# Housing Trust Silicon Valley

Consolidated Financial Report
June 30, 2023

## Contents

# Independent Auditor's Report

Board of Directors
Housing Trust Silicon Valley

**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, 2023 and 2022, 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, 2023 and 2022, 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). 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 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, 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.

RSM US LLP

San José, California
November 10, 2023

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

## Consolidated Statements of Financial Position
**June 30, 2023 and 2022**

| | 2023 | 2022 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 56,837,012 | $ 41,748,632 |
| Restricted cash and cash equivalents | 8,081,119 | 8,672,407 |
| Investments (Note 4) | 22,248,758 | 20,254,013 |
| Restricted investments (Note 4) | 2,032,763 | 1,485,618 |
| Receivables, net (Note 5) | 790,246 | 4,637,283 |
| Prepaid expenses | 225,820 | 295,806 |
| Notes receivable held for sale | 757,000 | 656,880 |
| Notes receivable (Note 6) | 58,256,287 | 79,373,481 |
| Interest receivable | 168,534 | 146,651 |
| **Total current assets** | 149,397,539 | 157,270,771 |
| Notes receivable, net of current portion (Note 6) | 94,103,572 | 82,595,012 |
| Deferred interest receivable | 1,009,814 | 943,334 |
| Furniture and equipment, net (Note 7) | 133,814 | 89,782 |
| **Total assets** | $ 244,644,739 | $ 240,898,899 |
| **Liabilities and Net Assets** | | |
| Current liabilities: | | |
| Accounts payable | $ 118,462 | $ 232,924 |
| Accrued expenses | 1,383,346 | 1,464,996 |
| Conditional contributions (Note 12) | 9,915,453 | 9,611,549 |
| Nonrecourse capital from third parties—current portion (Note 8) | 3,893,333 | 16,335,331 |
| Notes payable—current portion (Note 9) | 32,315,893 | 8,672,470 |
| Funds held for others | 5,034,083 | 4,838,212 |
| **Total current liabilities** | 52,660,570 | 41,155,482 |
| Nonrecourse capital from third parties, net of current portion (Note 8) | 1,829,314 | 972,768 |
| Notes payable, net of current portion (Note 9) | 64,289,801 | 89,324,091 |
| **Total liabilities** | 118,779,685 | 131,452,341 |
| Commitments and contingencies (Note 15) | | |
| Net assets: | | |
| Without donor restrictions | 82,875,276 | 60,768,910 |
| With donor restrictions (Note 13) | 42,989,778 | 48,677,648 |
| **Total net assets** | 125,865,054 | 109,446,558 |
| **Total liabilities and net assets** | $ 244,644,739 | $ 240,898,899 |

See notes to consolidated financial statements.

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

**Consolidated Statement of Activities**
**Year Ended June 30, 2023**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Support and revenue: | | | |
| Net financial income: | | | |
| Interest income on loans | $ 5,036,285 | $ 61,663 | $ 5,097,948 |
| Loan origination fees | 789,448 | - | 789,448 |
| Less interest expense | (1,729,083) | - | (1,729,083) |
| Less credit on loan losses | 1,890,500 | - | 1,890,500 |
| **Total net financial income** | 5,987,150 | 61,663 | 6,048,813 |
| Fees: | | | |
| Contract program revenue | 1,079,633 | - | 1,079,633 |
| Loan servicing fees | 195,076 | - | 195,076 |
| Other | 17,756 | - | 17,756 |
| **Total fees** | 1,292,465 | - | 1,292,465 |
| Contributions | 90,978 | 13,153,906 | 13,244,884 |
| Revenue from special events, net of direct costs | 129,323 | - | 129,323 |
| Net assets released from restrictions (Note 13) | 19,198,723 | (19,198,723) | - |
| Investment return, net of fees (Note 4) | 2,362,251 | 295,284 | 2,657,535 |
| **Total** | 21,781,275 | (5,749,533) | 16,031,742 |
| **Total support and revenue** | 29,060,890 | (5,687,870) | 23,373,020 |
| Expenses: | | | |
| Program services | 3,799,972 | - | 3,799,972 |
| Management and general | 2,426,113 | - | 2,426,113 |
| Fundraising | 728,439 | - | 728,439 |
| **Total expenses** | 6,954,524 | - | 6,954,524 |
| **Change in net assets** | 22,106,366 | (5,687,870) | 16,418,496 |
| Net assets, beginning of year | 60,768,910 | 48,677,648 | 109,446,558 |
| Net assets, end of year | $ 82,875,276 | $ 42,989,778 | $ 125,865,054 |

