Housing Trust Silicon Valley

Consolidated Financial Report
June 30, 2022

Contents

Independent Auditor's Report

Board of Directors
Housing Trust Silicon Valley

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2022 and 2021, 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 (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Housing Trust Silicon Valley as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Housing Trust Silicon Valley and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Housing Trust Silicon Valley's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Housing Trust Silicon Valley's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Housing Trust Silicon Valley's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2022, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Housing Trust Silicon Valley's 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 the Housing Trust Silicon Valley's internal control over financial reporting and compliance.

RSM US LLP

San José, California
October 17, 2022

Housing Trust Silicon Valley
(A California Nonprofit Public Benefit Corporation)

Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	**$ 41,748,632**	$ 64,849,080
Restricted cash and cash equivalents	**8,672,407**	8,624,522
Investments (Note 4)	**20,254,013**	6,370,502
Restricted investments (Note 4)	**1,485,618**	-
Receivables, net (Note 5)	**4,637,283**	10,764,749
Prepaid expenses	**295,806**	186,613
Notes receivable held for sale	**656,880**	894,200
Notes receivable (Note 6)	**79,373,481**	62,068,930
Interest receivable	**146,651**	207,281
Total current assets	**157,270,771**	153,965,877
Notes receivable, net of current portion (Note 6)	**82,595,012**	95,897,896
Deferred interest receivable	**943,334**	990,108
Furniture and equipment, net (Note 7)	**89,782**	135,230
Total assets	**$ 240,898,899**	$ 250,989,111
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	**$ 232,924**	$ 316,878
Accrued expenses	**1,464,996**	709,098
Conditional contributions (Note 12)	**9,611,549**	9,883,136
Nonrecourse capital from third parties—current portion (Note 8)	**16,335,331**	11,984,236
Notes payable—current portion (Note 9)	**8,672,470**	19,028,178
Funds held for others	**4,838,212**	3,452,554
Total current liabilities	**41,155,482**	45,374,080
Nonrecourse capital from third parties, net of current portion (Note 8)	**972,768**	5,594,756
Notes payable, net of current portion (Note 9)	**89,324,091**	95,352,386
Total liabilities	**131,452,341**	146,321,222
Commitments and contingencies (Notes 15 and 16)		
Net assets:		
Without donor restrictions	**60,768,910**	52,385,252
With donor restrictions (Note 13)	**48,677,648**	52,282,637
Total net assets	**109,446,558**	104,667,889
Total liabilities and net assets	**$ 240,898,899**	$ 250,989,111

See notes to consolidated financial statements.

Housing Trust Silicon Valley
(A California Nonprofit Public Benefit Corporation)

Consolidated Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Net financial income:			
Interest income on loans	$ 5,980,426	$ 43,371	$ 6,023,797
Loan origination fees	1,021,204	-	1,021,204
Less interest expense	(1,951,024)	-	(1,951,024)
Less provision on loan losses	(11,655,000)	-	(11,655,000)
Total net financial income	(6,604,394)	43,371	(6,561,023)
Fees:			
Contract program revenue	1,119,449	-	1,119,449
Loan servicing fees	207,890	-	207,890
Other	33,693	-	33,693
Total fees	1,361,032	-	1,361,032
Contributions	257,534	16,508,099	16,765,633
Revenue from special events, net of direct costs	136,558	10,000	146,558
Net assets released from restrictions (Note 13)	20,180,865	(20,180,865)	-
Investment return, net of fees (Note 4)	(520,673)	14,406	(506,267)
Total	20,054,284	(3,648,360)	16,405,924
Total support and revenue	14,810,922	(3,604,989)	11,205,933
Expenses:			
Program services	3,764,810	-	3,764,810
Management and general	2,170,078	-	2,170,078
Fundraising	492,376	-	492,376
Total expenses	6,427,264	-	6,427,264
Change in net assets	8,383,658	(3,604,989)	4,778,669
Net assets, beginning of year	52,385,252	52,282,637	104,667,889
Net assets, end of year	$ 60,768,910	$ 48,677,648	$ 109,446,558

See notes to consolidated financial statements.

Housing Trust Silicon Valley
(A California Nonprofit Public Benefit Corporation)

Consolidated Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Net financial income:			
Interest income on loans	$ 6,394,985	$ 143,921	$ 6,538,906
Loan origination fees	756,718	-	756,718
Less interest expense	(1,913,020)	-	(1,913,020)
Less credit on loan losses	918,500	-	918,500
Total net financial income	6,157,183	143,921	6,301,104
Fees:			
Contract program revenue	1,812,800	-	1,812,800
Loan servicing fees	261,858	-	261,858
Other	33,039	-	33,039
Total fees	2,107,697	-	2,107,697
Contributions	165,201	11,006,970	11,172,171
Revenue from special events, net of direct costs	115,870	-	115,870
Net assets released from restrictions (Note 13)	8,561,104	(8,561,104)	-
Investment return, net of fees (Note 4)	1,353,630	2,385	1,356,015
Total	10,195,805	2,448,251	12,644,056
Total support and revenue	18,460,685	2,592,172	21,052,857
Expenses:			
Program services	3,955,137	-	3,955,137
Management and general	1,914,509	-	1,914,509
Fundraising	360,281	-	360,281
Total expenses	6,229,927	-	6,229,927
Change in net assets	12,230,758	2,592,172	14,822,930
Net assets, beginning of year	40,154,494	49,690,465	89,844,959
Net assets, end of year	$ 52,385,252	$ 52,282,637	$ 104,667,889

See notes to consolidated financial statements.

Housing Trust Silicon Valley
(A California Nonprofit Public Benefit Corporation)

Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services						Supporting Services			
	Homebuyer and ADU Programs	Multi-Family Programs	NSP2, Safety Net and Homeless Prevention	Asset Management	Policy and Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and benefits	$ 602,701	$ 1,661,027	$ -	$ 389,407	$ 41,548	$ 2,694,683	$ 1,534,717	$ 359,365	$ 1,894,082	$ 4,588,765
Occupancy and office expense	65,936	90,883	-	37,327	738	194,884	165,790	34,558	200,348	395,232
Accounting, legal and professional fees	269,370	268,991	-	86,144	48,344	672,849	329,824	72,279	402,103	1,074,952
Marketing and communication	3,037	1,400	-	166	3	4,606	554	12,159	12,713	17,319
Donations/sponsorships	2,000	16,200	-	-	-	18,200	750	-	750	18,950
Meetings, conferences and travel	713	4,956	-	676	-	6,345	10,513	1,010	11,523	17,868
Other operating expenses	20,221	25,411	-	9,552	10,110	65,294	106,964	5,576	112,540	177,834
Grants awarded (Note 11)	-	9,091	56,267	-	-	65,358	-	-	-	65,358
Depreciation and amortization	14,131	20,041	-	8,254	165	42,591	20,966	7,429	28,395	70,986
Total expenses before (credit) provision on loan losses, interest expense and costs for special events	978,109	2,098,000	56,267	531,526	100,908	3,764,810	2,170,078	492,376	2,662,454	6,427,264
(Credit) provision on loan losses	(46,000)	11,701,000	-	-	-	11,655,000	-	-	-	11,655,000
Interest expense	-	1,951,024	-	-	-	1,951,024	-	-	-	1,951,024
Costs for special events	-	-	-	-	-	-	-	33,442	33,442	33,442
Total expenses	$ 932,109	$ 15,750,024	$ 56,267	$ 531,526	$ 100,908	$ 17,370,834	$ 2,170,078	$ 525,818	$ 2,695,896	$ 20,066,730

See notes to consolidated financial statements.

Housing Trust Silicon Valley
(A California Nonprofit Public Benefit Corporation)

Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services					Supporting Services			
	Homebuyer and ADU Programs	Multi-Family Programs	NSP2, Safety Net and Homeless Prevention	Policy and Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and benefits	$ 1,347,059	$ 1,325,174	$ 4,749	$ 12,324	$ 2,689,306	$ 1,207,500	$ 280,161	$ 1,487,661	$ 4,176,967
Occupancy and office expense	126,922	93,907	488	488	221,805	134,619	28,561	163,180	384,985
Accounting, legal and professional fees	173,145	373,208	309	48,309	594,971	460,103	32,672	492,775	1,087,746
Marketing and communication	8,063	3,401	6	6	11,476	829	6,627	7,456	18,932
Donations/sponsorships	46,555	42,913	57	57	89,582	94,777	5,522	100,299	189,881
Grants awarded (Note 11)	-	144,091	152,980	-	297,071	-	-	-	297,071
Depreciation and amortization	28,925	21,769	116	116	50,926	16,681	6,738	23,419	74,345
Total expenses before credit on loan losses, interest expense and costs for special events	1,730,669	2,004,463	158,705	61,300	3,955,137	1,914,509	360,281	2,274,790	6,229,927
Credit on loan losses	(93,500)	(825,000)	-	-	(918,500)	-	-	-	(918,500)
Interest expense	-	1,913,020	-	-	1,913,020	-	-	-	1,913,020
Costs for special events	-	-	-	-	-	-	1,485	1,485	1,485
Total expenses	$ 1,637,169	$ 3,092,483	$ 158,705	$ 61,300	$ 4,949,657	$ 1,914,509	$ 361,766	$ 2,276,275	$ 7,225,932

See notes to consolidated financial statements.

