



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, 2014 AND 2013

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
 CONSOLIDATED FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2014 AND 2013

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Board of Directors
Housing Trust Silicon Valley
San Jose, California

JAMES M. KRAFT
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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, 2014 and 2013, 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, 2014 and 2013, 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 31 as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the consolidated financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued a report dated October 10, 2014 on our consideration of Housing Trust Silicon Valley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Trust Silicon Valley's internal control over financial reporting and compliance.

Lindquist, von Husen and Joyce LLP

October 10, 2014

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

ASSETS	2014	2013
Current assets:		
Cash:		
Unrestricted cash	\$ 3,302,194	\$ 3,447,458
Cash restricted for programs	6,160,842	4,632,683
Total cash	9,463,036	8,080,141
Investments (Note 3)	4,116,936	-
Receivables:		
Contributions (Note 4)	624,819	439,619
Grants receivable	18,256	740,091
Others	33,065	42,272
Prepaid expenses	25,132	21,580
Notes receivable, net – current (Note 5)	1,637,574	2,368,046
Total current assets	15,918,818	11,691,749
Notes receivable, net – net of current portion (Note 5)		
Homebuyer program, net of allowance for loan losses	9,572,974	10,065,879
Affordable housing developer loans, net of allowance for loan losses	15,847,461	15,217,244
Affordable housing and community facilities loan pool	387,574	880,608
Affordable housing growth fund, net of allowance for loan losses	2,183,898	-
Neighborhood Stabilization Program (NSP2)	2,241,634	2,931,634
Total notes receivable	30,233,541	29,095,365
Less: current portion	(1,637,574)	(2,368,046)
Total non-current notes receivable	28,595,967	26,727,319
Deferred interest receivable	267,192	103,152
Lending capital provided for programs (Note 6)	1,215,000	1,215,000
Property and equipment – net (Note 7)	33,897	33,980
Total assets	\$ 46,030,874	\$ 39,771,200
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 89,450	\$ 65,817
Accrued expenses	97,615	90,377
Grants payable (Note 10)	138,007	570,912
Interest payable (Note 8)	1,667	1,667
Loan servicing liability	22,219	123,951
Deferred revenue (Note 11)	1,459,816	258,896
Total current liabilities	1,808,774	1,111,620
Non-recourse bank loan capital (Note 5)	3,073,806	663,104
Notes payable (Note 8)	5,600,000	4,100,000
Total liabilities	10,482,580	5,874,724
Net assets:		
Unrestricted	26,091,471	26,024,856
Temporarily restricted (Note 12)	9,456,823	7,871,620
Total net assets	35,548,294	33,896,476
Total liabilities and net assets	\$ 46,030,874	\$ 39,771,200

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, 2014 AND 2013

	2014			2013		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Support and revenue:						
Government grants and contributions:						
NSP2	\$ 890,240	\$ 273,594	\$ 1,163,834	\$ 7,704,174	\$ 100,000	\$ 7,804,174
Other grants and contributions	108,226	2,898,456	3,006,682	226,809	745,500	972,309
Other contributions	440,469	230,000	670,469	496,090	199,300	695,390
Revenue from special events	211,617	-	211,617	171,270	-	171,270
Less: cost of special events	(62,267)	-	(62,267)	(53,488)	-	(53,488)
Interest income	632,606	-	632,606	453,977	-	453,977
Investment return (Note 3)	140,264	-	140,264	-	-	-
Program service fees	184,817	-	184,817	99,922	-	99,922
Net assets released from restrictions (Note 12)	1,816,847	(1,816,847)	-	3,760,673	(3,760,673)	-
Total support and revenue	<u>4,362,819</u>	<u>1,585,203</u>	<u>5,948,022</u>	<u>12,859,427</u>	<u>(2,715,873)</u>	<u>10,143,554</u>
Expenses:						
Program services	4,022,618	-	4,022,618	9,632,281	-	9,632,281
Management and general	123,515	-	123,515	163,247	-	163,247
Fundraising	150,071	-	150,071	96,510	-	96,510
Total expenses	<u>4,296,204</u>	<u>-</u>	<u>4,296,204</u>	<u>9,892,038</u>	<u>-</u>	<u>9,892,038</u>
Change in net assets	66,615	1,585,203	1,651,818	2,967,389	(2,715,873)	251,516
Net assets, beginning 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>
Net assets, end of year	<u>\$ 26,091,471</u>	<u>\$ 9,456,823</u>	<u>\$ 35,548,294</u>	<u>\$ 26,024,856</u>	<u>\$ 7,871,620</u>	<u>\$ 33,896,476</u>