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 Functional Expenses
## Year Ended June 30, 2023

| | 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 | $ 510,903 | $ 936,395 | $ - | $ 1,133,386 | $ 83,490 | $ 2,664,174 | $ 1,725,293 | $ 523,743 | $ 2,249,036 | $ 4,913,210 |
| Occupancy and office expense | 50,031 | 69,791 | - | 75,989 | 1,810 | 197,621 | 177,706 | 46,170 | 223,876 | 421,497 |
| Accounting, legal and professional fees | 80,908 | 210,486 | - | 199,529 | 48,735 | 539,658 | 372,213 | 113,583 | 485,796 | 1,025,454 |
| Marketing and communication | 928 | 684 | - | 518 | 11 | 2,141 | 652 | 15,431 | 16,083 | 18,224 |
| Donations/sponsorships | - | 28,473 | - | - | - | 28,473 | 1,000 | - | 1,000 | 29,473 |
| Meetings, conferences and travel | 985 | 24,182 | - | 15,487 | - | 40,654 | 25,674 | 6,001 | 31,675 | 72,329 |
| Other operating expenses | 15,212 | 57,128 | - | 33,506 | 10,253 | 116,099 | 97,586 | 11,534 | 109,120 | 225,219 |
| Grants awarded (Note 11) | - | 9,091 | 61,400 | - | 90,000 | 160,491 | - | - | - | 160,491 |
| Depreciation and amortization | 12,480 | 17,741 | - | 19,961 | 479 | 50,661 | 25,989 | 11,977 | 37,966 | 88,627 |
| **Total expenses before (credit) provision on loan losses, interest expense and costs for special events** | 671,447 | 1,353,971 | 61,400 | 1,478,376 | 234,778 | 3,799,972 | 2,426,113 | 728,439 | 3,154,552 | 6,954,524 |
| Provision (credit) on loan losses | 35,500 | (1,926,000) | - | - | - | (1,890,500) | - | - | - | (1,890,500) |
| Interest expense | - | 1,729,083 | - | - | - | 1,729,083 | - | - | - | 1,729,083 |
| Costs for special events | - | - | - | - | - | - | - | 33,477 | 33,477 | 33,477 |
| **Total expenses** | $ 706,947 | $ 1,157,054 | $ 61,400 | $ 1,478,376 | $ 234,778 | $ 3,638,555 | $ 2,426,113 | $ 761,916 | $ 3,188,029 | $ 6,826,584 |

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 Statements of Cash Flows
## Years Ended June 30, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ 16,418,496 | $ 4,778,669 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 88,627 | 70,986 |
| Amortization of debt issuance costs | 1,602 | 19,175 |
| Change in deferred fees and costs | 3,428 | 3,428 |
| (Credit) provision on loan losses | (1,890,500) | 11,655,000 |
| (Gain) loss on investments | (253,926) | 910,955 |
| Noncash interest income | (2,021,465) | (3,868,685) |
| Noncash fee income | (324,435) | (418,702) |
| Noncash grant expense | 9,091 | 9,091 |
| Changes in operating assets and liabilities: | | |
| Amortization of discount on notes receivable | (41,769) | (100,054) |
| Receivables | 3,847,038 | 6,127,466 |
| Accrued interest receivable | (88,364) | 107,404 |
| Prepaid expenses | 66,558 | (112,621) |
| Accounts payable and accrued expenses | (196,112) | 671,945 |
| Conditional contributions | 303,904 | (271,587) |
| Origination of notes receivable held for sale | (1,344,606) | (1,607,010) |
| Proceeds from sale of notes receivable | 1,244,486 | 1,844,330 |
| Collections from funds held for others | 195,871 | 1,385,658 |
| **Net cash provided by operating activities** | 16,017,924 | 21,205,448 |
| Cash flows from investing activities: | | |
| Proceeds from the sale of investments | 46,354,780 | 10,500,528 |
| Purchases of investments | (48,642,741) | (26,780,613) |
| Purchases of furniture and equipment | (132,659) | (25,538) |
| Notes receivable disbursed | (37,146,828) | (50,012,550) |
| Collection of notes receivable | 51,024,539 | 38,734,233 |
| **Net cash provided by (used in) investing activities** | 11,457,091 | (27,583,940) |
| Cash flows from financing activities: | | |
| Proceeds from long-term debt | 10,030,000 | 2,125,000 |
| Repayments on long-term debt | (11,422,470) | (18,528,178) |
| Proceeds from secured borrowings | 5,867,051 | 509,612 |
| Payments to secured borrowings | (14,495,802) | (1,119,726) |
| Proceeds from loan pool participants | 585,150 | 1,744,902 |
| Payments to loan pool participants | (3,541,852) | (1,405,681) |
| **Net cash used in financing activities** | (12,977,923) | (16,674,071) |
| **Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents** | 14,497,092 | (23,052,563) |
| Cash and cash equivalents and restricted cash and cash equivalents, beginning of year | 50,421,039 | 73,473,602 |
| Cash and cash equivalents and restricted cash and cash equivalents, end of year | $ 64,918,131 | $ 50,421,039 |
| Cash and cash equivalents | $ 56,837,012 | $ 41,748,632 |
| Restricted cash and cash equivalents | 8,081,119 | 8,672,407 |
| | $ 64,918,131 | $ 50,421,039 |