Housing Trust Silicon Valley
(A California Nonprofit Public Benefit Corporation)

Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 4,778,669	$ 14,822,930
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	70,986	74,346
Amortization of debt issuance costs	19,175	17,239
Change in deferred fees and costs	3,428	(9,999)
Provision (credit) on loan losses	11,655,000	(918,500)
Loss (gain) on investments	910,955	(1,226,242)
Loss on disposals of equipment	-	1,003
Noncash interest income	(3,868,685)	(4,212,209)
Noncash fee income	(418,702)	(224,555)
Noncash grant expense	9,091	144,091
Changes in operating assets and liabilities:		
Amortization of discount on notes receivable	(100,054)	(65,008)
Receivables	6,127,466	(9,113,093)
Accrued interest receivable	107,404	73,835
Prepaid expenses	(112,621)	14,434
Accounts payable and accrued expenses	671,945	(256,515)
Conditional contributions	(271,587)	9,667,227
Origination of notes receivable held for sale	(1,607,010)	(1,779,050)
Proceeds from sale of notes receivable	1,844,330	5,212,120
Proceeds from funds held for others	1,385,658	1,967,340
Net cash provided by operating activities	21,205,448	14,189,394
Cash flows from investing activities:		
Proceeds from the sale of investments	10,500,528	4,833,036
Purchases of investments	(26,780,613)	(3,313,779)
Purchases of furniture and equipment	(25,538)	(12,900)
Notes receivable disbursed	(50,012,550)	(38,254,334)
Collection of notes receivable	38,734,233	50,337,512
Net cash (used in) provided by investing activities	(27,583,940)	13,589,535
Cash flows from financing activities:		
Proceeds from long-term debt	2,125,000	3,750,000
Repayments on long-term debt	(18,528,178)	(350,000)
Proceeds from secured borrowings	509,612	4,332,338
Payments to secured borrowings	(1,119,726)	-
Proceeds from loan pool participants	1,744,902	3,485,694
Payments to loan pool participants	(1,405,681)	(10,404,013)
Net cash (used in) provided by financing activities	(16,674,071)	814,019
Net (decrease) increase in cash and cash equivalents and restricted cash and cash equivalents	(23,052,563)	28,592,948
Cash and cash equivalents and restricted cash and cash equivalents, beginning of year	73,473,602	44,880,654
Cash and cash equivalents and restricted cash and cash equivalents, end of year	$ 50,421,039	$ 73,473,602
Cash and cash equivalents	$ 41,748,632	$ 64,849,080
Restricted cash and cash equivalents	8,672,407	8,624,522
	$ 50,421,039	$ 73,473,602

See notes to consolidated financial statements.

Note 1. Organization and Nature of Activities

Housing Trust Silicon Valley (Housing Trust) was incorporated on May 22, 2000, as a nonprofit public benefit corporation. Housing Trust believes safe, stable, affordable housing opens the door to better living for everyone. From the homeless to renters to first-time homebuyers, Housing Trust assists a wide range of residents with programs across the entire spectrum of housing finance throughout the greater Bay Area. Housing Trust's financial expertise and extensive private and public sector partnerships ensures it makes the most out of every dollar to preserve thriving and diverse communities.

In order to increase and preserve the supply of affordable housing throughout the greater San Francisco Bay Area and the Monterey Bay Area, Housing Trust currently offers the following programs:

- Homebuyer Programs—Housing Trust offers loans to first-time homebuyers, and education and counseling to hopeful homebuyers. Housing Trust currently offers down payment assistance programs to help qualified homebuyers in Silicon Valley with a deferred second mortgage that could serve as a down payment. Housing Trust administers a similar program on behalf of the County of Santa Clara (SCC), Empower Homebuyers Santa Clara County. There is roughly $18 million of capital available to originate these loans in funds from Measure A which was passed in 2016.

- Multi-Family Programs—These programs are designed to help create and preserve affordable multi-family rental housing units in communities throughout the San Francisco Bay Area and the Monterey Bay Area through loans to qualified developers of affordable multi-family rental housing. Housing Trust provides acquisition, predevelopment, bridge, term, construction and permanent financing.

- NSP2, Safety Net and Homeless Prevention Programs—Housing Trust administers grant and loan programs for organizations who are a part of the safety net and who support homeless families and individuals. The Finally Home 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. In addition, with grants from Santa Clara County, Housing Trust makes loans and grants to organizations who provide shelter and services to very low income and homeless individuals.

- Policy and Education—Housing Trust works closely with its incubated but now independent advocacy organization, SV@Home, to support its activities as well as carries on a minimal amount of its own policy work in order to help move agendas forward that will help strengthen the affordable housing market in the greater San Francisco and Monterey Bay areas.

In February 2020, Housing Trust entered into a grant agreement with Apple Inc. (Apple). The grant's mission is to support Housing Trust's work in the greater Bay Area with the purpose of deploying new solutions, accelerating timelines and housing families faster using gap and other types of loans to affordable housing developers. Apple has committed $150 million to be distributed in two tranches from the date of the agreement February 3, 2020, to December 31, 2029. These grant awards will only be awarded upon Housing Trust meeting specific milestones as stated in the agreement subject to Apple's satisfaction. The grant awards are recorded in contributions on the consolidated statements of activities. Housing Trust recognized $10,897,020 and $7,901,336 in contributions with donor restrictions under this agreement during the years ended June 30, 2022 and 2021, respectively. The milestones represent barriers in accordance with Accounting Standards Update (ASU) 2018-08, and therefore at June 30, 2022 and 2021, there is a remaining conditional contribution amount of $120,463,951 and $131,360,971, respectively.

Note 1. Organization and Nature of Activities (Continued)

In March 2020, Housing Trust entered into a services agreement with Google Endeavor, LLC, a wholly owned subsidiary of Google LLC (Google). Google has committed $50 million to create a separate Launch Initiative fund, an affordable housing fund aimed to accelerate the start-up and preservation of homes. Launch Initiative is a strategic partnership which enhances Housing Trust's lending capacity and provides Housing Trust and Google opportunities to invest in a broader range of affordable housing projects. Housing Trust's responsibilities include sourcing, underwriting, closing and servicing loans, taking at least a 5% participation in the loans and providing management services for the fund including accounting. Services revenue is included in the contract program revenue on the consolidated statements of activities. As the servicer, at June 30, 2022 and 2021, Housing Trust holds $4,838,212 and $3,452,554, respectively, in cash belonging to Google which is included as restricted cash and cash equivalents, and the associated liability as funds held for others on the consolidated statements of financial position. As of June 30, 2022, the full $50 million had been committed to loans and the fund size increased to $63 million.

During FY 2022, HTSV received an award from the Department of Housing and Community Development of $5,000,000 for the Local Housing Trust Fund program of which $3,675,000 was recognized as revenue for a qualified loan and expenses. As of June 30, 2022 , the remaining amount of $1,325,000 is conditional upon meeting the loan criteria mandated by the Local Housing Trust Fund.

Housing Trust is certified as a Community Development Financial Institution (CDFI) by the U.S. Department of Treasury—CDFI Fund. Over time, Housing Trust has received Financial Assistance Awards, a Bond Guarantee Program, and a Capital Magnet Fund Grant from the CDFI Fund. CDFIs are required to match Financial Assistance Awards dollar for dollar with nonfederal funds. The Bond Guarantee Program requires a pledge of 105% overcollateralization by CDFIs to draw funds from the program. The Capital Magnet Fund gives out grants to CDFIs on the condition that they meet leveraging requirements from the projects that the funds are invested into.

Housing Trust is the first nonprofit CDFI in the U.S. to earn a credit rating from Standard & Poor's Ratings Services (S&P). During 2015, S&P assigned its 'AA-' issuer credit rating (stable outlook) to Housing Trust. The rating came after an extensive review of Housing Trust's financial activities, strategic plans and future prospects. The rating was renewed at 'AA-' in December 2021 .

Note 2. Significant Accounting Policies

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

Basis of presentation: Housing Trust's consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) on the basis of net assets with and without donor restrictions and under the accrual basis of accounting.

Net assets without donor restrictions: Net assets without donor restrictions are not subject to donor-imposed restrictions and include the carrying value of all physical properties. Items that affect (i.e., increase or decrease) this net asset category include: revenue (principally interest and loan fees) and related expenses associated with the core activities of Housing Trust.

Note 2. Significant Accounting Policies (Continued)

Net assets with donor restrictions: Net assets with donor restrictions represent contributions and other assets received from donors that are limited in use by Housing Trust in accordance with temporary donor-imposed stipulations or limited as to time. Items that affect this net asset category are restricted contributions, including unconditional pledges, and earnings on notes receivable that were funded by contributions with restricted purposes. These stipulations may expire with time or may be satisfied and removed by the actions of Housing Trust according to the terms of the contribution. Upon satisfaction of such stipulations, net assets are released from net assets with donor restrictions and recognized as net assets without donor restrictions.

Estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP 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. Significant estimates that are particularly susceptible to significant changes in the near term relate to the determination of the allowance for loan losses.

Concentrations of credit risk: Housing Trust may be exposed to credit risk from a regional, economic standpoint since a significant concentration of its borrowers operate in the San Francisco Bay Area. The borrowers' ability to repay notes receivable may be affected by the economic climate of the overall geographic region in which the borrowers operate.

Housing Trust's revenues fluctuate from year to year due to public support and contributions from the federal government, Santa Clara County, and other government agencies and local corporations. Housing Trust's lending programs are especially vulnerable to the inherent risks associated with revenue that is substantially dependent on government funding. However, with the development of bank loan pools, bank loans and lines of credit, its Community Impact Note, and other notes arising from the T.E.C.H. Fund campaign, the Launch Initiative (Google), and Apple Affordable Housing Fund, Housing Trust's sources of funds to make more loans have diversified greatly. Over the past several years Housing Trust has become less and less reliant on corporate and individual contributions for operations; carrying a self-sufficiency ratio in excess of 100%. With the large specific reserve in FY2022 the self-sufficiency ratio is 49% in fiscal year 2022. Net of this non-cash expense self-sufficiency is at 117%, remaining above 100%. Operational self-sufficiency is a sustainability metric measuring the extent to which a CDFI is covering its expenses through earned income and equates roughly to program fees plus interest income plus investment earnings divided by program expenses.

Cash and cash equivalents: Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less. Housing Trust occasionally maintains cash on deposit at various banks in excess of the Federal Deposit Insurance Corporation limit of $250,000. Housing Trust has not experienced any losses in such accounts.

Restricted cash and cash equivalents and restricted investments: As of June 30, 2022 and 2021, restricted cash and cash equivalents and restricted investments are held for amounts related to the ongoing CalHome program, Bond Guarantee Program escrow and risk share pool accounts, and the Google agreement.

Receivables: Receivables include contribution and other earned income receivables. Housing Trust evaluates the collectability of its receivables on an ongoing basis and records a provision for potential uncollectible receivables when appropriate. At June 30, 2022 and 2021, Housing Trust has recorded an allowance for doubtful accounts of $0 and $5,000, respectively.

Note 2. Significant Accounting Policies (Continued)

Contributions: Contributions are recognized at fair value as revenue when they are unconditionally promised. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Housing Trust accounts for contributions as support without donor restrictions or support with donor restrictions, depending on the absence or existence of donor-imposed restrictions as applicable. All contributions with donor-imposed restrictions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the consolidated statements of activities as net assets released from restrictions.

Contributions receivable to be received within one year are presented at their net realizable value. 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 contributions are computed using interest rates for the year in which the promise was received which considers market and credit risk as applicable. Amortization of the discounts, if any, is included in contribution revenue.

Conditional contributions are not recognized as revenue until the conditions are substantially met. A contribution is conditional if a barrier must be overcome before Housing Trust is entitled to the asset and a right of return or release exists. Conditional promises to give are recognized as revenue when the barriers outlined by the donor have been met. Conditional contributions received with lending purpose restrictions are recognized as revenue when the money is lent as Housing Trust is required to repay any monies not lent (see Note 12).

Contributed services are stated at their estimated fair value if they are ordinarily purchased and are of a specialized nature. Contributed services were approximately $26,700 and $10,000 for fiscal years ended June 30, 2022 and 2021, respectively, are included in contributions on the consolidated statements of activities, and related to accounting, legal and professional fees.

Investments and fair value measurements: Investments are stated at fair value and are recorded on the trade or contract date. The difference between cost and fair value of investments is reflected as unrealized appreciation (depreciation) on investments, and any change in that amount from the prior year is reported as a component of investment return on the consolidated statements of activities.

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset or liability and a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to Housing Trust's assumptions (unobservable inputs). Housing Trust group's assets and liabilities at fair value in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

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.

Note 2. Significant Accounting Policies (Continued)

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 are derived from other valuation methodologies and incorporate certain assumptions and projections that are not observable in the market and significant professional judgment in determining the fair value assigned to such assets or liabilities.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement in its entirety.

The fair value of mutual funds is based on quoted market prices. Investments in equity instruments traded on national securities exchanges are stated at the last reported sales price on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy.

Investments in fixed income and equity instruments for which quotations are not readily available are valued using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. To the extent the inputs used in the pricing models are observable and timely, these financial instruments are classified as Level 2 in the fair value hierarchy; otherwise, they would be categorized as Level 3.

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.

Fair value on a nonrecurring basis:

Impaired loans: The fair value of impaired loans is determined based on the loan's observable market price or the fair value of the collateral if the loan is collateral dependent and therefore are considered Level 3. The valuation allowance for impaired loans is included in the allowance for losses in the consolidated statements of financial position.

Notes receivable held for sale: Notes receivable originated and intended for sale to third parties are carried at the lower of aggregate cost or estimated market value. All sales are made without recourse and are subject to the customary representations and warranties.

Note 2. Significant Accounting Policies (Continued)

Notes receivable: Notes receivable received solely for cash are carried at their outstanding principal balances, net of an allowance for loan losses. Contributed notes receivable are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates plus a premium applicable to the years in which the contributed notes receivable are received. Amortization of discounts using the straight-line method, if any, is included in interest income. Direct origination fees, if significant, would be deferred and amortized using the effective interest method over the respective lives of the related notes receivable and recorded as an adjustment to loan fee revenue. At June 30, 2022 and 2021, direct origination fees were not deemed significant. Management has the intent and ability to hold these notes in the foreseeable future or until maturity or payoff.

Interest income is accrued on the unpaid principal balance at the notes' stated rate. Notes are considered to be past due when a payment has been missed. The accrual of interest on notes is typically discontinued at the time the note is more than 90 days delinquent. Notes are placed on nonaccrual status or charged off at an earlier date if collection of principal and interest is considered doubtful. Notes are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for loan losses: The allowance for loan losses is an estimate of notes receivable losses inherent in Housing Trust's notes receivable portfolio as of the date of the consolidated statements of financial position. The 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 evaluated on a regular basis by management and is based upon management's periodic view of the collectability of the notes receivable in light of historical experience, the nature and volume of the notes receivable portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of the underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

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. A loan is considered impaired when, based on current information and events, it is probable that Housing Trust will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. Specific allowances for loan losses are established for impaired loans and troubled debt restructured (TDR) loans on an individual basis as required. When a loan is impaired, Housing Trust may measure impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral less estimated costs to sell if the loan is collateral dependent. A loan is collateral dependent if the repayment is expected to be provided solely by the underlying collateral.

Housing Trust determines a separate allowance for each portfolio segment. These portfolio segments include homebuyer programs and multi-family programs. The allowance for loan losses attributed to each portfolio segment is combined to determine Housing Trust's overall allowance, which is included net of notes receivable on the consolidated statements of financial position and available for all loss exposures.

Note 2. Significant Accounting Policies (Continued)

The determination of the general reserve for loans that are not considered to be individually impaired is based on estimates made by management, to include, but not limited to, consideration of historical losses by portfolio segment, internal asset classifications, and qualitative factors to include economic trends in Housing Trust's service areas, industry trends, geographic concentrations, estimated collateral values, Housing Trust's underwriting policies, the character of the loan portfolio, and probable losses inherent in the portfolio taken as a whole.

Loans whose contractual terms have been modified into a TDR and are current at the time of restructuring remain on accrual status if there is demonstrated performance prior to the restructuring and payment in full under the restructured terms is expected. A restructuring of a debt constitutes a TDR if Housing Trust, for economic, legal, or other reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. These concessions may include rate reductions, principal forgiveness, extension of maturity date and other actions intended to minimize potential losses. TDR loans typically present an elevated level of credit risk because the borrowers may not be able to perform according to the original contractual terms. Loans that are reported as TDRs are considered impaired and measured for impairment as described above.

In April 2020, the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, and Consumer Financial Protection Bureau issued a revised Interagency Statement on Loan Modifications by Financial Institutions Working with Customers Affected by the coronavirus, which had previously been issued in March 2020. The revised statement provides guidance that modifications meeting certain criteria do not need to be classified as TDRs. Such criteria includes payment deferrals or extensions of repayment terms, of six months or less that are insignificant. This revised statement ended on January 1, 2022.

Housing Trust assigns a risk rating to all multi-family loans and periodically reviews the loans in this portfolio to identify credit risks and to assess the overall collectibility of that segment of the portfolio. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings for loans in this portfolio segment can be grouped into five major categories, defined as follows:

Pass: A pass loan is performing consistent with or better than projections, and with no existing or known potential weaknesses deserving of management's close attention.

Watch: A watch loan has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in the deterioration of the repayment prospects for the loans or in Housing Trust's position at some future date. Watch loans are not adversely classified and do not expose Housing Trust to sufficient risk to warrant adverse classification.

Impaired: An impaired loan is not adequately protected by the current financial position and paying capacity of the borrower or the value of the collateral pledged, if any. Loans classified as impaired have a well-defined weakness or weaknesses, and the likelihood of repayment from the primary source is uncertain. Well-defined weaknesses include inadequate cash flow or collateral support, a project's lack of marketability, failure to complete the project on time or the project's failure to fulfill economic expectations. They are characterized by the distinct possibility that Housing Trust will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as doubtful have the weaknesses inherent in those classified as impaired with the added characteristic that the weaknesses are serious enough to make full collection of principal and interest highly questionable and/or improbable.

