Housing Trust Silicon Valley

Consolidated Financial Report
June 30, 2024

Contents

RSM US LLP

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, 2024 and 2023, 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, 2024 and 2023, 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 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.

Emphasis of Matter
As discussed in Note 2 to the financial statements, Housing Trust Silicon Valley adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and all subsequent ASUs that modified Accounting Standards Codification 326. Our opinion is not modified with respect to this matter.

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
October 15, 2024

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

Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	**$ 64,291,165**	$ 56,837,012
Restricted cash and cash equivalents	**6,377,090**	8,081,119
Investments (Note 4)	**22,484,621**	22,248,758
Restricted investments (Note 4)	**1,465,736**	2,032,763
Contribution receivables, net (Note 5)	**624,998**	277,500
Notes receivable held for sale	**844,600**	757,000
Notes receivable (Note 6)	**185,103,801**	167,653,859
Allowance for credit losses	**(7,781,604)**	(15,294,000)
Interest receivable	**1,318,311**	1,178,348
Accounts receivable	**787,715**	512,746
Prepaid expenses	**224,711**	225,820
Operating lease right-of-use asset	**652,554**	-
Finance lease right-of-use asset	**39,715**	-
Furniture and equipment, net (Note 7)	**96,480**	133,814
Total assets	**$ 276,529,893**	$ 244,644,739
Liabilities and Net Assets		
Liabilities:		
Accounts payable	**$ 103,638**	$ 118,462
Accrued expenses	**1,521,027**	1,383,346
Conditional contributions (Note 12)	**19,825,380**	9,915,453
Nonrecourse capital from third parties (Note 8)	**10,509,081**	5,722,647
Notes payable (Note 9)	**100,395,710**	96,605,694
Funds held for others	**2,940,840**	5,034,083
Operating lease liability	**661,638**	-
Finance lease liability	**40,096**	-
Total liabilities	**135,997,410**	118,779,685
Commitments and contingencies (Note 16)		
Net assets:		
Without donor restrictions	**110,740,752**	82,875,276
With donor restrictions (Note 13)	**29,791,731**	42,989,778
Total net assets	**140,532,483**	125,865,054
Total liabilities and net assets	**$ 276,529,893**	$ 244,644,739

See notes to consolidated financial statements.

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

Consolidated Statement of Activities
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Net financial income:			
Interest income on loans	$ 5,191,883	$ 69,577	$ 5,261,460
Loan origination fees	654,289	2,188	656,477
Less interest expense	(1,817,385)	-	(1,817,385)
Less provision for credit losses	6,429,188	-	6,429,188
Total net financial income	10,457,975	71,765	10,529,740
Fees:			
Contract program revenue	1,502,792	-	1,502,792
Loan servicing fees	137,707	-	137,707
Other	15,318	-	15,318
Total fees	1,655,817	-	1,655,817
Contributions	281,146	4,189,071	4,470,217
Revenue from special events, net of direct costs	135,128	-	135,128
Net assets released from restrictions (Note 13)	17,800,225	(17,800,225)	-
Investment return, net of fees (Note 4)	4,463,840	341,342	4,805,182
Total	22,680,339	(13,269,812)	9,410,527
Total support and revenue	34,794,131	(13,198,047)	21,596,084
Expenses:			
Program services	4,589,957	-	4,589,957
Management and general	2,645,378	-	2,645,378
Fundraising	827,301	-	827,301
Total expenses	8,062,636	-	8,062,636
Change in net assets	26,731,495	(13,198,047)	13,533,448
Net assets, beginning of year	82,875,276	42,989,778	125,865,054
Impact on net assets due to adoption of ASC 326	1,133,981	-	1,133,981
Net assets, end of year	$ 110,740,752	$ 29,791,731	$ 140,532,483

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 provision 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 Functional Expenses
Year Ended June 30, 2024

	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	$ 592,546	$ 1,137,149	$ -	$ 1,182,718	$ 98,544	$ 3,010,957	$ 1,926,164	$ 608,853	$ 2,535,017	$ 5,545,974
Occupancy and office expense	35,601	72,444	-	79,576	1,776	189,397	194,098	44,631	238,729	428,126
Accounting, legal and professional fees	81,368	281,320	-	282,870	48,739	694,297	334,865	132,137	467,002	1,161,299
Marketing and communication	355	736	-	385	8	1,484	1,254	16,647	17,901	19,385
Donations/sponsorships	-	27,750	-	-	-	27,750	5,515	-	5,515	33,265
Meetings, conferences and travel	1,195	17,111	-	11,531	-	29,837	35,784	5,940	41,724	71,561
Other operating expenses	17,850	42,286	-	26,379	10,184	96,699	124,204	9,559	133,763	230,462
Grants awarded (Note 11)	-	129,091	-	-	370,000	499,091	-	-	-	499,091
Depreciation and amortization	7,435	15,429	-	17,196	385	40,445	23,494	9,534	33,028	73,473
Total expenses before provision for credit losses (income), interest expense and costs for special events	736,350	1,723,316	-	1,600,655	529,636	4,589,957	2,645,378	827,301	3,472,679	8,062,636
Provision for credit losses (income)	(14,328)	(6,414,860)	-	-	-	(6,429,188)	-	-	-	(6,429,188)
Interest expense	60	1,816,918	-	138	3	1,817,119	189	77	266	1,817,385
Costs for special events	-	-	-	-	-	-	-	35,372	35,372	35,372
Total expenses	$ 722,082	$ (2,874,626)	$ -	$ 1,600,793	$ 529,639	$ (22,112)	$ 2,645,567	$ 862,750	$ 3,508,317	$ 3,486,205

