619	\$ 403,794

⁽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 approximately \$156,000 and \$-0- as of June 30, 2013 and 2012, respectively.

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NOTE 4 – NOTES RECEIVABLE

Notes receivable consists of the following:

	2013	2012
First-time Homebuyer Programs ⁽¹⁾		
Closing Cost Assistance Program (CCA) ⁽²⁾	\$ 6,188,722	\$ 6,647,817
Mortgage Assistance Program (MAP) ⁽³⁾	4,313,369	3,049,154
Equity Share Co-Investment (ESCO) ⁽⁴⁾	437,788	557,488
Gap Assistance Program (GAP) ⁽⁵⁾	141,000	-
Subtotal	11,080,879	10,254,459
Affordable Housing Developer Loans ⁽⁶⁾		
Affordable Multi-Family Rental Program	8,724,359	-
Homeless with Special Needs Program	6,492,885	-
Subtotal	15,217,244	
Affordable Housing and Community Facilities Loan Pool		
Loan Pool Fund I ⁽⁷⁾	880,608	-
NSP2		
Purchase Assistance Loan (PAL) ⁽⁸⁾	2,181,634	2,357,949
Dream Home ⁽⁹⁾	750,000	-
	2,931,634	2,357,949
Gross notes receivable	30,110,365	12,612,408
Less: allowance for loan losses	(1,015,000)	(1,250,000)
Net notes receivable	29,095,365	11,362,408
Less: current portion	(4,368,046)	-
Long-term portion	\$ 24,727,319	\$ 11,362,408

⁽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.

⁽²⁾ CCA – 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.

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- (3) MAP – 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 July 1, 2012, new loans bear interest rate at a rate 1% 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) 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.
- (5) GAP – maximum loan amount is \$50,000, secured by deeds of trust and bears interest at 3%. Payment of principal and accrued interest is deferred until maturity date of the related first loan, or upon any sale, transfer, assignment or refinance of the first loan or upon default of the terms of Housing Trust loan, whichever occurs first.
- (6) Affordable Housing Developer Loans – Opportunity Fund (OF) had served 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 (see Note 5). Effective January 2013, OF assigned its responsibility back to Housing Trust. Housing Trust underwrites and closes loans to qualified developers. Housing Trust is responsible for monitoring and receiving monthly payments from the borrowers, on a quarterly basis. 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%.
- (7) Loan Pool Fund I – OF had entered into agreements with Investor Banks whereby Investor Banks committed to provide funds to enable OF to originate affordable housing and community facilities loans. In May 2013, OF assigned all rights, titles, interests in and obligations under the Amended Funds Pooling Agreement to Housing Trust. An amount of \$243,167 was paid by Housing Trust for the difference between the notes receivable acquired and the liabilities assumed. Total liabilities to Investor Banks under the Amended Funds Pooling Agreement as of June 30, 2013 is \$663,104.

Housing Trust is responsible for monitoring and receiving monthly payments from the borrowers, on a quarterly basis. 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 a custodian fee and 50% is shared proportionately among all investors and is remitted to Investor Banks on a quarterly basis. Interest rates for the loans assigned range from 7.0% to 8.0%.

- (8) 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 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 PAL program was discontinued as of June 30, 2013.

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(9) Dream Home loan program is designed to assist developers purchase foreclosed or abandoned homes through the NSP2 acquisition/rehabilitation program managed by the City of San Jose. Loans are secured by first deed of trust and have a maximum loan amount of \$150,000 and bear interest at 5%. Payment of principal and accrued interest is due upon the rehabilitation and subsequent sale of the property to moderate- and low-income homebuyers. Repayment on all loans is expected not to exceed 9 months.

The following are the details of activities on the allowance for loan losses during the years ended June 30, 2013 and 2012:

	2013	2012
Balance, beginning of year	\$ 1,250,000	\$ 550,000
Provision for loan losses during the year	60,447	1,337,500
Write-off	(295,447)	(637,500)
Balance, end of year	<u>\$ 1,015,000</u>	<u>\$ 1,250,000</u>

Future maturities on First-time Home Buyer and PAL notes receivable within the next five years cannot be reasonably estimated.