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, 2014 AND 2013

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

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

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

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2014 AND 2013

	2013										
	Program Services							Supporting Services			
	Home Buyer	Foreclosure Mitigation		HUD	Homeless Housing	Multi-Family Housing	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Foreclosure Help Center		Lease-to-Own Again									
Grants awarded (Note 10)	\$ -	\$ 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
Interest	42,066	-	-	-	-	-	42,066	-	-	-	42,066
Payroll taxes	28,116	7,990	5,119	8,620	9,002	11,758	70,605	6,613	4,086	10,699	81,304
Advertising and promotion	353	3,250	-	1,500	-	-	5,103	-	1,500	1,500	6,603
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
Legal and professional	15,489	-	11,425	4,000	5,273	26,367	62,554	4,124	2,334	6,458	69,012
Consulting	-	-	-	-	-	20,000	20,000	1,073	-	1,073	21,073
Outside computer services	7,238	24	966	998	2,004	2,585	13,815	1,568	2,149	3,717	17,532
Program administration	47,022	3,709	327	65	678	21,890	73,691	530	5,150	5,680	79,371
Investment management fees	-	-	-	-	-	-	-	-	-	-	-
Office supplies	6,542	1,824	993	376	2,109	3,286	15,130	1,559	1,428	2,987	18,117
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
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
Travel and accommodations	1,672	52	156	303	324	2,806	5,313	254	164	418	5,731
Staff development	3,475	40	495	-	1,028	2,785	7,823	1,197	951	2,148	9,971
Telephone	4,914	4,247	984	1,048	2,377	2,558	16,128	1,453	887	2,340	18,468
Donations/sponsorships	-	-	-	-	-	-	-	7,860	-	7,860	7,860
Membership dues	3,826	250	645	-	1,339	1,727	7,787	1,048	968	2,016	9,803
Meetings and conferences	3,210	200	503	82	1,043	2,935	7,973	1,027	1,039	2,066	10,039
Equipment and maintenance	2,817	1,388	475	1,297	986	1,272	8,235	771	436	1,207	9,442
Bank service charges	2,000	-	249	730	517	731	4,227	404	229	633	4,860
Postage and delivery	1,130	466	71	103	167	212	2,149	115	400	515	2,664
Taxes - other	3,327	-	124	-	257	332	4,040	1,289	114	1,403	5,443
Publications	410	30	69	-	143	185	837	112	64	176	1,013
Payroll processing fees	1,399	-	324	-	490	631	2,844	383	217	600	3,444
Website support	90	94	15	-	32	41	272	25	13	38	310
Miscellaneous	300	1,566	-	-	-	100	1,966	3,292	1,000	4,292	6,258
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
Contractor services	2,597	1,070	530	530	891	41,799	47,417	697	730	1,427	48,844
Total operating expenses before provision for loan losses, debt forgiveness 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
Debt forgiveness	-	-	-	-	-	-	-	-	-	-	-
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 CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 1,651,818	\$ 251,516
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Unrealized gain on investments	(80,043)	-
Provision for loan losses	237,557	60,447
Debt forgiveness	100,000	-
Depreciation	13,852	14,911
Loss on retirement of property and equipment	34	1,057
(Increase) decrease in assets:		
Contributions receivable	(185,200)	(35,825)
Grants receivable	740,091	273,885
Other receivable	(9,049)	27,329
Prepaid expenses	(3,552)	(1,304)
Deferred interest receivable	(164,040)	(44,311)
Increase (decrease) in liabilities:		
Accounts payable	23,633	13,759
Accrued expenses	7,238	24,168
Grants payable	(432,905)	(470,556)
Interest payable	-	(5,000)
Loan servicing liability	(101,732)	123,951
Deferred revenue	1,200,920	258,896
Net cash provided by operating activities	2,998,622	492,923
Cash flows from investing activities:		
Purchase of investments	(4,036,893)	-
Notes receivable disbursed	(5,145,297)	(3,295,259)
Collection of notes receivable	3,669,564	1,828,129
Acquisition of notes receivable – Loan Pool Fund I	-	(243,167)
Lending capital provided for programs	-	(614,679)
Repayment of lending capital provided for programs	-	572,820
Purchase of property and equipment	(13,803)	(25,033)
Net cash used in investing activities	(5,526,429)	(1,777,189)
Cash flows from financing activities:		
Non-recourse bank loan capital received	2,776,211	-
Non-recourse bank loan capital returned	(365,509)	-
Payment of affordable housing loan pool liability	-	(202,759)
Proceeds from notes payable	1,500,000	1,100,000
Net cash provided by financing activities	3,910,702	897,241
Net increase (decrease) in cash	1,382,895	(387,025)
Cash, beginning of year	8,080,141	8,467,166
Cash, end of year	\$ 9,463,036	\$ 8,080,141
Supplementary information:		
Cash paid for interest	\$ 80,539	\$ 47,066
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, 2014 AND 2013