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 provision (credit) 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 Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	**$ 13,533,448**	$ 16,418,496
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**73,473**	88,627
Amortization of operating lease right-of-use asset	**174,486**	-
Amortization of debt issuance costs	**20,909**	1,602
Amortization of discount on notes receivable	**(5,840)**	(41,769)
Change in deferred fees and costs	**(2,691)**	3,428
Credit on loan losses	**(6,429,188)**	(1,890,500)
Gain on investments	**(658,337)**	(253,926)
Noncash income	**(2,970,807)**	(2,345,900)
Noncash expense	**129,091**	9,091
Changes in operating assets and liabilities:		
Contributions receivable	**(347,498)**	3,847,500
Accounts receivable	**(274,971)**	(462)
Accrued interest receivable	**(139,963)**	(88,364)
Prepaid expenses	**3,800**	66,558
Accounts payable and accrued expenses	**35,756**	(196,112)
Conditional contributions	**9,909,927**	303,904
Operating lease liability	**(177,236)**	-
Origination of notes receivable held for sale	**(4,617,900)**	(1,344,606)
Proceeds from sale of notes receivable	**4,530,300**	1,244,486
Collections from funds held for others	**(2,093,242)**	195,871
Net cash provided by operating activities	**10,693,517**	16,017,924
Cash flows from investing activities:		
Proceeds from the sale of investments	**20,358,971**	46,354,780
Purchases of investments	**(19,358,381)**	(48,642,741)
Purchases of furniture and equipment	**(28,226)**	(132,659)
Notes receivable disbursed	**(43,847,335)**	(37,146,828)
Collection of notes receivable	**29,221,011**	51,024,539
Net cash (used in) provided by investing activities	**(13,653,960)**	11,457,091
Cash flows from financing activities:		
Proceeds from long-term debt	**41,085,000**	10,030,000
Repayments on long-term debt	**(37,315,892)**	(11,422,470)
Proceeds from secured borrowings	**5,946,332**	5,867,051
Payments to secured borrowings	**(1,000,000)**	(14,495,802)
Proceeds from loan pool participants	**151,910**	585,150
Payments to loan pool participants	**(150,000)**	(3,541,852)
Payments on finance lease liability	**(6,783)**	-
Net cash provided (used in) financing activities	**8,710,567**	(12,977,923)
Net increase in cash and cash equivalents and restricted cash and cash equivalents	**5,750,124**	14,497,092

(Continued)

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

Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023

		2024		2023
Cash and cash equivalents and restricted cash and cash equivalents:				
Beginning of year	**$**	**64,918,131**	$	50,421,039
End of year	**$**	**70,668,255**	$	64,918,131
Cash and cash equivalents	**$**	**64,291,165**	$	56,837,012
Restricted cash and cash equivalents		**6,377,090**		8,081,119
	$	**70,668,255**	$	64,918,131
Supplemental disclosures of cash flow information:				
Cash paid for interest	**$**	**1,791,268**	$	1,557,701
Cash payments on operating lease liability	**$**	**191,954**	$	-
Cash payments on financing liability	**$**	**7,380**	$	-
Supplemental disclosures of noncash operating and financing activities:				
Adoption of ASC 326, credit losses	**$**	**1,133,981**	$	-
Obtaining a right-of-use asset in exchange for operating lease liabilities	**$**	**827,040**	$	-
Obtaining a right-of-use asset in exchange for finance lease liabilities	**$**	**42,382**	$	-

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:

- 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.

- 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. As of June 30, 2024 there is approximately $5 million of capital available to originate these loans in funds from Measure A which was passed in 2016.

- 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. Housing Trust also supports policy efforts at the state level to promote the Bay Area Housing Original Bond campaign which funds critical affordable housing development in all nine counties of the Bay Area.

- 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. As of FY24, Housing Trust has discontinued the Finally Home program.

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 $3,304,073 and $11,284,549 in contributions with donor restrictions under this agreement during the years ended June 30, 2024 and 2023, respectively. The milestones represent barriers in accordance with Accounting Standards Update (ASU) 2018-08 and, therefore, at June 30, 2024 and 2023, there is a committed conditional contribution amount of $105,875,329 and $109,179,402, 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, 2024 and 2023, Housing Trust held $2,940,840 and $5,034,083, 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 2023, Housing Trust 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.

During FY 2024, Housing Trust 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, 2024, 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 CDFIs 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 December 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 credit 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 reversal of the specific reserve due to the loan payoff, the self-sufficiency ratio is 400% in fiscal year 2024. When excluding this noncash expense, self-sufficiency is at 125%, 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, 2024 and 2023, 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.

Note 2. Significant Accounting Policies (Continued)

Contributions receivable: Contributions receivable consist of unconditional promises to give, expected to be collected within one year, and are recorded at the amount pledged. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, discounted using risk-rate interest rates applicable at the time the promises were made.

Housing Trust periodically reviews contributions receivable for collectability, and an allowance for doubtful accounts is provided based on management's assessment of the risks of noncollection. Housing Trust evaluates the collectability of its contributions receivable on an ongoing basis and records a provision for potential uncollectible receivables when appropriate. There were no provisions for uncollectible contributions receivable as of June 30, 2024 and 2023.

Accounts receivable: Accounts receivable primarily include amounts from contracts with customers, other earned income, and pass-through 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, 2024, Housing Trust has recorded an allowance for credit losses of $0. At June 30, 2023 Housing Trust has recorded allowance for doubtful accounts of $25,296.

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.

Note 2. Significant Accounting Policies (Continued)

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.

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.

Note 2. Significant Accounting Policies (Continued)

Fair value on a nonrecurring basis:

Individually evaluated loans: The fair value of individually evaluated loans is determined based on the loan's observable market price or the fair value of the collateral, less estimated costs to sell. The valuation allowance for individually evaluated loans is included in the allowance for credit losses in the consolidated statements of financial position.

The following table presents the valuation methodology and unobservable inputs for Level 3 assets measured at fair value on a nonrecurring basis at June 30:

	Carrying Value at 2024			
	Total	Level 1	Level 2	Level 3
Individually evaluated loans	$ 3,644,560	$ -	$ -	$ 3,644,560

	Carrying Value at 2023			
	Total	Level 1	Level 2	Level 3
Individually evaluated loans	$ 11,203,270	$ -	$ -	$ 11,203,270

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 credit 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, 2024 and 2023, direct origination fees were not deemed significant. Management has the intent and ability to hold these notes in the foreseeable future or until maturity or payoff.