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 approximately $12 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.

- 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 as contributions on the consolidated statements of activities. Housing Trust recognized $11,284,549 and $10,897,020 in contributions with donor restrictions under this agreement during the years ended June 30, 2023 and 2022, respectively. The milestones represent barriers in accordance with Accounting Standards Update (ASU) 2018-08 and, therefore, at June 30, 2023 and 2022, there is a committed conditional contribution amount of $109,179,402 and $120,463,951, 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 initially 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 10% 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, 2023 and 2022, Housing Trust held $5,034,083 and $4,838,212, 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. The fund size increased to $71.9 million in May 2022.

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. As of June 30, 2023, the remaining amount of $1,325,000 was recognized as revenue for a qualified loan and expenses. The award was fully received and recognized.

During FY 2023, HTSV received an award from the Department of Housing and Community Development of $5,000,000 for the Local Housing Trust Fund. As of June 30, 2023, the remaining amount of $5,000,000 is conditional upon meeting the loan criteria and matching requirements 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 CDFI's to draw funds from the program. The Capital Magnet Fund gives out grants to CDFI's on the condition that they meet leveraging requirements for projects funded by CMF capital.

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 January 2023.

## 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 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 partial reversal of the specific reserve, the self-sufficiency ratio is 155% in fiscal year 2023. When excluding this non-cash expense self-sufficiency is at 121%, 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, 2023 and 2022, 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, 2023 and 2022, Housing Trust has recorded an allowance for doubtful accounts of $25,296 and $0, 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).

**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 groups 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.

**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.

## Note 2. Significant Accounting Policies (Continued)

**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, less estimated costs to sell, 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.

**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 effective interest 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, 2023 and 2022, 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.

## Note 2. Significant Accounting Policies (Continued)

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.

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.

## Note 2. Significant Accounting Policies (Continued)

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. Housing Trust has no TDRs this year.

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 collectability 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.

***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.

### Note 2. Significant Accounting Policies (Continued)

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 $1,856,546 and $10,485,297 as of June 30, 2023 and 2022, 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.

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 2019 through 2022 are subject to examination by regulatory agencies, generally for three years and four years after they were filed federal and state, respectively.

## Note 2. Significant Accounting Policies (Continued)

**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 $726,946 and $654,419 for the years ended June 30, 2023 and 2022, respectively, and are included in contract program revenue on the consolidated statements of activities. Contract program revenue also includes $352,687 and $465,030 for the years ended June 30, 2023 and 2022, 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 November 10, 2023, the date on which the consolidated financial statements were available to be issued.

**Adopted accounting pronouncement:** *Leases (Topic 842)* was adopted by Housing Trust on July 1, 2022. Following adoption, Housing Trust conducted a comprehensive review of lease contracts to determine their classification as either finance leases or operating leases, and to determine the measurement of associated lease liabilities and right-of-use assets. The assessment performed in accordance with ASC 842 had no material impact on the consolidated financial statements and disclosures for the reporting period.