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

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

- Homebuyer Programs – Housing Trust offers the Downpayment Assistance Program, Mortgage Assistance Program, Closing Cost Assistance Program, Equity Share Co-Investment and the GAP Assistance Program to help qualified homebuyers in 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 loans to qualified developers of affordable multi-family rental housing.
- Homeless and Special Needs Program – The program is designed to help prevent homelessness in cities across Santa Clara County through grants and loans to qualified developers of housing for the homeless and/or those with special needs.

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

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

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- Neighborhood Stabilization Program (NSP2) – In February 2010, Housing Trust was awarded \$25,000,000 in NSP2 funds from the U.S. Department of Housing and Urban Development (HUD) under the American Recovery and Reinvestment Act. Housing Trust is the lead entity in the San Jose Consortium, which also includes the City of San Jose (the City) and Neighborhood Housing Services Silicon Valley. These NSP2 funds are being used in targeted areas across 35 census tracts that have been the hardest hit by foreclosures within the City of San Jose. Housing Trust 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 2014 and 2013, Housing Trust recognized revenue of \$1,163,834 and \$7,804,174, respectively from NSP2, and is included in government grants and contributions in the accompanying consolidated statements of activities.

Housing Trust is certified as a Community Development Financial Institution (CDFI) by the U.S. Department of Treasury – CDFI Fund. As a certified CDFI, Housing Trust is eligible to receive Technical Assistance and Financial Assistance awards from the CDFI Fund to promote economic revitalization in low-income communities. Technical Assistance awards of up to \$125,000 allow CDFIs to build their capacity to provide affordable financial products and services to low-income communities and families. Financial Assistance awards of up to \$2,000,000 can be in the form of grants, loans, deposits or equity investments and are used for financing capital, loan loss reserves, capital reserves or operations. CDFIs are required to match Financial Assistance awards dollar-for-dollar with non-federal funds of the same type as the award itself. Housing Trust was awarded a Financial Assistance Award of \$1,347,000 and a Technical Assistance award of \$100,000 in 2014 and 2013, respectively, which are included in government grants and contributions on the Statement 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.

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.

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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, if any, are not included as support until the conditions are substantially met.

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

Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash. Generally, only investments with original maturities of 3 months or less qualify as cash equivalents. Housing Trust occasionally maintains cash on deposit at various banks in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balance was approximately \$7,728,000 as of June 30, 2014. Housing Trust has not experienced any losses in such accounts.

Investments

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

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

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

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

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

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

Notes Receivable and Allowance for Loan Losses

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

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

Property and Equipment

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

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 2010 through 2013 are subject to examination by regulatory agencies, generally for three years and four years after they were filed federal and state, respectively.

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Functional Expense Allocation

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

Subsequent Events

Housing Trust has evaluated subsequent events through October 10, 2014, the date on which the consolidated financial statements were available to be issued.

Reclassification

Certain amounts previously reported in the 2013 financial statements were reclassified to conform to the 2014 presentation for comparative purposes.