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

Allowance for credit losses: Housing Trust uses a loss-rate method to estimate expected credit losses for each of the loan pools. The loss-rate method for estimating the allowance for credit losses considers available relevant information about the collectibility of cash flows, including information about past events, current conditions, prepayments, maturity dates, unemployment and reasonable and supportable forecasts.

Note 2. Significant Accounting Policies (Continued)

Qualitative factors: Housing Trust has not experienced any Multi-family loan portfolio losses in its history and consequently, the Housing Trust employs external CDFI peer group loss rate data for organizations with the similar asset sizes and lending activities to set its baseline loss rate for every loan pool. In addition to using the peer group loan loss data, other internal nonbaseline qualitative factors are considered such as examining loans with higher loan to values, sponsor concentration risk, and internal asset manager surveys are used to rank and measure the degree to which borrowers have attained significant development and financing milestones, which directly affect the risk of repayment. Unlike the Multi-family loan portfolio, the First Time Homebuyer Program has a loss history which is used to establish the baseline loss rate for this loan pool only.

Expected credit losses are reflected in the allowance for credit losses through a charge to provision for credit losses expense. When Housing Trust deems all or a portion of the financial asset to be uncollectible, the appropriate amount is written off and the allowance for credit losses is reduced by the same amount. Housing Trust applies judgment to determine when the loan is deemed uncollectible; however, an asset will generally be considered uncollectible no later than when all efforts at collection have been exhausted. Subsequent recoveries, if any, are credited to the allowance for credit losses when received.

If collection of principal balance becomes uncertain, Housing Trust has policies in place to reverse accrued interest in a timely manner. Housing Trust reverses accrued interest on loans when they become non-performing or when it is determined that the interest in uncollectible. Non-performing loans are defined as loans that are 90 days or more past due or those for which Housing Trust has ceased recognizing interest income due to the borrower's financial difficulties.

Built-in contractual extensions/prepayments: Loan extensions, conversions or modifications are not calculated in the credit loss reserve until they are contractually approved. An estimate of prepayments is required for the new accounting standard; however, the loan portfolio has rarely experienced prepayments historically.

Allowance for unfunded commitments: As required in accordance with Topic 326, Housing Trust calculates the allowance for credit losses for off-balance-sheet liabilities or unfunded commitments by loan pool. The allowance for unfunded commitments is calculated for: unfunded lines of credit, loans approved but not funded, the undisbursed portion of interest reserve and undisbursed principal on existing loans. Housing Trust calculates the unfunded line of credit amounts by year by loan pool based on the maturity date. For the undisbursed portion of interest reserve, Housing Trust calculates interest reserve remaining by year to maturity. For loans approved but not funded, Housing Trust calculates the allowance for credit losses for unfunded loan balances based on the existence of a commitment letter and fee received. For the undisbursed principal on existing loans, Housing Trust calculates the commitment amount and deducts existing balances and interest reserve remaining to determine the off-balance-sheet amount for each loan pool as applicable. For fiscal year end 2024, the provision for credit losses for off-balance-sheet obligations is $89,362.

Note 2. Significant Accounting Policies (Continued)

Loan pools: Loans that share risk characteristics with other loans*:* The new standard ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326)*, requires loans to be segregated into loan pools based on similar risk characteristics. Housing Trust has identified the following pools of financial assets with similar risk characteristics for measuring expected credit losses:

Early-stage financing loans: This loan pool consists of loan products that provide early-stage financing for the development of affordable housing. The loan products are short term and are used to provide early-stage financing prior to the construction stage of the project and prior to the sponsor securing long-term construction financing. The lien position for these loans is primarily first lien position real estate secured. The primary source of borrower repayment capacity is based on obtaining construction financing.

Construction loans: This loan pool consists of two loan products: “Construction” and “Construction to Perm Loans.” “Construction” loans are short-term interest-only loans up to three years to support the construction period. “Construction to Perm” Loans have reached the construction phase of the project in the first two to three years after closing and convert to Permanent operating properties (Permanent loans) from year two or three. Payment terms convert from Lenders Interest Reserve in the “Construction to Permanent” phase to amortizing loans after the loans have converted to “Permanent” status. Once the loan product becomes Permanent, payments consist of monthly principal and interest or are structured with residual receipts, whichever applies.

Permanent loans: This loan pool as referenced above, consists of loans that have converted to “Permanent” loans from “Construction to Perm” loans, are operating properties and have a 17- to 18-year maturities, with nine loans that have five- to twelve-year maturities. These loans are amortizing.

Permanent legacy loans: These loans are all operating properties, have very long maturities (20 to 55 years) and are deferred loans with nominal interest rates from 0% to 4% where the large majority of loans have payments not due until maturity.

“Watch” loans: This loan pool consists of loans with risk ratings of 4 or “Watch.” This loan pool is not based on product type as the loan pools above but rather risk rating. Housing Trust does not onboard loans with a risk rating above 3 or “manageable” and as such, this pool represents loans that have a higher risk rating and have been removed from other loan pools due to deterioration or material adverse change in borrower/project financial conditions, have a delinquent payment history and evidence of collateral deterioration. The current conditions and prospects of these loans have deteriorated but still can be remedied and, thus, carry the “Watch” designation. The primary credit quality indicators used to monitor the loans are risk rating and past due status. Risk ratings are reviewed on an on-going basis.

First-time homebuyer loans: Most of these loans are deferred appreciation loans with no monthly payments and originated close to 20 years ago and represent properties with sufficient equity. Unlike Multi-family loans, this loan pool has historical loss activity, and the Housing Trust has used the last 10 years of historical data to establish its baseline loss rate adjustment.

Individually evaluated loans: Loans that do not share risk characteristics with other loans and are doubtful or have noted credit risk are evaluated on an individual basis. These loans no longer share risk characteristics with other pooled loans. The process for determining whether a loan should be evaluated on an individual basis begins with determining the borrower’s financial condition. For these loans, the allowance for credit losses is based on the fair value of the underlying collateral less estimated costs to sell.