## Note 2. Significant Accounting Policies (Continued)

**Recent accounting pronouncements not yet adopted:** 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.

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, 2023, the following financial assets are available to meet annual operating needs of the 2024 and 2023 fiscal years:

| | 2023 | 2022 |
|---|---|---|
| Financial assets at year end: | | |
| Cash and cash equivalents, restricted cash and cash equivalents, and investments and restricted investments | $ 89,199,652 | $ 72,160,670 |
| Receivables, net | 790,246 | 4,637,283 |
| Notes receivable held for sale | 757,000 | 656,880 |
| Notes and interest receivable, net | 153,538,209 | 163,058,478 |
| Total financial assets | 244,285,107 | 240,513,311 |
| Less amounts not available to be used within one year: | | |
| Donor restricted net assets not available for operations | (23,071,290) | (24,353,709) |
| Donor restricted cash and cash equivalents | (37,387,253) | (28,495,580) |
| Notes receivable, net | (150,046,024) | (157,768,726) |
| Financial assets not available to be used within one year | (210,504,567) | (210,618,015) |
| Financial assets available to meet cash needs for general expenditures within one year | $ 33,780,540 | $ 29,895,296 |

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.

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.

## Note 3. Liquidity and Availability (Continued)

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, 2023, 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:

Cash and equivalents and investments at June 30:

| | 2023 | 2022 |
|---|---|---|
| Cash and cash equivalents | $ 56,837,012 | $ 41,748,632 |
| Restricted cash and cash equivalents | 8,081,119 | 8,672,407 |
| Investments | 22,248,758 | 20,254,013 |
| Restricted investments | 2,032,763 | 1,485,618 |
| Total | 89,199,652 | 72,160,670 |
| Less amount not available to be used for operations: | | |
| Cash and cash equivalents to support program net asset restrictions | (52,109,885) | (47,452,372) |
| Cash and cash equivalents with time usage restrictions | (1,118,479) | (128,727) |
| Cash and cash equivalents held for others | (5,034,083) | (4,838,212) |
| Restricted investments to support program net asset restrictions | (2,032,763) | (1,485,618) |
| Total cash and equivalents and investments not available for operations | (60,295,210) | (53,904,929) |
| Cash and equivalents and investments available for operations | $ 28,904,442 | $ 18,255,741 |

## 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:

| | 2023 | | | |
|---|---|---|---|---|
| Description | Level 1 | Level 2 | Level 3 | Total |
| Domestic fixed income | $ - | $ 20,140,205 | $ - | $ 20,140,205 |
| Domestic equity mutual funds | 3,580,871 | - | - | 3,580,871 |
| International equity mutual funds | 463,607 | - | - | 463,607 |
| International fixed income | - | 96,838 | - | 96,838 |
| Total investments | $ 4,044,478 | $ 20,237,043 | $ - | $ 24,281,521 |
| | | | | |
| Investments | $ 4,044,478 | $ 18,204,280 | $ - | $ 22,248,758 |
| Restricted Investments | - | 2,032,763 | - | 2,032,763 |
| Total investments | $ 4,044,478 | $ 20,237,043 | $ - | $ 24,281,521 |

## Note 4. Investments (Continued)

| | 2022 | | | |
|---|---|---|---|---|
| Description | Level 1 | Level 2 | Level 3 | Total |
| Domestic fixed income | $ - | $ 18,534,464 | $ - | $ 18,534,464 |
| Domestic equity | 2,786,425 | - | - | 2,786,425 |
| International equity mutual funds | 363,557 | - | - | 363,557 |
| International fixed income | - | 55,185 | - | 55,185 |
| Total investments | $ 3,149,982 | $ 18,589,649 | $ - | $ 21,739,631 |
| Investments | $ 3,149,982 | $ 17,104,031 | $ - | $ 20,254,013 |
| Restricted Investments | - | 1,485,618 | - | 1,485,618 |
| Total investments | $ 3,149,982 | $ 18,589,649 | $ - | $ 21,739,631 |

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

| | 2023 | 2022 |
|---|---|---|
| Interest and dividends | $ 2,441,644 | $ 445,941 |
| Unrealized and realized gains (losses) | 253,926 | (910,955) |
| Investment management fees | (38,035) | (41,253) |
| | $ 2,657,535 | $ (506,267) |

## Note 5. Receivables

Receivables are summarized as follows at June 30:

| | 2023 | 2022 |
|---|---|---|
| Contributions: | | |
| With donor restrictions | $ 260,000 | $ 3,900,000 |
| Without donor restrictions | 17,500 | 225,000 |
| Total contributions receivable | 277,500 | 4,125,000 |
| Other receivables | 538,042 | 512,283 |
| Less allowance for doubtful accounts | (25,296) | - |
| Total receivables | $ 790,246 | $ 4,637,283 |

Contributions receivable are unsecured. Contributions receivable with donor restrictions were 98.5% comprised from two donors at June 30, 2022.