NOTE 3 – INVESTMENTS

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

Investable Residual

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

Program Spending Reserve

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

Long Term Operating Reserve

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

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Investments at June 30, 2014 are summarized as follows:

	<i>Cost</i>	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>
Cash and equivalents	\$ 73,826	\$ 73,826
Fixed income securities – bonds	2,085,908	2,087,872
Mutual funds	117,710	118,300
Equity securities	1,294,253	1,371,019
Global diversification portfolio	78,982	84,990
Other	359,927	380,929
	<u>\$ 4,010,606</u>	<u>\$ 4,116,936</u>

The following presents investments by category at fair value as of June 30, 2014:

Cash and equivalents	<u>\$ 73,826</u>
Fixed income securities – bonds:	
Mortgage backed securities	101,625
Corporate bonds	1,581,393
Non-U.S. bonds	404,854
Total	<u>2,087,872</u>
Mutual funds:	
Market vectors emerging market	53,800
SPDR Blackstone	64,500
Total	<u>118,300</u>
Equity securities:	
Consumer discretionary	123,298
Consumer staples	162,611
Domestic ETF	71,880
Energy	168,779
Financials	123,178
Healthcare	164,350
Industrials	124,656
Information technology	160,117
International ETF	121,195
Materials	65,193
Telecommunications	28,456
Utilities	57,306
	<u>1,371,019</u>

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Global diversification portfolio:	
International equities	<u>84,990</u>
Other	<u>380,929</u>
Total	<u><u>\$ 4,116,936</u></u>

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

Interest	\$ 31,923
Dividends	24,031
Unrealized gains	80,043
Realized gains	<u>4,267</u>
	<u><u>\$ 140,264</u></u>

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows:

	<u>2014</u>	<u>2013</u>
Restricted for programs	\$ 576,000	\$ 402,625
Unrestricted contributions	<u>48,819</u>	<u>36,994</u>
Gross contributions receivable ⁽¹⁾	<u><u>\$ 624,819</u></u>	<u><u>\$ 439,619</u></u>
Amounts due in:		
Less than one year	<u><u>\$ 624,819</u></u>	<u><u>\$ 439,619</u></u>

⁽¹⁾ Total unconditional contributions receivable from the board of directors, companies with which the board of directors is affiliated, and jurisdictions represented on Housing Trust's board by elected officials were approximately \$151,000 and \$156,000 as of June 30, 2014 and 2013, respectively.

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NOTE 5 – NOTES RECEIVABLE

Notes receivable consist of the following:

	2014	2013
Homebuyer Programs ⁽¹⁾		
Closing Cost Assistance Program (CCA) ⁽²⁾	\$ 5,248,440	\$ 6,188,722
Mortgage Assistance Program (MAP) ⁽³⁾	4,371,232	4,313,369
Equity Share Co-Investment (ESCO) ⁽⁴⁾	392,256	437,788
Gap Assistance Program (GAP) ⁽⁵⁾	512,880	141,000
Subtotal	10,524,808	11,080,879
Affordable Housing Developer Loans ⁽⁶⁾		
Affordable Multi-Family Rental Program	9,502,084	8,724,359
Homeless with Special Needs Program	6,345,377	6,492,885
Subtotal	15,847,461	15,217,244
Affordable Housing and Community Facilities Loan Pool		
Loan Pool Fund I ⁽⁷⁾	387,574	880,608
Affordable Housing Growth Fund		
Affordable Housing Growth Fund Loan (AHGF) ⁽⁸⁾	2,433,898	-
NSP2		
Purchase Assistance Loan (PAL) ⁽⁹⁾	1,941,634	2,181,634
Dream Home ⁽¹⁰⁾	300,000	750,000
	2,241,634	2,931,634
Gross notes receivable	31,435,375	30,110,365
Less: allowance for loan losses	(1,201,834)	(1,015,000)
Net notes receivable	30,233,541	29,095,365
Less: current portion	(1,637,574)	(2,368,046)
Long-term portion	\$ 28,595,967	\$ 26,727,319