Note 2. Significant Accounting Policies (Continued)

Loss: Loans classified as loss are considered uncollectible or of such little value that continuance as an earning asset is not warranted and is charged off.

The allowance for loan losses reserve factors are inherently subjective and are driven by the repayment risk associated with each portfolio segment described below:

Homebuyer programs: This portfolio segment consists of loans that are primarily secured by deeds of trust. Changes in real property values and the employment status of the borrower are key risk factors that may impact the collectability of these loans, along with the condition of collateral if foreclosed.

Multi-family programs: This portfolio segment consists primarily of loans that are secured by deeds of trust. Changes in real property values and the prospects of completion of the project, and therefore the take-out financing are key risk factors that may impact the collectability of these loans, along with the condition of collateral if foreclosed.

Although management believes the allowance to be adequate, ultimate losses may vary from its estimates. On a routine basis the adequacy of the allowance, including consideration of the relative risks of the portfolio, current economic conditions, and other factors are reviewed. If management determines that charges are warranted based on those reviews, the allowance is adjusted.

Loan servicing fees: Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned.

Transfers of financial assets: Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from Housing Trust, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) Housing Trust does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Housing Trust occasionally sells participation loans to third parties that do not meet the criteria to be accounted for as sales in accordance with Accounting Standards Codification (ASC) 860, Transfers and Servicing. As a result, the participation loans are accounted for as secured borrowings, whereby Housing Trust records cash received from the transferee and records a liability to repay the cash to the transferee. The transferees have no recourse to Housing Trust for failure of the underlying borrowers to pay amounts contractually due. The outstanding balance of participation loans sold that are accounted for as secured borrowings is $10,485,297 and $11,095,411 as of June 30, 2022 and 2021, respectively, and is included in nonrecourse capital from third parties on the consolidated statements of financial position.

Furniture and equipment: Furniture 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 three to five years. The cost of leasehold improvements is amortized using the straight-line method over the shorter of the terms of the related leases or the useful lives of the related assets.

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.

Note 2. Significant Accounting Policies (Continued)

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

Housing Trust believes that it has appropriate support for any tax positions taken, and as such, does 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 2018 through 2021 are subject to examination by regulatory agencies, generally for three years and four years after they were filed federal and state, respectively.

Contract program revenue: Program services fees contracts are reciprocal agreements and Housing Trust recognizes this revenue in accordance with the five-step model under the guidance in ASU 2014 09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Program services fees revenue is recognized as services are provided by Housing Trust to its customers. In some cases, Housing Trust's contracts with customers include multiple performance obligations that are not fulfilled simultaneously. When this occurs, the transaction price is allocated on a relative stand-alone selling price (SSP) basis to each performance obligation. Housing Trust determines SSP based on observable selling prices of its products. Program services fees subject to ASC 606 were $654,419 and $753,548 for the years ended June 30, 2022 and 2021, respectively, and are included in contract program revenue on the consolidated statements of activities. These revenues are recognized over a period of time. Contract program revenue also includes $465,030 and $1,059,252 for the years ended June 30, 2022 and 2021, respectively, that primarily consists of one-time loan closing fees and incentive fees that are recognized as revenue when the loans are closed and transferred under the services agreement to Google. Such revenue is scoped out of ASC 606.

Functional expense allocation: Expenses that are directly attributable to a program or supporting function are charged directly to the related program or supporting function. The consolidated financial statements report certain categories of natural expenses that are attributable to one or more program or supporting function of Housing Trust. Those expenses include salaries and benefits, occupancy and office expense, marketing and communication, meetings, conferences and travel, other operating expenses, and depreciation and amortization. Salaries and benefits are allocated based on estimates of time and effort of direct supervision or conduct of the activity. All other expenses are allocated based on headcount.

Subsequent events: Housing Trust has evaluated subsequent events through October 17, 2022, the date on which the consolidated financial statements were available to be issued.

Note 2. Significant Accounting Policies (Continued)

Recent accounting pronouncements not yet adopted: In June 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-05, *Leases (Topic 842): Effective Dates for Certain Entities*, which delays the effective date of ASU 2016-02 for nonpublic entities that have not yet issued their financial statements reflecting the adoption. These ASUs do not change the core principle of the guidance stated in ASU 2016-02. This guidance will be effective for nonpublic entities for fiscal years beginning after December 15, 2021, on a modified retrospective basis.

On November 11, 2021, the FASB issued ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*, to reduce the cost of implementing FASB Accounting Standards Codification Topic 842, Leases, for lessees that are not public business entities (PBEs), including private companies, not-for-profit entities (whether or not they are conduit bond obligors) and employee benefit plans. The ASU allows lessees that are not PBEs to make the ASC 842 risk-free discount rate accounting policy election by class of underlying asset, rather than at the entity-wide level. An entity that makes this election is required to disclose its election, including the asset class to which it has made the accounting policy election. The ASU also requires a lessee that is not a PBE to use the rate implicit in the lease when it is readily determinable (instead of the risk-free rate), regardless of whether the lessee applies the risk-free rate accounting policy election. For a lessee that is not a PBE and has not yet adopted ASC 842 as of November 11, 2021, the transition and effective date provisions in ASC 842-10-65-1 apply. Housing Trust is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial instruments. The existing incurred loss model will be replaced with a current expected credit loss (CECL) model for both originated and acquired financial instruments carried at amortized cost and off-balance-sheet credit exposures, including loans, loan commitments, held-to-maturity debt securities, financial guarantees, net investment in leases, and most receivables. Recognized amortized cost financial assets will be presented at the net amount expected to be collected through an allowance for credit losses. Expected credit losses on off-balance-sheet credit exposures will be recognized through a liability. Expected credit losses on available-for-sale (AFS) debt securities will also be recognized through an allowance; however, the allowance for an individual AFS debt security will be limited to the amount by which fair value is below amortized cost. Unlike current guidance, which requires certain favorable changes in expected cash flows to be accreted into interest income, both favorable and unfavorable changes in expected credit losses (and therefore the allowance) will be recognized through credit loss expense as they occur. With the exception of purchased financial assets with a more than insignificant amount of credit deterioration since origination, for which the initial allowance will be added to the purchase price of the assets, the initial allowance on financial assets subject to the scope (whether originated or acquired) will be recognized through credit loss expense. Expanded disclosures will also be required. The ASU is effective for Housing Trust as of July 1, 2023. Topic 326 was further revised in April 2019 by ASU 2019-04 and November 2019 by ASU 2019-11 which made various updates to Topic 326 impacting accrued interest, transfers between categories of loans and debt securities, recoveries, and TDRs. Housing Trust is evaluating the impact of these codification updates.

In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*. ASU 2018-19 clarifies that receivables from operating leases are accounted for using the lease guidance and not as financial instruments. The ASUs are effective for fiscal years beginning after December 15, 2022. Housing Trust is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

Note 2. Significant Accounting Policies (Continued)

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures*. The amendments in this Update eliminate the accounting guidance for Troubled Debt Restructurings (TDR)s by creditors in Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity must apply the loan refinancing and restructuring guidance in paragraphs 310-20-35-9 through 35-11 to determine whether a modification results in a new loan or a continuation of an existing loan. For entities that have not yet adopted the amendments in Update 2016-13, the effective dates for the amendments in this Update are the same as the effective dates in Update 2016-13. Housing Trust is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

Note 3. Liquidity and Availability

Housing Trust regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of June 30, 2022, the following financial assets are available to meet annual operating needs of the 2023 and 2022 fiscal years:

	2022	2021
Financial assets at year end:		
Cash and cash equivalents, restricted cash and cash equivalents, and investments and restricted investments	$ 72,160,670	$ 79,844,104
Receivables, net	4,637,283	10,764,749
Notes receivable held for sale	656,880	894,200
Notes and interest receivable, net	163,058,478	159,164,216
Total financial assets	240,513,311	250,667,269
Less amounts not available to be used within one year:		
Donor restricted net assets not available for operations	(24,353,709)	(34,099,347)
Donor restricted cash and cash equivalents	(28,495,580)	(36,628,940)
Notes receivable, net	(157,768,726)	(153,735,509)
Financial assets not available to be used within one year	(210,618,015)	(224,463,796)
Financial assets available to meet cash needs for general expenditures within one year	$ 29,895,296	$ 26,203,473

Housing Trust has various sources of liquidity at its disposal, including cash and cash equivalents, investments, and lines of credit. See Note 9 for information about Housing Trust's lines of credit. Housing Trust has a policy to maintain available cash and short-term investments to meet 90 days of normal operating expenses, which are, on average, approximately $2,100,000. Cash in excess of daily requirements is invested in various short-term investments with maturities designed to meet obligations as they come due.

Note 3. Liquidity and Availability (Continued)

Housing Trust management and its board committees regularly monitor its financial position. Housing Trust generally expects to repay notes payable when they come due with proceeds from maturing notes receivable. As Housing Trust continues to grow, it will also potentially refinance the debt with either new loans from the same lender or find additional sources. Interest payments on notes payable are made from income earned on notes receivable.