## Note 6. Notes Receivable

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

| | 2023 | 2022 |
|---|---|---|
| Homebuyer programs: | | |
| Legacy Closing Cost Assistance Portfolio (1) | $ 1,796,132 | $ 1,898,132 |
| Legacy Down Payment Assistance Portfolio (2) | 2,314,761 | 2,472,072 |
| Homebuyer Empowerment Loan Program (3) | 478,400 | 403,200 |
| Neighborhood Housing Services (NHS) Portfolio (4) | 1,682,470 | 1,823,822 |
| Less discount on NHS portfolio (5) | (99,185) | (140,954) |
| | 6,172,578 | 6,456,272 |
| Multi-family programs: | | |
| Affordable housing developer loans: | | |
| Short-term loan program | 70,348,371 | 100,957,769 |
| Term loan program | 76,603,323 | 57,189,717 |
| Long-term deferred loan program | 14,529,587 | 14,615,735 |
| | 161,481,281 | 172,763,221 |
| Gross notes receivable | 167,653,859 | 179,219,493 |
| Less allowance for loan losses | (15,294,000) | (17,251,000) |
| Net notes receivable | 152,359,859 | 161,968,493 |
| Less current portion | (58,256,287) | (79,373,481) |
| Long-term portion | $ 94,103,572 | $ 82,595,012 |

**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 2023, 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.

**Note 6. Notes Receivable (Continued)**

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 $0, 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.

**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, from 2021 to 2023, 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.

**Note 6. Notes Receivable (Continued)**

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

| | 2023 | 2022 |
|---|---|---|
| Homebuyer programs | $ 6,172,578 | $ 6,456,272 |
| Multi-family programs: | | |
| Unsecured | 1,115,930 | 112,127 |
| Non-real estate unsecured | 4,050,160 | 7,642,541 |
| Long-term deferred loan program | 14,529,587 | 14,615,735 |
| Real estate secured | 136,187,958 | 133,209,719 |
| Non Recourse | 5,597,646 | 17,183,099 |
| | 161,481,281 | 172,763,221 |
| Total portfolio | $ 167,653,859 | $ 179,219,493 |

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

| | 2023 | | |
|---|---|---|---|
| | Homebuyer Program Allowance | Multi-Family Program Allowance | Total |
| Balance, beginning of year | $ 425,000 | $ 16,826,000 | $ 17,251,000 |
| Provision for loan losses credit | 35,500 | (1,926,000) | (1,890,500) |
| Recoveries | - | - | - |
| Write-offs | (66,500) | - | (66,500) |
| Balance, end of year | $ 394,000 | $ 14,900,000 | $ 15,294,000 |
| Ending balance: | | | |
| Individually evaluated for impairment | $ - | $ 8,927,774 | $ 8,927,774 |
| Ending balance: | | | |
| Collectively evaluated for impairment | 394,000 | 5,972,226 | 6,366,226 |
| | $ 394,000 | $ 14,900,000 | $ 15,294,000 |
| Total loans: | | | |
| Ending balance: | | | |
| Individually evaluated for impairment | $ - | $ 20,131,044 | $ 20,131,044 |
| Ending balance: | | | |
| Collectively evaluated for impairment | 6,172,578 | 141,350,237 | 147,522,815 |
| | $ 6,172,578 | $ 161,481,281 | $ 167,653,859 |

## Note 6. Notes Receivable (Continued)

| | 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 |

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:

| | 2023 | 2022 |
|---|---|---|
| Pass | $ 141,350,237 | $ 158,523,089 |
| Doubtful | 20,131,044 | 14,240,132 |
| Total | $ 161,481,281 | $ 172,763,221 |

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: | |
| 2024 | $ 58,256,287 |
| 2025 | 48,094,069 |
| 2026 | 7,150,256 |
| 2027 | 316,434 |
| 2028 | 326,218 |
| Thereafter | 47,338,017 |
| | $ 161,481,281 |