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

⁽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 fixed 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. Housing Trust's share of the home's appreciation was \$152,204 and \$-0- as of June 30, 2014 and 2013, which is included in deferred interest receivable on the consolidated statements of financial position.
- (5) GAP – maximum loan amount is \$50,000, secured by deeds of trust and bears interest at 3%. Payment of principal and accrued interest is deferred until maturity date of the related first loan, or upon any sale, transfer, assignment or refinance of the first loan or upon default of the terms of Housing Trust loan, whichever occurs first.
- (6) Affordable Housing Developer Loans – Opportunity Fund (OF) served as the fund administrator to manage the lending and grant making activities of Housing Trust's Affordable Multi-Family Housing Program and the Homeless with Special Needs Program (see Note 1). 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. 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. Interest rates for the loans assigned range from 7.0% to 8.0%. 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. Included in non-recourse bank loan capital were total liabilities to Investor Banks under the agreement totaling \$297,595 and \$663,104 as of June 30, 2014 and 2013, respectively.
- (8) AHGF – Housing Trust has entered into a Funds Pooling Agreement for Affordable Housing Loan with various Investor Banks, whereby Housing Trust and the Investor Banks have committed to provide funds to enable Housing Trust to originate affordable housing development loans to qualified developers of multi-family rental projects or New Market Tax Credit-eligible projects. The total loan pool commitment is \$8,769,676, of which \$6,769,676 is from Investor Banks and \$2,000,000 from Housing Trust. The qualified developers may borrow up to 80% of appraised value plus approved advance rate on the value of tax credits (if applicable), up to maximum loan amount of \$2,000,000 for real estate secured loans or \$500,000 for non-real estate secured loans. The term of the loan is up to maximum of 5 years with fixed interest rates ranging from 4.75% to 6.00%. Housing Trust is also required to maintain from its own funds a loan loss reserve equal to the greater of \$250,000 or 5% of the combined contributed capital of the Housing Trust and the Investor Banks. Included in non-recourse bank loan capital as of June 30, 2014 were total liabilities to Investor Banks under the agreement totaling \$1,845,500 and \$930,711 for loans funded as of June 30, 2014 and loans funded subsequent to year end, respectively.

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

- (9) PAL – the program is funded under NSP2. PAL is designed to help homebuyers purchase foreclosed and abandoned homes and those at risk of foreclosure in the City of San Jose. The loans are secured by deeds of trust, have a maximum loan amount of \$50,000 and bear simple interest of 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.
- (10) Dream Home loan program is designed to assist developers purchase foreclosed or abandoned homes through the NSP2 acquisition/rehabilitation program managed by the City of San Jose. Loans are secured by first deed of trust, have a maximum loan amount of \$150,000 and bear interest at 5%. Payment of principal and accrued interest is due upon the rehabilitation and subsequent sale of the property to moderate- and low-income homebuyers. Repayment on all loans is expected not to exceed 9 months.

The following are the details of activities on the allowance for loan losses during the years ended June 30, 2014 and 2013:

	2014	2013
Balance, beginning of year	\$ 1,015,000	\$ 1,250,000
Provision for loan losses during the year	237,557	60,447
Recoveries	13,000	-
Write-off	(63,723)	(295,447)
Balance, end of year	\$ 1,201,834	\$ 1,015,000

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

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

2015	\$ 1,637,574
2016	1,056,161
2017	2,777,944
2018	-
2019	-

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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, 2014, follow:

	<i>Interest bearing</i>	<i>Non-interest bearing</i>	<i>Allowance</i>	<i>Total</i>
2 nd liens and less	\$ 8,329,836	\$ 3,066,881	\$ (602,622)	\$ 10,794,095
3 rd liens	815,466	3,751,356	(117,483)	4,449,339
4 th liens	530,588	6,262,829	(142,933)	6,650,484
5 th liens and greater	19,500	6,969,390	(88,797)	6,900,093
Secured by UCC1	1,449,530	-	(250,000)	1,199,530
Unsecured	240,000	-	-	240,000
Total	<u>\$ 11,384,920</u>	<u>\$ 20,050,456</u>	<u>\$ (1,201,835)</u>	<u>\$ 30,233,541</u>

NOTE 6 – LENDING CAPITAL PROVIDED FOR PROGRAMS

Lending capital provided for programs consists of the following:

	<u>2014</u>	<u>2013</u>
Neighborhood Housing Services Silicon Valley: Downpayment Assistance Program ⁽¹⁾	<u>\$ 1,215,000</u>	<u>\$ 1,215,000</u>
Total lending capital	<u>\$ 1,215,000</u>	<u>\$ 1,215,000</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 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 homebuyers in Santa Clara County. During 2011 and 2010, Housing Trust funded an additional \$315,000 and \$400,000, respectively. Qualified homebuyers may borrow up to \$25,000 when they finance their homes through NHSSV. Loans are deferred for the first 60 months and payments will begin on the 61st month through the remaining 25 years of the loan. There were no new loans originated by NHSSV during 2014 and 2013.