Housing Trust monitors amounts available for general expenditures from cash and cash equivalents and investments and identifies amounts as available for operations. The difference between available for operations and financial assets available for general expenditures included in the liquidity table on the previous page, represents financial assets at a point in time, June 30, 2022, whereas the liquidity table includes amounts expected to be available over the next year. The difference in financial assets available primarily relates to notes receivable that are expected to be collected in the next 12 months. The amount available for operations is made of the following at June 30:

	2022	2021
Cash and cash equivalents	$ 41,748,632	$ 64,849,080
Restricted cash and cash equivalents	8,672,407	8,624,522
Investments	20,254,013	6,370,502
Restricted investments	1,485,618	-
Total	72,160,670	79,844,104
Less amount not available to be used for operations:		
Cash and cash equivalents to support program net asset restrictions	(47,452,372)	(56,941,022)
Cash and cash equivalents with time usage restrictions	(128,727)	(130,795)
Cash and cash equivalents held for others	(4,838,212)	(3,452,554)
Restricted investments to support program net asset restrictions	(1,485,618)	-
Total cash and equivalents and investments not available for operations	(53,904,929)	(60,524,371)
Cash and equivalents and investments available for operations	$ 18,255,741	$ 19,319,733

Note 4. Investments

A summary of Housing Trust's investments, including those measured at fair value on a recurring basis at June 30, and set forth by level within the fair value hierarchy, is as follows:

	2022				2021			
Description	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Domestic fixed income	$ -	$ 18,534,464	$ -	$ 18,534,464	$ -	$ 2,322,758	$ -	$ 2,322,758
Domestic equity	2,786,425	-	-	2,786,425	3,377,711		-	3,377,711
International equity mutual funds	363,557	-	-	363,557	647,369	-	-	647,369
International fixed income	-	-	55,185	55,185	-	-	22,664	22,664
Total investments	$ 3,149,982	$ 18,534,464	$ 55,185	$ 21,739,631	$ 4,025,080	$ 2,322,758	$ 22,664	$ 6,370,502
Investments	$ 3,149,982	$ 17,048,846	$ 55,185	$ 20,254,013	$ 4,025,080	$ 2,322,758	$ 22,664	$ 6,370,502
Restricted Investments	-	1,485,618	-	1,485,618	-	-	-	-
Total investments	$ 3,149,982	$ 18,534,464	$ 55,185	$ 21,739,631	$ 4,025,080	$ 2,322,758	$ 22,664	$ 6,370,502

A summary of the Level 3 investment activity for the years ended June 30 is as follows:

	2022	2021
Opening balance	$ 22,664	$ 99,316
Purchases	38,423	-
Sales	-	(75,000)
Change in value	(5,902)	(1,652)
Ending balance	$ 55,185	$ 22,664

Net investment return on the consolidated statements of activities consists of the following for the years ended June 30:

	2022	2021
Interest and dividends	$ 445,941	$ 166,058
Unrealized and realized (losses) gains	(910,955)	1,226,242
Investment management fees	(41,253)	(36,285)
	$ (506,267)	$ 1,356,015

Note 5. Receivables

Receivables are summarized as follows at June 30:

	2022	2021
Contributions:		
With donor restrictions	$ 3,900,000	$ 10,282,521
Without donor restrictions	225,000	86,000
Less discount on contributions	-	(4,851)
Total contributions receivable	4,125,000	10,363,670
Other receivables	512,283	406,079
Less allowance for doubtful accounts	-	(5,000)
Total receivables	$ 4,637,283	$ 10,764,749

Contributions receivable are unsecured. Contributions receivable with donor restrictions were 90% comprised of contributions from one donor and 98.5% comprised of contributions from two donors at June 30, 2022 and 2021, respectively.

Note 6. Notes Receivable

Notes receivable, net, consist of the following as of June 30:

	2022	2021
Homebuyer programs:		
Legacy Closing Cost Assistance Portfolio (1)	$ 1,898,132	$ 2,182,518
Legacy Down Payment Assistance Portfolio (2)	2,472,072	2,706,124
Homebuyer Empowerment Loan Program (3)	403,200	462,500
Neighborhood Housing Services (NHS) Portfolio (4)	1,823,822	2,272,842
Less discount on NHS portfolio (5)	(140,954)	(241,008)
	6,456,272	7,382,976
Multi-family programs (6):		
Affordable housing developer loans:		
Short-term loan program	100,957,769	116,051,392
Term loan program	57,189,717	25,291,140
Long-term deferred loan program	14,615,735	14,900,318
	172,763,221	156,242,850
Gross notes receivable	179,219,493	163,625,826
Less allowance for loan losses	(17,251,000)	(5,659,000)
Net notes receivable	161,968,493	157,966,826
Less current portion	(79,373,481)	(62,068,930)
Long-term portion	$ 82,595,012	$ 95,897,896

Note 6. Notes Receivable (Continued)

Homebuyer programs: Homebuyer programs are designed to help qualified homebuyers in Santa Clara County purchase a 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 mortgage must be a 30-year fixed mortgage. In addition, borrowers must reside in the financed home as their principal residence. If a default occurs, the loan becomes due and payable immediately. With the cost of housing continuing to soar in the region, it is increasingly difficult for the first-time homebuyers that qualify for Housing Trust programs to locate a property which has lowered the demand for existing programs. Housing Trust launched a new program in 2018 to help low- to moderate-income homebuyers purchase their first homes to make loans affordable to a broader range of potential homeowners. In 2019 to 2022, the preponderance of loans originated for homebuyers has been through its contract with the County of Santa Clara. Housing Trust (Empower Homebuyers) makes loans to homebuyers and sells them to the county quarterly. The county has raised funds through Measure A, 2016 to fund these purchases.

Housing Trust's homebuyer portfolios and programs are as follows:

1. Legacy Closing Cost Assistance Portfolio—Portfolio that consists of deferred interest loans up to $30,625, secured by deeds of trust with 0% to 3% simple interest.

2. Legacy Down Payment Assistance Portfolio—Portfolios that consist of loans up to $95,000, secured by deeds of trust with interest at a rate of 1% to 1.5% above the interest rate on the related first mortgage or between 0 to 3% simple interest. Payment of principal and interest are due monthly or upon any sale, transfer assignment or refinance of the first mortgage or upon default of the terms of the Housing Trust loan, whichever occurs first. This portfolio includes 30-year amortizing, 30-year deferred interest loans.

3. Homebuyer Empowerment Loan Program (HELP)—This program provides down payment assistance for up to half a buyer's down payment (or 10% of the purchase price of a home up to $800,000). A HELP loan is a 30-year deferred loan secured by deeds of trust. At maturity, principal plus a share of the home's appreciation, if any, that matches what is borrowed is due. In the event that appreciation is equal to zero, no share of appreciation shall be due. Because the loan is a shared appreciation loan, no monthly payments are required. Shared appreciation percentage is the loan amount divided by the original based price of the home.

4. Neighborhood Housing Services Portfolio—Housing Trust received a portfolio of notes receivable contributed by Neighborhood Housing Services Silicon Valley (NHS) upon its dissolution. The NHS deferred loan portfolio consists of loans ranging from $8,000 to $80,000 in face value and bears interest between 2% and 3%. The NHS amortizing loan portfolio consists of loans that have a face value of between $12,000 and $26,000 and carry interest of between 3% and 8%. These loans begin amortizing after five years.

5. These notes were recorded at fair value on the contribution date in 2016. The fair value, using Level 3 unobservable inputs, was $490,073.

With respect to all deferred loans, payment of principal and accrued interest is deferred until the maturity date of the related first mortgage, or upon any sale, transfer assignment or refinance of the first mortgage or upon default of the terms of the Housing Trust loan, whichever occurs first.

Note 6. Notes Receivable (Continued)

Multi-family programs: Housing Trust provides loan capital to community-based, nonprofit and for-profit mission-aligned affordable housing developers in order to increase and improve the availability of quality affordable housing in our region.

Qualified developers may borrow up to $1,000,000 for predevelopment and $15,000,000 for acquisition, and $10,000,000 for construction, and rehabilitation. These loans are primarily secured by deeds of trust. Housing Trust loan products include:

1. The short-term loan program provides early stage patient capital not offered by traditional lenders for predevelopment, acquisition, bridge or construction financing. Terms are up to five years with the average term of the Housing Trust's existing portfolio of just over two years.

2. Housing Trust utilizes its grant monies from Santa Clara County (Supportive Housing Fund) to lend short term at significantly lower interest rates to developers who seek to acquire and develop or preserve permanent housing with supportive services for extremely low-income individuals and families and those with special needs, in particular those experiencing homelessness.

3. Via its Launch Initiative, an off-balance-sheet fund Housing Trust manages on behalf of Google, Housing Trust makes short-term and term loans that often carry lower interest rates to developers. Housing Trust usually participates in each loan it makes via this fund.