### Note 6. Notes Receivable (Continued)

Housing Trust makes Construction to Permanent loans that typically consist of a two-year construction term, subject to further approval, converting to an 18-year term for a total 20-year term loan. The principal repayments listed in the above table reflect the maturing "Construction" portion of Construction to Permanent loans maturing in two years. The approval of loans converting from the construction period to advance to the permanent portion of the loan is highly likely. Given the high probability of approval of the conversion, approximately $41M of loans with principal repayments in above table in FY24, FY25 will be shifted to the "thereafter" section referenced in the table above in future years.

As of June 30, 2023, the balance of two impaired loans placed on non-accrual was $20,131,044, and was significant to the total balance of $161,481,281, or approximately 12% of the loans receivable multifamily balance. There were loans classified as impaired in the amount of $20,131,044 and $14,240,132 as of June 30, 2023 and 2022, respectively. HTSV has booked a loan loss provision for these loans during the year ended June 30, 2023.

There were no loans modified as TDRs during the years ended June 30, 2023 and 2022.

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:

| | 2023 | | | |
|---|---|---|---|---|
| | Recorded Investment | Unpaid Principal Balance | Related Allowance | Average Recorded Investment |
| Impaired loans: | | | | |
| Multi-family programs | $ 20,131,044 | $ 20,131,044 | $ 8,927,774 | $ 17,185,588 |

| | 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 |

| | Carrying Value at 2023 | | | |
|---|---|---|---|---|
| Description | Total | Level 1 | Level 2 | Level 3 |
| Impaired loans | $ 11,203,270 | $ - | $ - | $ 11,203,270 |

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

## Note 6. Notes Receivable (Continued)

**Impaired loans:** The fair value of impaired loans with specific allocations of the allowance for loan losses based on collateral values is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically deemed significant unobservable inputs used for determining fair value and result in a Level 3 classification.

Housing Trust further monitors the performance and credit quality of the loan portfolio and analyzing the age of the portfolio as determined by the length of time a recorded payment is past due. The following table represents the classes of the loans receivable portfolio summarized by aging categories of performing loans and non-accrual loans as of June 30:

| | 2023 | | | | |
|---|---|---|---|---|---|
| | | | | 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 | $ 6,172,578 | $ - | $ 394,000 | $ - | $ - |
| Multi-family programs: | | | | | |
| Funded by Affordable Housing Growth Fund LP (AHGF) | - | - | - | - | - |
| Unsecured | 1,115,930 | - | 78,000 | - | - |
| Non-real estate secured | 4,050,160 | - | 283,500 | - | - |
| Long-term deferred loan program | 14,529,587 | - | 438,500 | - | - |
| Real estate secured | 136,187,958 | 14,181,044 | 14,072,000 | 20,131,044 | - |
| Nonrecourse | 5,597,646 | - | 28,000 | - | - |
| | 161,481,281 | 14,181,044 | 14,900,000 | 20,131,044 | - |
| Total portfolio | $ 167,653,859 | $ 14,181,044 | $ 15,294,000 | $ 20,131,044 | $ - |

## Note 6. Notes Receivable (Continued)

| | 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 7. Furniture and Equipment

Furniture and equipment are summarized as follows at June 30:

| | 2023 | 2022 |
|---|---|---|
| Office equipment | $ 140,706 | $ 146,753 |
| Software | 158,733 | 40,918 |
| Furniture and fixtures | 195,508 | 195,508 |
| Leasehold improvements | 40,553 | 40,553 |
| | 535,500 | 423,732 |
| Less accumulated depreciation and amortization | (401,686) | (333,950) |
| Total furniture and equipment, net | $ 133,814 | $ 89,782 |

Depreciation and amortization charged to expense was $88,627 and $70,986 for the years ended June 30, 2023 and 2022, 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:

| | 2023 | 2022 |
|---|---|---|
| Affordable Housing Growth Fund (AHGF) (1) | $ - | $ - |
| 2015 Loan Fund—Tranche I (2) | 2,768,965 | 2,667,407 |
| 2015 Loan Fund—Tranche II (2) | - | 3,059,968 |
| Monterey Bay Housing Trust (3) | 972,136 | 970,427 |
| Sonoma County Housing Fund (4) | - | - |
| Silicon Valley Community Foundation | 125,000 | 125,000 |
| Non-true sale participants (5) | 1,856,546 | 10,485,297 |
| | 5,722,647 | 17,308,099 |
| Less current portion | (3,893,333) | (16,335,331) |
| Long-term portion | $ 1,829,314 | $ 972,768 |

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 was January 1, 2023. There are no loans outstanding under this Agreement as of June 30, 2023.