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NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2014	2013
Office equipment	\$ 25,325	\$ 11,521
Software	26,229	26,229
Furniture and fixtures	64,658	64,742
	116,212	102,492
Less: accumulated depreciation	(82,315)	(68,512)
	\$ 33,897	\$ 33,980

NOTE 8 – NOTES PAYABLE

Notes payable consist of the following:

	2014		2013	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<u><i>Term Loans</i></u>				
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 2014 and 2013.	\$ 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 annually for 2014 and 2013.	1,167	350,000	1,167	350,000
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 \$22,813 and \$12,000 for 2014 and 2013, respectively.	-	750,000	-	750,000

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	2014		2013	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
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 \$10,733 and \$66 for 2014 and 2013, respectively.	-	350,000	-	350,000
Rabobank, N.A. unsecured loan in the original amount of \$1,000,000, bears 2.25% interest. Required quarterly interest payments with entire principal and interest due on September 25, 2018. Principal and interest were fully repaid in 2014. Interest expense was \$9,493 and \$-0- for 2014 and 2013, respectively.	-	-	-	-
<i><u>Equity-Equivalent Loans (EQ2)</u></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 2014 and 2013.	-	1,000,000	-	1,000,000
<i><u>California Organized Investment Network (COIN) Loans</u></i>				
Silicon Valley Bank unsecured loan, non-interest bearing. Principal is due on June 27, 2016.	-	1,000,000	-	1,000,000

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014		2013	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
Rabobank, N.A. unsecured loan, non-interest bearing. Principal is due on May 9, 2019. The maturity date may be extended by the bank for two consecutive 5 year terms if certain conditions to extend are met as defined in the agreement.	-	1,000,000	-	-
<i>Program-Related Investments (PRIs)</i>				
Cisco Systems Foundation unsecured loan, bears 2% simple interest. Required quarterly interest payments of \$2,500 with entire principal and interest due on September 27, 2018. Interest expense was \$7,500 and \$-0- for 2014 and 2013, respectively.	-	500,000	-	-
Total	1,667	-	1,667	4,100,000
Less: current portion	(1,667)	-	(1,667)	-
Total	\$ -	\$ 5,600,000	\$ -	\$ 4,100,000

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

2015	\$ -
2016	1,500,000
2017	500,000
2018	1,600,000
2019	2,000,000

NOTE 9 – RELATED-PARTY TRANSACTIONS

Housing Trust's volunteer members of the board of directors are active in oversight of fundraising events, activities and in making private contributions. Certain board members also serve as elected officials on jurisdictions which support the Housing Trust. Contributions from the board of directors, from companies with which board members are affiliated, or from jurisdictions represented on the board by an elected official were \$150,536 and \$198,761 as of June 30, 2014 and 2013, respectively.

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 10 – GRANTS AWARDED

Grants payable and expenses are summarized as follows:

<i>Payable to/ Description</i>	<i>Payable at June 30, 2014</i>	<i>2014 Grant Expense</i>	<i>Payable at June 30, 2013</i>	<i>2013 Grant Expense</i>
City of San Jose – NSP2 ⁽¹⁾	\$ 102,627	\$ 1,125,629	\$ 559,116	\$ 7,659,569
Other nonprofit organizations – ForeclosureHelpSCC – CDBG ⁽²⁾	35,380	41,984	11,796	90,319
Other individuals – Finally Home Security Deposit Program ⁽³⁾	-	151,307	-	180,531
County of Santa Clara and the Housing Authority of the County of Santa Clara – SEPP ⁽⁴⁾	-	605,702	-	-
Other	-	26,000	-	-
Total	\$ 138,007	\$ 1,950,622	\$ 570,912	\$ 7,930,419

⁽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 2014 and 2013, proceeds from sale of rehabilitated homes received from the City were \$858,819 and \$3,628,944, 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.

⁽⁴⁾ During 2014, Housing Trust awarded SEPP funds to assist families at risk of eviction due to the federal reduction of housing subsidies under the Section 8 program throughout Santa Clara County.

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 11 – DEFERRED REVENUE

Deferred revenue consists of the following:

	2014	2013
SEPP ⁽¹⁾	\$ 864,197	\$ -
CalHome ⁽²⁾	595,620	258,896
Total deferred revenue	\$ 1,459,816	\$ 258,896

⁽¹⁾ Housing Trust was the recipient of SEPP grants of \$1,000,000 from the County of Santa Clara and \$500,000 from the Housing Authority of the County of Santa Clara (See Note 1). The SEPP grants were received in advance, with \$635,803 earned as of June 30, 2014 and the remaining amount of \$864,197 recorded as deferred revenue as of June 30, 2014. The term of the grant agreements expire September 5, 2014, at which point any uncommitted grant funds are required to be returned to the appropriate agencies.