4. Term loans provide permanent financing for stabilized multi-family properties. Terms are between five to 30 years. Through its Apple Affordable Housing Fund, in 2021 and 2022 Housing Trust offers low cost, long-term gap loans designed to provide that last piece of financing to projects so as to hasten the commencement of construction. Currently, preference is given to developments that service extremely low-income individuals and families, in particular those experiencing homelessness.

5. Long-term deferred term loans provide maturities for up to 55 years.

The following table presents notes receivable outstanding by portfolio segment as of June 30:

	2022	2021
Homebuyer programs	$ 6,456,272	$ 7,382,976
Multi-family programs:		
Unsecured	112,127	50,357
Nonreal estate secured	7,642,541	9,404,886
Long-term deferred loan program	14,615,735	14,973,046
Real estate secured	133,209,719	114,360,569
Nonrecourse	17,183,099	17,453,992
	172,763,221	156,242,850
Total portfolio	$ 179,219,493	$ 163,625,826

Note 6. Notes Receivable (Continued)

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

	2022		
	Homebuyer Program Allowance	Multi-Family Program Allowance	Total
Balance, beginning of year	$ 534,000	$ 5,125,000	$ 5,659,000
Provision for loan losses credit	(46,000)	11,701,000	11,655,000
Recoveries	-	-	-
Write-offs	(63,000)	-	(63,000)
Balance, end of year	$ 425,000	$ 16,826,000	$ 17,251,000
Ending balance:			
individually evaluated for impairment	$ -	$ 10,354,248	$ 10,354,248
Ending balance:			
collectively evaluated for impairment	425,000	6,471,752	6,896,752
	$ 425,000	$ 16,826,000	$ 17,251,000
Total loans:			
Ending balance:			
individually evaluated for impairment	$ -	$ 14,240,132	$ 14,240,132
Ending balance:			
collectively evaluated for impairment	6,456,272	158,523,089	164,979,361
	$ 6,456,272	$ 172,763,221	$ 179,219,493

Note 6. Notes Receivable (Continued)

	2021		
	Homebuyer Program Allowance	Multi-Family Program Allowance	Total
Balance, beginning of year	$ 627,500	$ 5,950,000	$ 6,577,500
Provision for loan losses credit	(93,500)	(825,000)	(918,500)
Recoveries	-	-	-
Write-offs	-	-	-
Balance, end of year	$ 534,000	$ 5,125,000	$ 5,659,000
Ending balance:			
individually evaluated for impairment	$ -	$ -	$ -
Ending balance:			
collectively evaluated for impairment	534,000	5,125,000	5,659,000
	$ 534,000	$ 5,125,000	$ 5,659,000
Total loans:			
Ending balance:			
individually evaluated for impairment	$ -	$ -	$ -
Ending balance:			
collectively evaluated for impairment	7,382,976	156,242,850	163,625,826
	$ 7,382,976	$ 156,242,850	$ 163,625,826

Housing Trust considers the performance of the notes receivable portfolio and its impact on the allowance for loan losses. For the multi-family portfolio segment, management will evaluate credit quality of individual loans based on payment activity, borrower financial condition and other factors in order to assign individual risk ratings. The following shows the multi-family portfolio segment as allocated by management's internal risk ratings as of June 30:

	2022	2021
Pass	$ 158,523,089	$ 156,242,850
Doubtful	14,240,132	-
Total	$ 172,763,221	$ 156,242,850

Note 6. Notes Receivable (Continued)

Future maturities on homebuyer programs notes receivable within the next five years are $162,756 with remaining amounts due thereafter. Future principal repayments for the multi-family programs loans are estimated as follows:

Years ending June 30:	
2023	$ 79,373,480
2024	20,314,267
2025	27,602,121
2026	216,596
2027	226,126
Thereafter	45,030,631
	$ 172,763,221

As of June 30, 2022 the balance of one impaired loan placed on non-accrual was $14,240,132 and was significant to the total balance of $172,763,221, or approximately 8% of the loans receivable multifamily balance. There were loans classified as impaired in the amount of $14,240,132 and $0 as of June 30, 2022 and 2021, respectively. HTSV has booked a loan loss provision for this loan in June 30, 2022.

There were no loans modified as TDRs during the years ended June 30, 2022 and 2021.

A summary of loans measured at fair value on a nonrecurring basis at June 30, and set forth by level within the fair value hierarchy, is as follows:

	2022			
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
Impaired loans:				
Multi-family programs	$ 14,240,132	$ 14,240,132	$ 10,354,248	$ 7,120,066

	2021			
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
Impaired loans:				
Multi-family programs	$ -	$ -	$ -	$ -

Note 6. Notes Receivable (Continued)

Description	Carrying Value at 2022 Total	Level 1	Level 2	Level 3
Impaired loans	$ 3,885,884	$ -	$ -	$ 3,885,884

Description	Carrying Value at 2021 Total	Level 1	Level 2	Level 3
Impaired loans	$ -	$ -	$ -	$ -

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 follow:

	2022			Status of Interest Accruals	
	Loan Balance	Past Due ≥ 90 Days	Allowance	Total Financing Receivable on Nonaccrual Status	Financing Receivables Past Past Due and Still Accruing Interest
Homebuyer programs	$ 6,456,272	$ -	$ 425,000	$ -	$ -
Multi-family programs:					
Funded by Affordable Housing Growth Fund LP (AHGF)	-	-	-	-	-
Unsecured	112,127	-	7,849	-	-
Non-real estate secured	7,642,541	-	534,978	-	-
Long-term deferred loan program	14,615,735	-	476,661	-	-
Real estate secured	133,209,719	-	15,720,597	14,240,132	-
Nonrecourse	17,183,099	-	85,915	-	-
	172,763,221	-	16,826,000	14,240,132	-
Total portfolio	$ 179,219,493	$ -	$ 17,251,000	$ 14,240,132	$ -

Note 6. Notes Receivable (Continued)

	2021				
				Status of Interest Accruals	
	Loan Balance	Past Due ≥ 90 Days	Allowance	Total Financing Receivable on Nonaccrual Status	Financing Receivables Past Due and Still Accruing Interest
Homebuyer programs	$ 7,382,976	$ -	$ 534,000	$ -	$ -
Multi-family programs:					
Funded by Affordable Housing Growth Fund LP (AHGF)	-	-	-	-	-
Unsecured	50,357	-	3,525	-	-
Non-real estate secured	9,404,886	-	658,342	-	-
Long-term deferred loan program	14,973,046	-	484,925	-	-
Real estate secured	114,360,569	-	3,890,938	-	-
Nonrecourse	17,453,992	-	87,270	-	-
	156,242,850	-	5,125,000	-	-
Total portfolio	$ 163,625,826	$ -	$ 5,659,000	$ -	$ -

Note 7. Furniture and Equipment

Furniture and equipment are summarized as follows at June 30:

	2022	2021
Office equipment	$ 146,753	$ 121,213
Software	40,918	40,918
Furniture and fixtures	195,508	195,508
Leasehold improvements	40,553	40,553
	423,732	398,192
Less accumulated depreciation and amortization	(333,950)	(262,962)
Total furniture and equipment, net	$ 89,782	$ 135,230

Depreciation and amortization charged to expense was $70,986 and $74,346 for the years ended June 30, 2022 and 2021, respectively.

Note 8. Nonrecourse Capital from Third Parties

Housing Trust enters into Loan Pooling Agreements to finance loans to affordable housing developers with various Investor Banks and other third-party investors whereby Housing Trust and investors have committed to provide funds to enable Housing Trust to originate affordable housing development loans to qualified developers of multi-family rental projects. Housing Trust issues a capital call to the investors at loan closing and they remit their established percentage of the total loan. This capital is nonrecourse with the exception of a required loan loss reserve in the Affordable Housing Growth Fund described below. Nonrecourse capital from third parties is as follows at June 30:

	2022	2021
Affordable Housing Growth Fund (AHGF) (1)	$ -	$ -
2015 Loan Fund—Tranche I (2)	2,667,407	2,523,061
2015 Loan Fund—Tranche II (2)	3,059,968	2,203,306
Monterey Bay Housing Trust (3)	970,427	1,051,381
Sonoma County Housing Fund (4)	-	580,833
Silicon Valley Community Foundation	125,000	125,000
Non-true sale participants (5)	10,485,297	11,095,411
	17,308,099	17,578,992
Less current portion	(16,335,331)	(11,984,236)
Long-term portion	$ 972,768	$ 5,594,756

1. AHGF—Housing Trust entered in a Funds Pooling Agreement (Agreement) on May 6, 2013, where the total loan pool commitment is $10,101,120, of which $8,085,000 is from Investor Banks and $2,016,120 from Housing Trust. The qualified developers may borrow up to a maximum loan amount of $2,000,000 for real estate secured loans or $500,000 for non-real estate secured loans. The maximum term of the loan is five years. 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 Housing Trust and the Investor Banks, which represents the Investor Banks' only recourse. The termination date for the Agreement is January 1, 2023. There are no loans outstanding under this Agreement as of June 30, 2022.