Future principal repayments for the Affordable Housing and Dream Home loans are estimated as follows:

2014	\$ 4,368,046
2015	362,562
2016	500,000
2017	-
2018	-

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, 2013, follow:

	<i>Interest bearing</i>	<i>Non-interest bearing</i>	<i>Allowance</i>	<i>Total</i>
2 nd liens and less	\$ 7,302,105	\$ 2,434,007	\$ (619,175)	\$ 9,116,937
3 rd liens	303,027	2,449,013	(122,989)	2,629,051
4 th liens	394,791	4,165,819	(116,738)	4,443,872
5 th liens and greater	1,037,949	5,889,348	(156,098)	6,771,199
Secured by UCC1	1,306,305	4,488,001	-	5,794,306
Unsecured	-	340,000	-	340,000
Total	<u>\$ 10,344,177</u>	<u>\$ 19,766,188</u>	<u>\$ (1,015,000)</u>	<u>\$ 29,095,365</u>

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NOTE 5 – LENDING CAPITAL PROVIDED FOR PROGRAMS

Lending capital provided for programs consists of the following:

	2013	2012
Neighborhood Housing Services Silicon Valley: Downpayment Assistance Program ⁽¹⁾	\$ 1,215,000	\$ 1,215,000
Opportunity Fund:		
Affordable Multi-Family Rental Program ⁽²⁾	-	8,666,104
Homeless with Special Needs Program ⁽²⁾	-	6,509,281
Total	1,215,000	16,390,385
Less: current portion	-	(1,207,216)
Long-term portion	\$ 1,215,000	\$ 15,183,169

⁽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 serves as the lender and holds 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 no loans and 6 loans originated by NHSSV totaling \$-0- and \$127,450 as of June 30, 2013 and 2012, respectively.

⁽²⁾ Housing Trust had an agreement with 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 worked under the direction of the chief executive officer of Housing Trust to underwrite and close loans using Housing Trust funds as the source of capital to the qualified developers. OF served as the lender and held the note and deed of trust. OF was also responsible for monitoring and receiving monthly payments from the borrowers and remitting the same to Housing Trust including any interest earned on idle funds, on a quarterly basis. For the years ended June 30, 2013 and 2012, fees to OF for these services were \$21,016 and \$34,467, respectively. Effective January 2013, the loans funded by Housing Trust funds were assigned to Housing Trust (see Note 4).

Future principal repayments for the Downpayment Assistance loans are estimated as follows:

2014	\$ 9,600
2015	26,340
2016	44,540
2017	46,638
2018	46,638

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NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2013	2012
Office equipment	\$ 11,521	\$ 6,880
Software	26,229	19,510
Furniture and fixtures	64,742	52,390
	<u>102,492</u>	<u>78,780</u>
Less: accumulated depreciation	(68,512)	(53,865)
Total property and equipment	<u>\$ 33,980</u>	<u>\$ 24,915</u>

NOTE 7 – NOTES PAYABLE

Notes payable are secured unless otherwise stated and consist of the following:

	2013		2012	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
Wells Fargo Bank unsecured loan, non-interest bearing. Principal was originally due on March 4, 2012 and was extended for five years through March 4, 2017.	\$ -	\$ 500,000	\$ -	\$ 500,000
Wells Fargo Bank unsecured 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 2013 and 2012.	-	1,000,000	5,000	1,000,000
Religious Communities Investment Fund, Inc. unsecured 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 \$3,000 annually for 2013 and 2012.	500	150,000	500	150,000
Mercy Investment Services, Inc. unsecured 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 \$7,000 and \$7,282 for 2013 and 2012, respectively.	1,167	350,000	1,167	350,000

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	2013		2012	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
Silicon Valley Bank unsecured loan, non-interest bearing. Principal is due on June 27, 2016.	-	1,000,000	-	1,000,000
U.S. Bank loan, bears 3% simple interest rate. Housing Trust must have not less than \$1.5 million in unrestricted cash, cash equivalents, and short-term receivables on the last day of the fiscal year-end. Required quarterly interest payments effective April 1, 2013 with the entire principal and interest due in December 2017. Interest expense was \$12,000 and \$-0- for 2013 and 2012, respectively.	-	750,000	-	-
Boston Private Bank & Trust loan, bears 3% simple interest. Housing Trust must have not less than \$1.5 million in unrestricted cash, cash equivalents, and short-term receivables on the last day of the fiscal year-end. Required quarterly interest payments with the entire principal and interest due in April 2018. Interest expense was \$66 and \$-0- for 2013 and 2012, respectively.	-	350,000	-	-
Total	1,667	4,100,000	6,667	3,000,000
Less: current portion	(1,667)	-	(6,667)	-
Total	\$ -	\$ 4,100,000	\$ -	\$ 3,000,000

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

2014	\$ -
2015	-
2016	1,500,000
2017	500,000
2018	1,100,000

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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 \$198,761 and \$162,740 as of June 30, 2013 and 2012, respectively.

NOTE 9 – GRANTS AWARDED

Grants payable and expenses are summarized as follows:

<i>Payable to/Description</i>	<i>Payable at June 30, 2013</i>	<i>2013 Grant Expense</i>	<i>Payable at June 30, 2012</i>	<i>2012 Grant Expense</i>
City of San Jose – NSP2 ⁽¹⁾	\$ 559,116	\$ 7,659,569	\$ 1,041,468	\$ 13,164,719
Other nonprofit organizations – ForeclosureHelpSCC – CDBG ⁽²⁾	11,796	90,319	-	-
Other individuals – Finally Home Security Deposit Program ⁽³⁾	-	180,531	-	9,860
Total	\$ 570,912	\$ 7,930,419	\$ 1,041,468	\$ 13,174,579

⁽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 2013 and 2012, proceeds from sale of rehabilitated homes received from the City were \$3,628,944 and \$7,626,560, 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⁾ 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.