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. This agreement has been extended by five years. To-date, the Monterey Bay Housing Trust has created or preserved 685 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. To-date, the Sonoma County Housing Fund has created or preserved 353 homes, and funds have revolved and been augmented by Housing Trust such that $4.6 million has been invested together in the region. There are no loans outstanding under this Agreement as of June 30, 2023.

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 $1,856,546 and $10,485,297 as of June 30, 2023 and 2022, respectively.

Housing Trust is responsible for monitoring and receiving monthly payments from the borrowers. Heritage Bank acts as Administrative Agent for 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. Housing Trust manages Monterey Bay Housing Trust and Sonoma County Housing Fund loan pools and interest payments are disbursed to Investor Banks in arrears on a quarterly basis. The nonrecourse capital of all three loan pools is not required to be repaid in the amounts of $3,741,100 and $6,697,635 as of June 30, 2023 and 2022.

## Note 9. Notes Payable

Term loans of $11,816,733 are secured by notes receivable and cash and the remaining are unsecured and consist of the following at June 30:

| | 2023 | 2022 |
|---|---|---|
| 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. | 2,250,000 | 3,000,000 |
| Community Impact notes payable, bearing interest from 1.0% to 1.5%, paid semiannually, to be repaid in full from October 2023 to April 2026. | 45,880,000 | 47,475,000 |
| Notes payable to foundations and corporations, bearing interest from 1.5% to 2%, with interest due quarterly, to be repaid in full from November 2023 to August 2027. | 25,500,000 | 25,500,000 |
| 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. | 11,816,733 | 13,364,203 |
| Subordinated notes payable: | | |
| Notes payable to financial institutions, bearing interest from 2.00% to 2.66%, generally with interest due quarterly, to be repaid in full from August 2024 to October 2032. 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. | 10,250,000 | 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 4.5% per annum. The line of credit has a maturity date of May 2028, but is reviewed annually for an option to extend the advance period. US Bank revolving line of credit with a maximum amount of $10,000,000, with interest due quarterly at the daily SOFR rate plus 1.3%, which was 6.4% and 3.0% at June 30, 2023 and 2022, respectively. The US Bank LOC has a maturity date of May 2024, but is reviewed annually for an option to extend the advance period. | - | - |
| | 96,696,733 | 98,089,203 |
| Less current portion | (32,315,893) | (8,672,470) |
| Less unamortized loan fees | (91,039) | (92,642) |
| Long-term portion | $ 64,289,801 | $ 89,324,091 |

## 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, 2023, $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, 2023 and 2022, $61,500,000 and $61,500,000 Series A through H notes, respectively, have been sold. During the year ended June 30, 2023, Housing Trust sold $30,000 Series 7 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: | |
| 2024 | $ 32,315,893 |
| 2025 | 31,117,156 |
| 2026 | 5,873,838 |
| 2027 | 3,595,961 |
| 2028 | 14,439,326 |
| Thereafter | 9,354,559 |
| | $ 96,696,733 |

## 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 4.5% per annum, which was 6.5% and 3.5% on June 30, 2023 and 2022, respectively. The line of credit availability expires on May 10, 2024, and must be renewed. Its final maturity is May 10, 2028. There was no outstanding balance under this line of credit on June 30, 2023 and 2022.

Housing Trust has a revolving line of credit agreement with US Bank whereby it may borrow up to $10,000,000. Interest on any outstanding balance is payable quarterly at the daily SOFR rate plus 1.3%, which was 6.4% and 3.0% at June 30, 2023 and 2022, respectively. The line of credit availability expires on May 20, 2024, and must be renewed. There was no outstanding balance under this line of credit on June 30, 2023 and 2022.

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 $15,008,828 and $15,172,518 of notes receivable, $56,165 and $54,393 of cash and has outstanding debt of $11,816,733 and $13,364,203 as of June 30, 2023 and 2022, respectively. The draw period has ended.