Note 2. Significant Accounting Policies (Continued)

Recently adopted accounting pronouncement—ASU 2016-2013, *Financial Instruments—Credit Losses:* Housing Trust has adopted this guidance using the modified retrospective adoption method on July 1, 2023. The adoption of this accounting standard did not have a material impact on the Housing Trust's consolidated financial statements. The impact is listed below in the allowance for credit losses table.

Effective July 1, 2023, Housing Trust adopted ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This creates a new credit impairment standard for financial instruments. The existing incurred loss model was 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, financial guarantees, net investment in leases and most receivables.

Housing Trust estimates of the allowance for credit losses reflect losses expected over the remaining contractual life of the loans. 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. For the non-recourse portion of loan receivable, the credit loss adjustment for secured borrowings in the table below of $164,073 represents a decrease in non-recourse liabilities.

Effective July 1, 2023, Housing Trust adopted CECL, which required the establishment of an allowance for the remaining expected lifetime credit losses on Housing Trust's notes receivables. As a result of this adoption, Housing Trust recorded a decrease in its allowance for credit losses of $1,237,509. This amount represents the net cumulative effect adjustment upon adoption of ASU 2016-13 of on and off-balance allowances for credit losses in the table below. Housing Trust does not include accrued interest reserve in the CECL calculation. In the event of a charge-off, Housing Trust will reverse any accrued interest. In accordance with the rules for adopting CECL, the offset to the reduction in the allowance for credit losses was an addition to net assets as of July 1, 2023.

Note 2. Significant Accounting Policies (Continued)

The following table displays the effect of this accounting standard adoption on allowance for credit losses as of July 1, 2023.

	2024		
	Multi-Family Program Allowance	Homebuyer Program Allowance	Total
Beginning balance	$ 14,900,000	$ 394,000	$ 15,294,000
Cumulative-effect adjustment upon adoption of ASU 2016-13	(1,151,174)	(86,335)	(1,237,509)
Charge-offs	-	-	-
Recoveries	-	-	-
Provision for credit losses on the statement of financial position	(6,414,860)	(14,328)	(6,429,188)
Credit loss adjustment for secured borrowings	154,301	-	154,301
Ending balance, allowance for loan losses	$ 7,488,267	$ 293,337	$ 7,781,604

	2023		
	Multi-Family Program Allowance	Homebuyer Program Allowance	Total
Beginning balance	$ 16,826,000	$ 425,000	$ 17,251,000
Provision for credit losses on the statement of financial position	(1,926,000)	35,500	(1,890,500)
Charge-offs	-	(66,500)	(66,500)
Recoveries	-	-	-
Ending balance, allowance for loan losses	$ 14,900,000	$ 394,000	$ 15,294,000

On July 1, 2023, Housing Trust adopted ASU 2022-02, which eliminates the troubled debt restructuring (TDR) accounting model for creditors that have adopted Topic 326. Due to the removal of the TDR accounting model, all loan modifications will now be accounted for under the general loan modification guidance in Subtopic 310-20. In addition, on a prospective basis, entities will be subject to new disclosure requirements covering modifications of receivables to borrowers experiencing financial difficulty, and amends the guidance on vintage disclosures. The provisions of ASU 2022-02 took effect when the entity adopted Topic 326. The adoption of this ASU did not have a material impact on Housing Trust's consolidated financial statements.

As per the adoption of CECL and ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326)*, the new standards eliminate the concept of TDR or Troubled Debt Restructuring but requires a new set of disclosures. Under CECL, TDR loans are not automatically evaluated as impaired loans but rather evaluated on a collective basis with loans that share similar risk characteristics and those that do not, are individually evaluated. However, the new standard still requires institutions to disclose information about loans when the borrower is experiencing financial difficulty. The organization shall disclose any commitment to lend additional funds to borrowers experiencing financial difficulties and the financial impact, past due status and the following: principal forgiveness, interest rate reduction, significant payment delays and term extensions. Housing Trust has no loan modifications this year with borrowers experiencing financial difficulties requiring additional funds or changes in the original terms of the loan.

Note 2. Significant Accounting Policies (Continued)

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

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 credit losses reserve factors is 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 collectibility of these loans, along with the condition of collateral if foreclosed.

Multi-family programs: This portfolio segment, which are Early-stage financing loans, Construction loans, Permanent loans, Permanent legacy loans, and "Watch" loans; 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 collectibility of these loans, along with the condition of collateral if foreclosed.

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

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

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

Note 2. Significant Accounting Policies (Continued)

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 $6,802,878 and $1,856,546 as of June 30, 2024 and 2023, 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 2020 through 2023 are subject to examination by regulatory agencies, generally for three years and four years after they were filed federal and state, respectively.

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

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

Note 2. Significant Accounting Policies (Continued)

Program services fees revenue is recognized as services 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 services. Program services fees subject to ASC 606 were $1,013,014 and $726,946 for the years ended June 30, 2024 and 2023, respectively, and are included in contract program revenue on the consolidated statements of activities. Contract program revenue also includes $489,778 and $352,687 for the years ended June 30, 2024 and 2023, 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.

Reclassifications: Certain reclassifications have been made to the 2023 consolidated financial statements in order to conform to the 2024 presentation. These reclassifications did not result in a change in previously reported change in net assets.

Subsequent events: Housing Trust has evaluated subsequent events through October 15, 2024, the date on which the consolidated financial statements were available to be issued.