2. 2015 Loan Fund—Housing Trust entered into a 2015 Affordable Housing Loan Pooling Agreement on September 30, 2015, where the total loan pool commitment is $7,800,000, of which $5,800,000 is from Investor Banks and $2,000,000 from Housing Trust. Qualified developers may borrow up to a maximum loan amount of $2,000,000 for real estate secured loans or $500,000 for non-real estate secured loans. The maximum loan term is five years. The Agreement was extended for an additional five-year period upon the original termination date of March 1, 2020.

   In March 2017, some of the original 2015 loan pool Investor Banks agreed along with one new Investor Bank to commit Tranche II of the 2015 loan pool totaling $6,300,000 from these banks and $8,300,000 in total, including Housing Trust's commitment of $2,000,000. The total loan pool (both tranches) including Housing Trust's commitment stands at $16,100,000.

Note 8. Nonrecourse Capital from Third Parties (Continued)

3. Monterey Bay Housing Trust—In June 2017, Housing Trust entered into the Monterey Bay Housing Trust Funds Pooling Agreement for Affordable Housing Loans, where the total loan pool commitment is $10,000,000, of which the Monterey Bay Economic Partnership, Inc. (MBEP) raised and will invest $2,000,000 with the remaining amount funded by Housing Trust. Loans made from these funds are financing developments in the three county region covered by MBEP. Qualified developers may borrow up to a maximum loan amount of $4,000,000 for real estate secured loans or $500,000 for non-real estate secured loans. The maximum loan term is five years. The termination date for the Agreement was June 1, 2022. The parties are working to extend the agreement. To-date the Monterey Bay Housing Trust has created or preserved 691 homes and funds have revolved and been augmented by Housing Trust such that $30 million has been invested together in the region.

4. In October 2020, Housing Trust entered into a Funds Pooling Agreement with the Santa Rosa Metro Chamber to create the funding source for the Sonoma County Housing Fund. The fund via the pooling agreement provides capital to multi-family affordable housing developers in Sonoma County. Santa Rosa Metro Chamber's loan pool commitment is $2,000,000 and Housing Trust will provide the remainder of the capital. The fund has made four loans to developments in Sonoma County via this fund since 2021. The agreement terminates in 2025 but can be renewed for an additional five years.

5. Secured borrowings—Housing Trust occasionally sells some participation loans to third parties that do not meet the criteria to be accounted for as sales in accordance with ASC 860, Transfers and Servicing. As a result, the participation loans are accounted for as secured borrowings, whereby Housing Trust records cash received from the transferee and records a liability to repay the cash to the transferee. The transferees have no recourse to Housing Trust for failure of the underlying borrowers to pay amounts contractually due. The outstanding balance of participation loans sold that are accounted for as secured borrowings is $10,485,297 and $11,095,411 as of June 30, 2022 and 2021, respectively.

Housing Trust is responsible for monitoring and receiving monthly payments from the borrowers. Heritage Bank acts as Administrative Agent for AHGF, Monterey Bay Housing Trust, and the 2015 Loan Fund tranches I and II. Payments from borrowers are received by Heritage Bank and are disbursed proportionately by Housing Trust to the Investor Banks and other third-party investors in arrears on a quarterly basis. The nonrecourse capital, other than the 5% loan loss reserve related to the AHGF Funds Pooling Agreement, is not required to be repaid if the $17,183,099 and $17,453,992 as of June 30, 2022 and 2021, respectively, of corresponding notes receivable within the multi-family program in Note 6 are not repaid.

Note 9. Notes Payable

Term loans of $13,364,203 are secured by notes receivable and cash and the remaining are unsecured and consist of the following at June 30:

	2022	2021
Term loans:		
Notes payable to religious and health and welfare organizations, bearing interest of 2%, with interest due quarterly, to be repaid in full in November 2024.	$ 1,000,000	$ 1,000,000
Notes payable to financial institutions, bearing interest of 3%, with interest due quarterly, to be repaid in full in December 2025.	3,000,000	3,000,000
Community Impact notes payable, bearing interest from 1.0% to 1.5%, paid semiannually, to be repaid in full from April 2023 to April 2026.	47,375,000	62,250,000
Notes payable to foundations and corporations, bearing interest from 1.5% to 2%, with interest due quarterly, to be repaid in full from January 2023 to August 2027.	25,600,000	25,600,000
Bond loan, secured notes, with the CDFI fund for up to $25,000,000, with maturities up to 29.5 years at a spread over U.S. Treasuries fixed as funds are drawn. In 2020, two draws occurred bearing interest from 1.1% to 1.9%, with interest due monthly, and principal to be repaid from June 2029 to December 2030.	13,364,203	14,892,380
Subordinated notes payable:		
Notes payable to financial institutions, bearing interest from 2.00% to 2.59%, generally with interest due quarterly, to be repaid in full from September 2022 to May 2029. These subordinated notes are classified by lenders as Equity Equivalent Investments (EQ2). EQ2s are unique to the CDFI industry and were created as a mechanism for nonprofit CDFIs to acquire equity-like capital.	7,750,000	7,750,000
Outstanding revolving lines of credit:		
Charles Schwab Bank revolving line of credit with a maximum amount of borrowings of $15,000,000, with interest due quarterly at the greater of the reference rate plus the index margin or 2.5% per annum. The line of credit has a maturity date of May 2027, but is reviewed annually for an option to extend the advance period. A US Bank revolving line of credit with a maximum amount of $10,000,000 was added in June 2021 with an interest rate of the daily SOFR rate, with interest due quarterly. The US Bank LOC has a maturity date of May 2025 but is reviewed annually for an option to extend the advance period.	-	-
	98,089,203	114,492,380
Less current portion	(8,672,470)	(19,028,178)
Less unamortized loan fees	(92,642)	(111,816)
Long-term portion	$ 89,324,091	$ 95,352,386

Note 9. Notes Payable (Continued)

In March 2017, Housing Trust created a campaign called the TECH Fund—Technology Equity Community and Housing to fund its multi-family lending program. As part of this campaign Housing Trust has authorized and issued notes to employers, philanthropy, and individual accredited investors.

- In April 2017, Housing Trust offered for sale to accredited investors up to $50,000,000 Community Impact Notes. The notes, Series A, five-year note bearing interest of 1.5%, paid semiannually, and Series B, 10-year notes bearing interest of 1.5%, paid semiannually, are unsecured. The note series were extended in 2018 to C through F.

- In July 2019, Housing Trust entered into a Note Purchase Agreement whereby it offered an additional $50,000,000 in Community Impact Notes for sale to Google. These notes can be sold during the five-year period ending July 2024 and begin with Series G, each series in a $10,000,000 increment. The notes bear interest at 1.5% paid semiannually and have a term of five years. As of June 30, 2022, $10,000,000 Series G notes and $10,000,000 Series H notes have been sold.

- In January 2020, Housing Trust issued a separate Community Impact Note to Google in the amount of $5,000,000, with a term of five years and bearing interest at 1.5% paid semiannually. The proceeds of this note must be invested in the affordable housing developments in the City of Mountain View.

- In October 2019, Housing Trust revised its offering memorandum and added one additional term of note offering for sale $25,000,000 Community Impact Notes. The notes are: Series 1, two-year note bearing interest of 1.25%, paid semiannually, Series 2, five-year note bearing interest of 1.5% paid semiannually, and Series 3, 10-year note bearing interest of 2.0%. The note series were extended in 2021 to 4 through 6. The notes are: Series 4, two-year note bearing interest of 1.0%, paid semiannually, Series 5, five-year note bearing interest of 1.5% paid semiannually, and Series 6, 10-year note bearing interest of 1.85%.

- As of June 30, 2022 and 2021, $61,500,000 and $61,500,000 Series A through H notes, respectively, have been sold. During the year ended June 30, 2022, Housing Trust sold $25,000 Series 4 and $100,000 Series 5 Notes.

  Housing Trust has and expects to continue to attract non Community Reinvestment Act (CRA) motivated investors to invest via this vehicle.

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

Years ending June 30:	
2023	$ 8,672,470
2024	31,565,893
2025	29,587,156
2026	4,623,838
2027	4,293,878
Thereafter	19,345,968
	$ 98,089,203

Note 9. Notes Payable (Continued)

Housing Trust has a revolving line of credit agreement with Charles Schwab Bank whereby it may borrow up to $15,000,000. Interest on any outstanding balance is payable quarterly at the greater of the reference rate plus the index margin or 2.5% per annum, which was 3.5% and 3% at June 30, 2022 and 2021, respectively. The line of credit availability expires on May 17, 2023, and must be renewed. Its final maturity is May 17, 2027. There was no outstanding balance under this line of credit at June 30, 2022 and 2021.

In June 2021, Housing Trust obtained a revolving line of credit with US Bank with a maximum amount of $10,000,000 with an interest rate of the daily SOFR rate, with interest due quarterly. We renewed this revolving line of credit in May 2022. There was no outstanding balance under this line of credit at June 30, 2022. The line of credit availability expires on May 19, 2023, and must be renewed. Its final maturity is May 21, 2025.