Housing Trust has several loan agreements with covenants that limit delinquencies and nonaccrual and TDR loans. The two banks for which Housing Trust received waivers as of June 2022 have since modified their covenant to ensure compliance. As of June 30, 2023, Housing Trust anticipated it would be in violation of the delinquency and nonaccrual covenant due to one additional loan put on nonaccrual in June of 2023. Housing Trust requested three written waivers from three banks and has received approval from the aforementioned banks and has been granted waivers to be in compliance as of June 30, 2023.

## 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. 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 $153,661 and $883,306 for the years ended June 30, 2023 and 2022, respectively.

Housing Trust had related party notes payable of $35,500,000 and $30,750,000 at June 30, 2023 and 2022, respectively.

Aggregate notes payable transactions with related parties for the year ended June 30, 2023 include a new loan of $5,000,000, net advances on a current loan of $3,000,000 and a loan transferred out of $3,250,000.

The balance of notes payable with related parties was transferred out during the year ended June 30, 2023, when the investor was no longer deemed to be a related party. There was one new loan and an additional draw on a current loan during the year ended June 30, 2023 with related parties. 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 has also made grants to partners in the joint pursuit of equitable affordable housing policy and occasionally donates to polling and other efforts to support local measures to raise funding for affordable housing. Combined (grants providing a safety net to the homeless and grants supporting equitable affordable housing policy), Housing Trust made grants and contributions that totaled $160,491 and $65,358 in 2023 and 2022, respectively. Grants are short-term grants and, therefore, do not 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, 2023 and 2022. Conditional contributions consist of the following:

| | 2023 | 2022 |
|---|---|---|
| Apple, Inc | $ 9,915,453 | $ 9,611,549 |
| Total conditional contributions | $ 9,915,453 | $ 9,611,549 |

1. 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 $9,915,453 and $9,611,549 was recorded in 2023 and 2022, respectively, as a conditional contribution.

2. 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 in 2022. During the year ended June 30, 2023, the remaining amount of $1,325,000 was recognized as revenue for a qualified loan and expenses. The award was fully received and recognized.

3. During FY 2023, 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 $0 was recognized as revenue for a qualified loan and expenses. As of June 30, 2023, the remaining amount of $5,000,000 is conditional upon meeting the loan criteria mandated by the Local Housing Trust Fund. The funds have not been received as of June 30, 2023, 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:

| | 2023 | | | |
|---|---|---|---|---|
| | June 30, 2022 | Contributions and interest | Released from Restrictions | June 30, 2023 |
| General lending programs | $ 1,743,024 | $ 150,000 | $ (1,743,024) | $ 150,000 |
| Homebuyer programs | 7,532,620 | 60,166 | (286,540) | 7,306,246 |
| NSP2 | 8,746,560 | 471,141 | - | 9,217,701 |
| Affordable Multi-Family Rental Program and Homeless/Special Needs Program | 29,766,533 | 12,609,546 | (16,780,699) | 25,595,380 |
| Finally Home, Other Programs and Time restrictions | 888,911 | 220,000 | (388,460) | 720,451 |
| | $ 48,677,648 | $ 13,510,853 | $ (19,198,723) | $ 42,989,778 |

| | 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, Other Programs and Time restrictions | 199,746 | 925,877 | (236,712) | 888,911 |
| | $ 52,282,637 | $ 16,575,876 | $ (20,180,865) | $ 48,677,648 |

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 $19,821,821 and $20,576,512 of disbursed funds with secondary-use restrictions as of June 30, 2023 and 2022, 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 $172,145 and $166,533 to the Plan during 2023 and 2022, respectively.

## Note 15. Commitments and Contingencies

Housing Trust had undisbursed loan commitments totaling $20,996,599 and $19,624,399 as of June 30, 2023 and 2022, 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.

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 16. Subsequent Events

On July 7, 2023, Google provided a loan in the amount of $10,000,000 to Housing Trust which bears a 1.5% interest rate. Principal is due on June 30, 2028.

On July 5, 2023, Jewish Community Federation of San Francisco, The Peninsula, Marina and Sonoma Counties provided a loan in the amount of $1,000,000 to Housing Trust which bears a 1.25% interest rate. Principal is due on June 30, 2025.

On September 22, 2023 Housing Trust received a grant from Bank of America Charitable Foundation in the amount of $80,000.