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, 2024, the following financial assets are available to meet annual operating needs of the 2025 and 2024 fiscal years:

	2024	2023
Financial assets at year-end:		
Cash and cash equivalents, restricted cash and cash equivalents, and investments and restricted investments	$ 94,618,612	$ 89,199,652
Receivables, net	1,412,713	790,246
Notes receivable held for sale	844,600	757,000
Notes and interest receivable, net	178,551,148	153,538,209
Total financial assets	275,427,073	244,285,107
Less amounts not available to be used within one year:		
Donor-restricted net assets not available for operations	(10,008,916)	(23,071,290)
Donor-restricted cash and cash equivalents	(50,495,650)	(37,387,253)
Notes receivable, net	(173,991,380)	(150,046,024)
Financial assets not available to be used within one year	(234,495,946)	(210,504,567)
Financial assets available to meet cash needs for general expenditures within one year	$ 40,931,127	$ 33,780,540

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 $2,400,000. 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, 2024, 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:

	2024	2023
Cash and equivalents and investments at June 30:		
Cash and cash equivalents	$ 64,291,165	$ 56,837,012
Restricted cash and cash equivalents	6,377,090	8,081,119
Investments	22,484,621	22,248,758
Restricted investments	1,465,736	2,032,763
Total	94,618,612	89,199,652
Less amount not available to be used for operations:		
Cash and cash equivalents to support program net asset restrictions	(55,425,939)	(52,109,885)
Cash and cash equivalents with time usage restrictions	(830,383)	(1,118,479)
Cash and cash equivalents held for others	(2,940,840)	(5,034,083)
Restricted investments to support program net asset restrictions	(1,465,736)	(2,032,763)
Total cash and equivalents and investments not available for operations	(60,662,898)	(60,295,210)
Cash and equivalents and investments available for operations	$ 33,955,714	$ 28,904,442

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:

	2024			
Description	Level 1	Level 2	Level 3	Total
Domestic fixed income	$ -	$ 19,085,551	$ 25,531	$ 19,111,082
Domestic equity mutual funds	4,388,390	-	-	4,388,390
International equity mutual funds	352,419	-	-	352,419
International fixed income	-	98,466	-	98,466
Total investments	$ 4,740,809	$ 19,184,017	$ 25,531	$ 23,950,357
Investments	$ 4,740,809	$ 17,718,281	$ 25,531	$ 22,484,621
Restricted investments	-	1,465,736	-	1,465,736
Total investments	$ 4,740,809	$ 19,184,017	$ 25,531	$ 23,950,357

Note 4. Investments (Continued)

	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

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

	2024	2023
Interest and dividends	$ 4,188,926	$ 2,441,644
Unrealized and realized gains	658,337	253,926
Investment management fees	(42,081)	(38,035)
	$ 4,805,182	$ 2,657,535

Note 5. Contributions Receivable

Receivables are summarized as follows at June 30:

	2024	2023
Contributions:		
With donor restrictions	$ 650,000	$ 260,000
Without donor restrictions	-	17,500
Less discount on contributions	(25,002)	-
Total receivables	$ 624,998	$ 277,500

Note 6. Notes Receivable

Notes receivable, net, consist of the following as of June 30, 2024 and 2023, by loan pools and programs:

	2024	2023
Multi-Family Loan Pools and Programs:		
Acquisition and/or predevelopment	$ 58,325,604	$ 60,142,452
Construction	36,104,543	46,170,532
Permanent	55,572,142	7,721,221
Permanent Legacy	14,306,840	14,529,587
Watch Loans	9,046,395	12,786,445
Subtotal	173,355,524	141,350,237
Individually evaluated	5,673,160	20,131,044
	179,028,684	161,481,281
Homebuyer Loan Pool and Programs :		
Legacy Closing Cost and Payment Assistance Portfolios (1)	$ 3,983,614	$ 4,110,893
Homebuyer Empowerment Loan Program (2)	552,289	478,400
Neighborhood Housing Services (NHS) Portfolio (3)	1,632,558	1,682,470
Less discount on NHS portfolio (4)	(93,344)	(99,185)
	6,075,117	6,172,578
Gross notes receivable	185,103,801	167,653,859
Less allowance for credit losses	(7,781,604)	(15,294,000)
Net notes receivable	$177,322,197	$152,359,859

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 its region.

Qualified developers may borrow up to $10,000,000 for acquisition/predevelopment loans, construction and rehabilitation, and permanent loans. These loans are primarily secured by deeds of trust. Housing Trust multi-family programs include:

1. Acquisition and/or predevelopment loans provide early-stage financing not offered by traditional lenders for predevelopment costs and land acquisition. The average term is from two to three years and are used to provide early-stage financing prior to the construction stage of a project and to the borrower securing longer term construction financing.

   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.

   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.

Note 6. Notes Receivable (Continued)

2. Construction loans consist of Construction and Construction to Permanent loan products. "Construction" loans have a three-year term with up to two, six-month extensions. "Construction to Permanent" loans have an initial two- to three-year interest reserve construction period and convert to a 17- to 18-year amortizing "permanent" period.

3. Permanent loans provide financing for stabilized operating properties, rehabilitation, and preservation projects. Loan terms are up to 10 years. Through its Apple Affordable Housing Fund, from 2021 to 2024, Housing Trust offers low cost, long-term gap loans designed to provide that last piece of financing to projects to hasten the commencement of construction. Currently, preference is given to developments that service extremely low-income individuals and families, particularly those experiencing homelessness. Referenced above, these loans convert from "Construction" to the "Permanent" phase which consists of 17- to 18-year term.

4. Permanent Legacy loans provide maturities for up to 55 years and are provided to operating properties. Housing Trust no longer originates Permanent Legacy Loans.

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 within three years of the 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 2024, 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. There are two types of legacy homebuyer portfolios. First, the legacy Closing Cost and Down Payment Assistance Portfolio consists of deferred interest loans up to $30,625, secured by deeds of trust with 0% to 3% simple interest. Secondly, the legacy Down Payment Assistance Portfolio 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.

2. The Homebuyer Empowerment Loan Program (HELP) is a loan program that provides down payment assistance, in the form of a deferred payment loan of up to 10% of the purchase price with the maximum purchase price of $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.

Note 6. Notes Receivable (Continued)

3. 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 up 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. 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.