⁽²⁾ Housing Trust was the recipient of funds from the California Department of Housing and Community Development (HCD) under its CalHome Program to assist Housing Trust in the operation of its gap assistance program.

NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS

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

	2014			
	<i>June 30, 2013</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>June 30, 2014</i>
General lending programs	\$ 5,441,888	\$ 551,650	\$ (739,817)	\$ 5,253,721
Homebuyer Programs	2,322,634	645,474	(240,000)	2,728,108
Affordable Multi-Family Rental Program and Homeless with Special Needs Program	107,098	1,347,000	(68,421)	1,385,677
Finally Home Program	-	165,000	(136,103)	28,897
Sequester Eviction Prevention Program	-	627,926	(627,926)	-
Morgan Hill Rehab Program	-	65,000	(4,580)	60,420
	\$ 7,871,620	\$ 3,402,050	\$ (1,816,847)	\$ 9,456,823

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

	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
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>

Contributions received from government entities are released from restrictions once the funds are disbursed to qualified borrowers within the cities specified by the donors, granted as contributions to qualified organizations or used as program expense based on maximum amounts allowed by the donors. To the extent that agreements have secondary-use restrictions requiring Housing Trust to re-use the funds for another purpose, then restrictions are released when the secondary-use restrictions are fulfilled either through grants made to qualified organizations or use of funds for program expenses based on maximum amounts allowed by the donors. Temporarily restricted net assets include a total of \$4,878,615 and \$2,631,260 of disbursed funds with secondary-use restrictions as of June 30, 2014 and 2013, respectively.

NOTE 13 – PENSION PLAN

Housing Trust has established a defined contribution plan (the Plan) for all eligible employees. An employee must have three (3) months service before they can participate in the Plan. Contributions to employee accounts are immediately fully vested. 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 \$47,086 and \$41,067 to the Plan during 2014 and 2013, respectively.

NOTE 14 – 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, 2014 are as follows:

2015	\$ 77,146
2016	<u>6,597</u>
	<u>\$ 83,743</u>

Rent expense for the years ended June 30, 2014 and 2013 was \$82,192 and \$92,169, respectively.

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Housing Trust had undisbursed loan commitments totaling \$4,626,102 as of June 30, 2014 relating to its Affordable Multi-Family Rental Program and Homeless with Special Needs Program.

Subsequent to June 30, 2014, Housing Trust was awarded a Federal Assistance grant of \$1,500,000 from the CDFI Fund which will be used for its financial products and loan loss reserves during the performance period starting fiscal year 2015.

SUPPLEMENTARY INFORMATION



Board of Directors
Housing Trust Silicon Valley
San Jose, California

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

**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, 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Housing Trust Silicon Valley's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Trust Silicon Valley's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Trust Silicon Valley's internal control.

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Lindquist, von Husen and Joyce LLP

October 10, 2014



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, 2014. 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, 2014.

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.

Lindquist, von Husen and Joyce LLP

October 10, 2014

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

<i>Federal Grantor/Pass-Through Grantor/Title</i>	<i>Federal CFDA Number</i>	<i>Agency or Pass-Through Number</i>	<i>Federal Expenditures</i>
<u>U.S. Department of Housing and Urban Development:</u>			
Pass-through awards from the City of San Jose: Community Development Block Grants Program	14.218		\$ 90,410
Pass-through awards from the City of San Santa Clara: Home Investment Partnerships Program	14.239		11,589
Pass-through awards from the Enterprise Community Partners, Inc.: Capacity Building for Community Development and Affordable Housing	14.252		9,112
Direct awards: ARRA – Neighborhood Stabilization Program 2	14.256	N/A	3,537,367
Pass-through awards from the Housing Authority of the County of Santa Clara: Moving to Work Demonstration Program	14.881		286,619
<u>U.S. Department of the Treasury:</u>			
Direct awards: Community Development Financial Institutions Program	21.020		67,350
TOTAL FEDERAL AWARDS			\$ 4,002,447

HOUSING TRUST SILICON VALLEY
(A California Nonprofit Public Benefit Corporation)
NOTES TO SCHEDULE OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

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 \$2,181,634 in expenditures from prior year for which continuing compliance is required.

HOUSING TRUST SILICON VALLEY
 (A California Nonprofit Public Benefit Corporation)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2014

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: \$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.