On September 25, 2017, Housing Trust entered into a $25,000,000 bond loan agreement with Opportunity Finance Network, a qualified issuer, as part of the Bond Guarantee Program of the CDFI Fund. This loan agreement, which has an advance period of five years, provides up to 29.5-year maturities at a spread over U.S. Treasuries. As it draws on the funds, Housing Trust is required to pledge eligible collateral to the lender and to fund 3% of the bond loan amount in a risk share pool. Housing Trust intends to use the funds to finance term loans to its multi-family borrowers. Housing Trust has pledged $15,172,518 and $15,329,346 of notes receivable, $54,393 and $174,006 of cash and has outstanding debt of $13,364,203 and $14,892,380 as of June 30, 2022 and 2021, respectively. Housing Trust has notified its “OFN/issuing cdfi” and the CDFI Fund that it will not be drawing any further prior to expiration of the draw period in September 2022.

Housing Trust has several loan agreements with covenants that limit delinquencies and nonaccrual and TDR loans. For three of those loan agreements Housing Trust anticipated it would be in violation of the covenant due to a large loan put on nonaccrual in May of 2022.

In June 2022, Housing Trust requested and received written waivers from these three banks prior to the end of the fiscal year and thus in compliance at year end. One bank has modified the covenant dated June 2, 2022 such that Housing Trust is currently in compliance and expects to continue to be at the next measurement period. One bank has provided a waiver through October 31, 2022 with measurement date at the end of the 2nd fiscal quarter or December 2022; at which time Housing Trust considers the possibility to be in compliance as remote. Housing Trust has therefore classified this loan of $2,250,000 as current at June 30, 2022. The third bank has provided a waiver but has no outstanding balance.

Note 10. Related-Party Transactions

Housing Trust’s volunteer members of the board of directors are active in oversight of fundraising events, activities and making private contributions. Certain Board members have served as elected officials on jurisdictions which support Housing Trust. Contributions from the board of directors, from companies with which board members are affiliated, or from jurisdictions represented on the board by an elected official (related parties) were $883,306 and $73,200 for the years ended June 30, 2022 and 2021, respectively.

Housing Trust had related-party notes payable of $30,750,000 and $30,750,000 at June 30, 2022 and 2021, respectively.

Note 10. Related-Party Transactions (Continued)

Aggregate loan transactions with related parties for the years ended June 30 were approximately as follows:

	2021
Balance, beginning of year	$ 2,005,798
Repayments and grants	(49,498)
Transferred out	(1,956,300)
Balance, end of year	$ -

The balance of loans with related parties was transferred out during the year ended June 30, 2021, when the borrower was no longer deemed to be a related party. There were no loan transactions with related parties during the year ended June 30, 2022.

Note 11. Grants

Housing Trust provides grants to those transitioning from homelessness to permanent housing through its Finally Home security deposit program. In addition, Housing Trust works with government agencies such as the County of Santa Clara to underwrite and grant to organizations providing safety net to those experiencing homelessness or in need of supportive services.

Housing Trust has also made planning grants to homeowners to kick start their ADUs, has a small scholarship grant program and occasionally donates to polling and other efforts to support local measures to raise funding for affordable housing. Such grants and contributions totaled $65,358 and $297,071 in 2022 and 2021, respectively. Grants are short-term grants, and therefore don’t have future barriers that would result in conditions.

Note 12. Conditional Contributions

The balance in conditional contributions represents funds received but not lent as of June 30, 2022 and 2021. Conditional contributions consist of the following:

	2022	2021
Santa Clara County—SNCI (1)	$ -	$ 215,909
Apple, Inc (2)	9,611,549	9,667,227
Total conditional contributions	$ 9,611,549	$ 9,883,136

1. Housing Trust received $750,000 in 2016 from Santa Clara County for the SNCI Program for the rehabilitation of community facilities to increase shelter, transitional housing or drop-in services for the homeless.

Note 12. Conditional Contributions (Continued)

2. In February 2020, Housing Trust entered into a grant agreement with Apple. The grant's mission is to support Housing Trust's work in the greater Bay Area with the purpose of deploying new solutions, accelerating timelines and housing families faster using gap and other types of loans to affordable housing developers. Apple has committed $150 million to be distributed in two tranches from the date of the agreement February 3, 2020, to December 31, 2029. These grant awards will only be awarded upon Housing Trust meeting specific milestones as stated in the agreement subject to Apple's satisfaction. Housing Trust received $10,000,000 each year of the lending capital from 2020 to 2022, of which $9,611,549 and $9,667,227 was recorded in 2022 and 2021, respectively, as a conditional contribution.

3. During FY 2022, HTSV received an award from the Department of Housing and Community Development of $5,000,000 for the Local Housing Trust Fund program of which $3,675,000 was recognized as revenue for a qualified loan and expenses. As of June 30, 2022 , the remaining amount of $1,325,000 is conditional upon meeting the loan criteria mandated by the Local Housing Trust Fund. The remaining funds have not been received as of June 30, 2022 and therefore not included in the schedule on the previous page.

Note 13. Net Assets with Donor Restrictions

The net assets with donor restrictions are for the following purposes or periods at June 30:

	2022			
	June 30, 2021	Contributions and interest	Released from Restrictions	June 30, 2022
General lending programs	$ 2,114,685	$ 150,000	$ (521,661)	$ 1,743,024
Homebuyer programs	7,786,170	43,371	(296,921)	7,532,620
NSP2	8,361,952	384,608	-	8,746,560
Affordable Multi-Family Rental Program and Homeless/Special Needs Program	33,820,084	15,072,020	(19,125,571)	29,766,533
Finally Home and Other Programs	44,451	600,000	(44,267)	600,184
Time restrictions	155,295	325,877	(192,445)	288,727
	$ 52,282,637	$ 16,575,876	$ (20,180,865)	$ 48,677,648

	2021			
	June 30, 2020	Contributions and interest	Released from Restrictions	June 30, 2021
General lending programs	$ 1,825,462	$ 300,000	$ (10,777)	$ 2,114,685
Homebuyer programs	7,843,356	143,921	(201,107)	7,786,170
NSP2	8,109,664	252,288	-	8,361,952
Affordable Multi-Family Rental Program and Homeless/Special Needs Program	31,527,741	10,284,601	(7,992,258)	33,820,084
Finally Home and Rehabilitation Program	45,712	152,466	(153,727)	44,451
Time restrictions	338,530	20,000	(203,235)	155,295
	$ 49,690,465	$ 11,153,276	$ (8,561,104)	$ 52,282,637

Note 13. Net Assets with Donor Restrictions (Continued)

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.

Contributions received from government agencies with both purpose and time restrictions are not released from restriction until the later of the restrictions is met. 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. Net assets with donor restrictions include a total of $20,576,512 and $18,065,994 of disbursed funds with secondary-use restrictions as of June 30, 2022 and 2021, respectively.

Note 14. Pension Plan

Housing Trust has established a defined contribution plan (the Plan) for all eligible employees. There is no length of service requirement; therefore, employees may participate in the Plan upon joining the company. Contributions to employee accounts are immediately fully vested. Housing Trust contributes 3% of eligible employees' compensation and up to an additional 2% of matching funds for those employees who contribute to the Plan. Housing Trust contributed $166,533 and $146,613 to the Plan during 2022 and 2021, respectively.

Note 15. Office Lease

Housing Trust leases office space in San Jose under a noncancelable operating lease expiring in 2024. Rent expense for the years ended June 30, 2022 and 2021, was $240,206 and $236,446, respectively. The following represents future minimum lease payments:

Years ending June 30:	
2023	$ 272,184
2024	69,913
	$ 342,097

Note 16. Commitments and Contingencies

Housing Trust had undisbursed loan commitments totaling $19,624,399 and $31,429,345 as of June 30, 2022 and 2021, respectively, relating to its multi-family programs.

COVID-19: On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which Housing Trust operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. Housing Trust has granted payment deferrals for two homebuyer loans in May 2020.

Note 16. Commitments and Contingencies (Continued)

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to Housing Trust. The impact of this on Housing Trust, its borrowers, grantors, funding sources, and other constituents cannot be determined at this time. These impacts may include, but are not limited to, the ability of borrowers to repay their outstanding balances as they become due as well as the ability of others such as lenders, investors, grantors or grantees in any of the sectors in which Housing Trust operates to honor their commitments. Depending on how long COVID-19 concerns last, Housing Trust could see in the future increased delinquencies and loan losses, which could have negative implications over net income, but does not expect to. Housing Trust believes there may be longer construction periods, but contract extensions are already built into multi-family loans when they are originated to help account for this. Housing Trust's small homebuyer portfolio is not expected to experience an increased delinquency rate.

Additionally, it is reasonably possible that estimates, including the loan loss reserves and the investment valuation made in the consolidated financial statements may materially differ in the near term as a result of these conditions.

Note 17. Subsequent Events

On September 30, 2022, Housing Trust repaid the $2,000,000 EQ2 (equity equivalent investment) loan to Silicon Valley Bank.

On October 5, 2022, Housing Trust repaid the $500,000 EQ2 loan to Mechanics Bank.

On October 11, 2022, Silicon Valley Bank provided a EQ2 loan in the amount of $5,000,000 to Housing Trust which bears a 2% interest rate. Principal is due on October 11, 2032. The maturity date may be extended by the bank for two consecutive terms if certain conditions to extend are met as defined in the agreement.