The following tables detail the activities in the allowance for credit losses account during the years ended June 30, 2024 and 2023, respectively, and show the cumulative effect of the adoption of ASU 2016-13 (Current Expected Credit Losses) on the allowance for credit losses account in fiscal year 2024:

	2024		
	Multi-Family Program Allowance	Homebuyer Program Allowance	Total
Balance, beginning of year	$ 14,900,000	$ 394,000	$ 15,294,000
Cumulative effect adjustment upon adoption of ASU 2016-13	(1,151,174)	(86,335)	(1,237,509)
Provision for loan losses credit	(6,414,860)	(14,328)	(6,429,188)
Recoveries	-	-	-
Charge-offs	-	-	-
Credit loss adjustment for secured borrowings	154,301	-	154,301
Balance, end of year	$ 7,488,267	$ 293,337	$ 7,781,604
Ending balance:			
Individually evaluated for impairment	$ 2,028,600	$ -	$ 2,028,600
Ending balance:			
Collectively evaluated for impairment	5,459,667	293,337	5,753,004
	$ 7,488,267	$ 293,337	$ 7,781,604
Total loans:			
Ending balance:			
Individually evaluated for impairment	$ 5,673,160	$ -	$ 5,673,160
Ending balance:			
Collectively evaluated for impairment	173,355,524	6,075,117	179,430,641
	$ 179,028,684	$ 6,075,117	$ 185,103,801

Note 6. Notes Receivable (Continued)

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

Note 6. Notes Receivable (Continued)

The following table lists the loans that are over 90 days past due for fiscal years ending 2024 and 2023.

2024	Loan Balance	Past Due ≥ 90 Days	Allowance	Status of Interest Accruals: Total Financing Receivable on Nonaccrual Status	Status of Interest Accruals: Financing Receivables Past Due and Still Accruing Interest
Multi-family programs:					
Early Stage—Acquisition/Predevelopment	$ 63,998,764	$ 5,673,160	$ 2,856,679	$ 5,673,160	$ -
Construction	36,104,543	-	282,107	-	-
Permanent	55,572,142	-	1,519,215	-	-
Permanent Legacy	14,306,840	-	2,238,046	-	-
Watch Loans	9,046,395	-	592,220	-	-
	179,028,684	5,673,160	7,488,267	5,673,160	-
Homebuyer programs	6,075,117	-	293,337	-	-
Total portfolio	$ 185,103,801	$ 5,673,160	$ 7,781,604	$ 5,673,160	$ -

2023	Loan Balance	Past Due ≥ 90 Days	Allowance	Status of Interest Accruals: Total Financing Receivable on Nonaccrual Status	Status of Interest Accruals: Financing Receivables Past Due and Still Accruing Interest
Multi-family programs:					
Early Stage—Acquisition/Predevelopment	$ 80,174,311	$ 14,181,044	$ 11,389,675	$ 20,131,044	$ -
Construction	46,170,532	-	1,846,821	-	-
Permanent	7,721,221	-	308,849	-	-
Permanent Legacy	14,529,587	-	438,615	-	-
Watch Loans	12,786,445	-	916,040	-	-
	161,382,096	14,181,044	14,900,000	20,131,044	-
Homebuyer programs	6,271,763	-	394,000	-	-
Total portfolio	$ 167,653,859	$ 14,181,044	$ 15,294,000	$ 20,131,044	$ -

Non-performing loans are placed on non-accrual. Non-performing loans are $5,673,160 and $20,131,044 as of June 30, 2024 and 2023, respectively.

Housing Trust considers the performance of the notes receivable portfolio and its impact on the allowance for credit 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:

	2024	2023
Pass	$179,430,641	$147,522,815
Doubtful	5,673,160	20,131,044
Total	$185,103,801	$167,653,859

Note 6. Notes Receivable (Continued)

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

Years ending June 30:	
2025	$ 78,059,448
2026	21,748,553
2027	6,547,762
2028	418,915
2029	20,728,451
Thereafter	51,525,555
	$ 179,028,684

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 $41 million of loans with principal repayments in the above table in FY24, FY25 will be shifted to the “thereafter” section referenced in the table above in future years.

As of June 30, 2024 there were no loans 90 or more days past due accruing interest.

As of June 30, 2024, the balance of one individually evaluated loan placed on non-accrual was $5,673,160, representing approximately 3% of the total loans receivable multifamily balance of $179,028,685. 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 individually evaluated in the amount of $5,673,160 and $20,131,044 as of June 30, 2024 and 2023, respectively. There was no interest income recognized on the individually evaluated loans in fiscal year 2024 and 2023. The other impaired loan from the prior year has since been paid off in the amount of $14,181,044. Housing Trust has booked a provision for credit loss for the remaining individually evaluated loan during the year ended June 30, 2024.

On July 1, 2023, Housing Trust adopted ASU 2022-02, which eliminates the troubled debt restructuring (TDR) accounting model for creditors that have adopted Topic 326. Due to the removal of the TDR accounting model, all loan modification will now be accounted for under the general loan modification guidance in Subtopic 310-20. There were no loans restructured during the years ended June 30, 2024 and 2023.

Note 6. Notes Receivable (Continued)

The following tables present information related to individually evaluated loans, or impaired loans prior to the adoption of ASC 326, by loan portfolio segment with and without allowance recorded as of and for the years ended June 30:

	2024			
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
Individually evaluated loans				
Multi-family programs	$ 5,673,160	$ 5,673,160	$ 2,028,600	$ 12,902,102

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

Individually evaluated loans: Housing Trust has individually evaluated loans in its notes receivable balance that are real estate secured with first lien position. Repayment for individually evaluated loans is through the sale of collateral. The fair value of individually evaluated loans with specific allocations for the allowance for credit losses is based on recent real estate appraisals combined with an estimate of selling and administration costs deducted from collateral value. The difference between collateral reduced by selling and administration costs and fair value is booked to the provision for credit losses and the allowance for credit losses.

The following tables for the years ended 2024 and 2023, display the individually evaluated loans and the allowance taken for each. For 2024, one loan was individually evaluated for credit loss whereas two loans were evaluated for 2023.