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NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

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

	2013			
	<i>June 30, 2012</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>June 30, 2013</i>
General lending programs	\$ 5,997,332	\$ 674,300	\$ (1,229,744)	\$ 5,441,888
First-time Homebuyer Programs	2,671,841	245,500	(594,707)	2,322,634
Affordable Multi-Family Rental Program and Homeless with Special Needs Program	1,858,180	-	(1,751,082)	107,098
Finally Home Program	20,140	125,000	(145,140)	-
Homeownership Counseling Program	40,000	-	(40,000)	-
	<u>\$ 10,587,493</u>	<u>\$ 1,044,800</u>	<u>\$ (3,760,673)</u>	<u>\$ 7,871,620</u>

	2012			
	<i>June 30, 2011</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>June 30, 2012</i>
General lending programs	\$ 5,875,693	\$ 889,500	\$ (767,861)	\$ 5,997,332
First-time Homebuyer Programs	1,668,377	1,833,453	(829,989)	2,671,841
Affordable Multi-Family Rental Program and Homeless with Special Needs Program	2,109,272	-	(251,092)	1,858,180
Finally Home Program	-	30,000	(9,860)	20,140
Homeownership Counseling Program	-	40,000	-	40,000
	<u>\$ 9,653,342</u>	<u>\$ 2,792,953</u>	<u>\$ (1,858,802)</u>	<u>\$ 10,587,493</u>

Contributions received from government entities are released from restrictions once the funds are disbursed to qualified borrowers within the cities specified by the donors, granted as contributions to qualified organizations or used as program expense based on maximum amounts allowed by the donors. To the extent that agreements have secondary-use restrictions requiring Housing Trust to re-use the funds for another purpose, then restrictions are released when the secondary-use restrictions are fulfilled either through grants made to qualified organizations or use of funds for program expenses based on maximum amounts allowed by the donors. A total of \$2,631,260 and \$2,473,758 of restricted cash was included in temporarily restricted net assets for funds that have secondary-use restrictions as of June 30, 2013 and 2012, 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. 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 \$41,067 and \$31,394 to the Plan during 2013 and 2012, respectively.

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NOTE 12 – LEASE

Housing Trust amended its lease agreement for office space in San Jose effective January 1, 2013. The new lease will expire in July 2015. Effective June 2012, Housing Trust entered into a lease agreement to lease an additional office space for the Foreclosure Help Center, which expired in June 2013. The future minimum annual lease payments at June 30, 2013 are as follows:

2014	\$ 75,479
2015	75,598
2016	<u>6,355</u>
	<u>\$ 157,432</u>

Rent expense for the years ended June 30, 2013 and 2012 was \$92,169 and \$59,872, respectively.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Amounts related to undisbursed loan commitments as of June 30, 2013 are as follows:

Affordable Multi-Family Rental Program and Homeless with Special Needs Program	<u>\$ 1,155,000</u>
	<u>\$ 1,155,000</u>

SUPPLEMENTARY INFORMATION



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

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, 2013, 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 November 22, 2013.

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 Huen and Joyce

November 22, 2013



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

Board of Directors
Housing Trust Silicon Valley
San Jose, California

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

Report on Compliance for Each Major Federal Program

We have audited Housing Trust Silicon Valley's compliance, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Housing Trust Silicon Valley's major federal programs for the year ended June 30, 2013. Housing Trust Silicon Valley's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Housing Trust Silicon Valley complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.


Report on Internal Control Over Compliance

Management of Housing Trust Silicon Valley is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Housing Trust Silicon Valley's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of Housing Trust Silicon Valley's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



November 22, 2013

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2013

<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	\$ 10,282,372
Pass-through awards from the City of San Jose:			
Community Development Block Grants Program	14.218		231,309
Pass-through awards from the Enterprise Community Partners, Inc.:			
Capacity Building for Community Development and Affordable Housing	14.252		<u>50,000</u>
TOTAL FEDERAL AWARDS			<u><u>\$ 10,563,681</u></u>

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO SCHEDULE OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – PRIOR YEARS' EXPENDITURES

The accompanying schedule of expenditures of federal awards includes \$2,357,949 in expenditures from prior year for which continuing compliance is required.

HOUSING TRUST SILICON VALLEY
 (A California Nonprofit Public Benefit Corporation)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2013

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs: Name of Federal Program or Cluster

CFDA #14.256 Neighborhood Stabilization Program 2

Dollar threshold used to distinguish between Type A and Type B programs: \$316,910

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.