	2024					
	Loans			Allowance		
	Collectively Evaluated for Credit Loss	Individually Evaluated for Credit Loss	Total	Collectively Evaluated for Credit Loss	Individually Evaluated for Credit Loss	Total
Multi-family Loan Pools:						
Early Stage- Acquisition/Predevelopment	$ 58,325,604	$ 5,673,160	$ 63,998,764	$ 828,079	$ 2,028,600	$ 2,856,679
Construction	36,104,543	-	36,104,543	282,107	-	282,107
Permanent	55,572,142	-	55,572,142	1,519,215	-	1,519,215
Permanent Legacy	14,306,840	-	14,306,840	2,238,046	-	2,238,046
Watch Loans	9,046,395	-	9,046,395	592,220	-	592,220
	173,355,524	5,673,160	179,028,684	5,459,667	2,028,600	7,488,267
Homebuyer programs	6,075,117	-	6,075,117	293,337	-	293,337
Total portfolio	$ 179,430,641	$ 5,673,160	$ 185,103,801	$ 5,753,004	$ 2,028,600	$ 7,781,604

Note 6. Notes Receivable (Continued)

	2023					
	Loans			Allowance		
	Collectively Evaluated for Credit Loss	Individually Evaluated for Credit Loss	Total	Collectively Evaluated for Credit Loss	Individually Evaluated for Credit Loss	Total
Multi-Family Loan Pools:						
Early Stage- Acquisition/Predevelopment	$ 60,043,267	$ 20,131,044	$ 80,174,311	$ 2,461,901	$ 8,927,774	$ 11,389,675
Construction	46,170,532	-	46,170,532	1,846,821	-	1,846,821
Permanent	7,721,221	-	7,721,221	308,849	-	308,849
Permanent Legacy	14,529,587	-	14,529,587	438,615	-	438,615
Watch Loans	12,786,445	-	12,786,445	916,040	-	916,040
	141,251,052	20,131,044	161,382,096	5,972,226	8,927,774	14,900,000
Homebuyer programs	6,271,763	-	6,271,763	394,000	-	394,000
Total portfolio	$ 147,522,815	$ 20,131,044	$ 167,653,859	$ 6,366,226	$ 8,927,774	$ 15,294,000

Note 7. Furniture and Equipment

Furniture and equipment is summarized as follows at June 30:

	2024	2023
Office equipment	$ 145,558	$ 140,706
Software	158,733	158,733
Furniture and fixtures	195,508	195,508
Leasehold improvements	40,553	40,553
	540,352	535,500
Less accumulated depreciation and amortization	(443,872)	(401,686)
Total furniture and equipment, net	$ 96,480	$ 133,814

Depreciation and amortization charged to expense was $73,473 and $88,627 for the years ended June 30, 2024 and 2023, 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:

	2024	2023
2015 Loan Fund—Tranche I (1)	$ 2,771,229	$ 2,768,965
2015 Loan Fund—Tranche II (1)	-	-
Monterey Bay Housing Trust (2)	974,046	972,136
Sonoma County Housing Fund (3)	1,958,319	-
Silicon Valley Community Foundation	125,000	125,000
Nontrue sale participants (4)	4,680,487	1,856,546
Total	$ 10,509,081	$ 5,722,647

Note 8. Nonrecourse Capital from Third Parties (Continued)

1. 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.

2. 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 933 homes, and funds have revolved and been augmented by Housing Trust such that $30 million has been invested together in the region.

3. 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 seven 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 596 homes, and funds have revolved and been augmented by Housing Trust such that $20 million has been invested together in the region. There are three loans outstanding as of June 30, 2024.

4. 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 $4,680,487 and $1,856,546 as of June 30, 2024 and 2023, 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 Investors in arrears on a quarterly basis. The nonrecourse capital of all three loan pools is not required to be repaid in the amounts of $3,745,275 and $3,741,100 as of June 30, 2024 and 2023, respectively.

Note 9. Notes Payable

Term loans of $10,250,841 are secured by notes receivable and cash and the remaining are unsecured and consist of the following at June 30:

	2024	2023
Term loans:		
Community Impact notes payable, bearing interest from 1.0% to 1.5%, paid semiannually, to be repaid in full from July 2024 to March 2029.	$ 61,965,000	$ 45,880,000
Notes payable to foundations and corporations, bearing interest of 2%, with interest due quarterly, to be repaid in full from July 2027 to August 2027.	15,500,000	25,500,000
Bond loan, secured notes, with the CDFI fund for up to $25,000,000, with maturities in June 2029 and December 2030 up to 29.5 years at a spread over U.S. Treasuries fixed as funds are drawn. In 2020, two draws occurred bearing interest from1.1% to 1.9%, with interest and principal due semiannually.	10,250,841	11,816,733
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	10,250,000
Notes payable to financial institutions, bearing interest of 3%, with interest due quarterly, to be repaid in full in December 2025.	1,500,000	2,250,000
Notes payable to 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
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 December 2024, and is renewed annually for an option to extend the advance period. US Bank revolving line of credit with a maximum amount of $2,000,000, with interest due quarterly at the Secured Overnight Financing Rate (SOFR) plus 1.3% per annum. The US Bank line of credit has a maturity date of May 2025, but is reviewed annually for an option to extend the advance period.	-	-
	100,465,841	96,696,733
Less unamortized loan fees	(70,131)	(91,039)
Total term loans	$ 100,395,710	$ 96,605,694

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% and Series B, 10-year notes bearing interest of 2.0%, are unsecured. The note series were extended in 2018 to C through F. All interest on notes above are paid semiannually.

- 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, 2024, $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%, Series 2, five-year note bearing interest of 1.5%, 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%. Series 5, five-year note bearing interest of 1.5% and Series 6, 10-year note bearing interest of 1.85%. All interest on notes above are paid semiannually.

- As of June 30, 2024 and 2023, $91,500,000 and $61,500,000 Series A through H notes, respectively, have been sold. During the year ended June 30, 2024, Housing Trust sold $1,035,000 Series 8 Notes, $5,000,000 Series 9 Notes, and $50,000 Series 11 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:	
2025	$ 31,367,156
2026	5,408,838
2027	9,293,878
2028	24,314,326
2029	22,968,683
Thereafter	7,112,960
	$100,465,841

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 5.5% and 6.5% on June 30, 2024 and 2023, respectively. The line of credit availability expires on December 31, 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, 2024 and 2023.

Housing Trust has a revolving line of credit agreement with US Bank, which was amended in May 2024 to allow borrowing up to $2,000,000. Interest on any outstanding balance is payable quarterly at the SOFR (Secured Overnight Financing Rate) plus 1.3% per annum, which was 6.6% and 6.4% at June 30, 2024 and 2023, respectively. The line of credit availability expires on May 20, 2025, and must be renewed. There was no outstanding balance under this line of credit on June 30, 2024 and 2023.

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 $14,839,799 and $15,008,828 of notes receivable, $59,138 and $56,165 of cash and has outstanding debt of $10,250,841 and $11,816,733 as of June 30, 2024 and 2023, respectively. The draw period has ended.

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 $706,098 and $153,661 for the years ended June 30, 2024 and 2023, respectively.

Housing Trust had related-party notes payable of $20,550,000 and $35,500,000 at June 30, 2024 and 2023, respectively.

Aggregate notes payable transactions with related parties for the year ended June 30, 2024, include two new loans totaling $5,050,000, net repayments on two current loans of $15,000,000 and a loan transferred out of $5,000,000.

The balance of notes payable with related parties was transferred out during the year ended June 30, 2024, when the investor was no longer deemed to be a related party. There was one new loan on a current loan during the year ended June 30, 2024, with related parties. There was one new loan and an additional draw transaction with related parties during the year ended June 30, 2023.

Note 11. Grants

Housing Trust has 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. Additionally, Housing Trust provides program grants to other nonprofits. In 2024, Housing Trust provided $120,000 in program grants to support its partners. Housing Trust made grants and contributions that totaled $499,091 and $160,491 in 2024 and 2023, 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, 2024 and 2023. Conditional contributions consist of the following:

	2024	2023
Apple, Inc.	$ 19,825,380	$ 9,915,453
Total conditional contributions	$ 19,825,380	$ 9,915,453

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 2024, of which $19,825,380 and $9,915,453 was recorded in 2024 and 2023, respectively, as a conditional contribution.

2. During FY 2023, Housing Trust 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, 2024, 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, 2024, and therefore, not included in the schedule on the previous page. Per the agreement, Housing Trust shall encumber all funds by August 15, 2027.

3. During FY 2024, Housing Trust 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, 2024, 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, 2024, and therefore, not included in the schedule above. Per the agreement, Housing Trust shall encumber all funds by February 15, 2029.

Note 13. Net Assets with Donor Restrictions

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

	2024			
	June 30, 2023	Contributions and interest	Released from Restrictions	June 30, 2024
General lending programs	$ 150,000	$ 150,000	$ -	$ 300,000
Homebuyer programs	7,306,246	63,223	(217,271)	7,152,198
NSP2	9,217,701	347,467	(9,565,168)	-
Affordable Multi-Family Rental Program and Homeless/Special Needs Program	25,595,380	3,311,490	(7,249,452)	21,657,418
Finally Home, other programs and time restrictions	720,451	729,998	(768,334)	682,115
	$ 42,989,778	$ 4,602,178	$ (17,800,225)	$ 29,791,731

	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

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 $18,999,484 and $19,821,821 of disbursed funds with secondary-use restrictions as of June 30, 2024 and 2023, 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 $196,950 and $172,145 to the Plan during 2024 and 2023, respectively.

Note 15. Leases, Right-of-Use Asset and Liability

Housing Trust leases facilities and equipment under separate lease agreements, which expire at various dates through March 2029. Both operating and finance leases are reflected on the consolidated statements of financial position as right-of-use (ROU) assets and corresponding lease liabilities. The ROU assets represent the right to use the underlying asset for the lease term. The operating lease ROU asset balances were $652,554 and $0 as of June 30, 2024 and 2023, respectively. The finance lease ROU asset balances were $39,715 and $0 as of June 30, 2024 and 2023, respectively. The lease liabilities represent the obligation to make lease payments, discounted using the risk-free rate, with rates ranging from 4.06% to 4.88%.

These asset and liabilities are recognized at the commencement date, or when the lessor makes the underlying asset available for use, based on the present value of the lease payments over the lease term. Lease expense is recognized on a straight-line basis over the lease term, while variable lease costs, such as common area maintenance and property taxes, are expenses as incurred.

Minimum future rental commitments are estimated as follows:

	Operating	Finance	Total
Years ending June 30:			
2025	$ 269,625	$ 8,551	$ 278,176
2026	277,713	9,022	286,735
2027	155,104	9,518	164,622
2028	-	10,041	10,041
2029	-	6,935	6,935
Total lease payments	702,442	44,067	746,509
Less interest	(40,804)	(3,971)	(44,775)
Present value of lease liabilities	$ 661,638	$ 40,096	$ 701,734

Note 16. Commitments and Contingencies

Housing Trust had undisbursed loan commitments totaling $14,119,429 and $20,996,599 as of June 30, 2024 and 2023, respectively, relating to its multi-family programs.

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

Note 17. Subsequent Events

On July 31, 2024, Housing Trust repaid the $10,000,000 Community Impact note that matured.

On August 5, 2024, Housing Trust repaid the $2,000,000 subordinated note that matured.

On August 9, 2024, an investor purchased Community Impact Note Series 10 for $1,500,000. The principal is due on August 9, 2026.

On August 26, 2024, an investor provided a loan in the amount of $1,000,000 to Housing Trust. The principal is due on August 26, 2031.

On September 3, 2024, Housing Trust received a $30,000,000 unrestricted donation from a private foundation.