HOUSING DEVELOPMENT FUND, INC.
AND SUBSIDIARIES

Consolidated Financial Statements
(with Independent Auditor's Report thereon)

YEAR ENDED JUNE 30, 2016
(with comparative totals for 2015)

FRIEDBERG, SMITH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
HOUSING DEVELOPMENT FUND, INC. AND SUBSIDIARIES

CONTENTS

Independent auditor’s report

CONSOLIDATED FINANCIAL STATEMENTS

Statements of financial position.................................................................Exhibit A

Statements of activities......................................................Exhibit B

Statements of cash flows..................................................Exhibit C

Statements of functional expenses........................................Exhibit D

Notes to consolidated financial statements

Supplementary Schedules

Consolidating schedule of financial position.............................Schedule 1

Consolidating schedule of activities.........................................Schedule 2

Schedule of gross loans receivable and balances on serviced loans........Schedule 3
Independent Auditor’s Report

The Board of Directors
Housing Development Fund, Inc.
Stamford, Connecticut

Report on the Financial Statements
We have audited the accompanying Consolidated financial statements of Housing Development Fund, Inc. and Subsidiaries (HDF) which compromise the Consolidated statement of financial position as of June 30, 2016, and the related Consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these Consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of Internal control relevant to the preparation and fair presentation of the Consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility
Our responsibility is to express an opinion on these Consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Consolidated financial statements whether due to fraud or error. In making those risk assessments, the auditor considers Internal control appropriate to the entity’s preparation and fair presentation of the Consolidated financial statements in order to design audit procedures that are relevant in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion
In our opinion, the Consolidated financial statements referred to above present fairly, in all material respects, the Consolidated financial position of Housing Development Fund, Inc. and Subsidiaries as of June 30, 2016 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information
We have previously audited HDF’s Consolidated financial statements as of and for the year ended June 30, 2015 and we expressed an unmodified opinion on those audited Consolidated financial statements in our report dated November 4, 2015. In our opinion, the Consolidated summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the Consolidated audited financial statements from which it has been derived (Note 14).

Other Matter
Our audit was conducted for the purpose of forming an opinion on the basic Consolidated financial statements as a whole. The accompanying supplementary schedules for the years ended June 30, 2016 and 2015, as indicated in the Contents to the Consolidated financial statements is presented for purposes of additional analysis and is not a required part of the basic Consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the Consolidated financial statements or to the Consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material aspects in relation to the Consolidated financial statements as a whole.

October 25, 2016
### ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$ 7,924,188</td>
<td>$ 7,908,686</td>
</tr>
<tr>
<td>Unrestricted Investments</td>
<td>1,371,258</td>
<td>602,459</td>
</tr>
<tr>
<td>Loans Receivable, Net of Allowance for Loan Losses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>and Deferred Fees</td>
<td>27,532,129</td>
<td>27,765,043</td>
</tr>
<tr>
<td>Shore Up Loans Receivable</td>
<td>-</td>
<td>333,800</td>
</tr>
<tr>
<td>Accrued Interest Receivable</td>
<td>102,000</td>
<td>104,160</td>
</tr>
<tr>
<td>Grants Receivable</td>
<td>-</td>
<td>46,913</td>
</tr>
<tr>
<td>Contracts and Other Receivables</td>
<td>601,069</td>
<td>639,149</td>
</tr>
<tr>
<td>Prepaid Expenses and Other Assets</td>
<td>48,698</td>
<td>58,216</td>
</tr>
<tr>
<td>Furnishings and Equipment, Net of Accumulated Depreciation</td>
<td>53,213</td>
<td>58,637</td>
</tr>
<tr>
<td>Leasehold, Net of Accumulated Amortization</td>
<td>444,303</td>
<td>458,009</td>
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<tr>
<td>Investments Held for Deferred Compensation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plan</td>
<td>187,540</td>
<td>190,468</td>
</tr>
<tr>
<td><strong>Assets Restricted for Long-Term Purposes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>1,461,819</td>
<td>1,488,755</td>
</tr>
<tr>
<td>Construction Loans</td>
<td>476,936</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Assets Restricted for Long-Term Purposes</strong></td>
<td>1,938,755</td>
<td>1,488,755</td>
</tr>
<tr>
<td>Agency Assets</td>
<td>13,508,517</td>
<td>13,736,279</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$ 53,711,670</td>
<td>$ 53,390,574</td>
</tr>
</tbody>
</table>

### LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes Payable</td>
<td>$ 20,776,138</td>
<td>$ 19,156,034</td>
</tr>
<tr>
<td>Accrued Interest Payable</td>
<td>95,665</td>
<td>97,188</td>
</tr>
<tr>
<td>Accrued Expenses and Other Liabilities</td>
<td>175,768</td>
<td>316,335</td>
</tr>
<tr>
<td>Borrower Escrow Accounts</td>
<td>619,537</td>
<td>578,307</td>
</tr>
<tr>
<td>Refundable Advances on Grants</td>
<td>4,253,753</td>
<td>4,940,198</td>
</tr>
<tr>
<td>Shore Up - Recoverable Grant</td>
<td>-</td>
<td>333,800</td>
</tr>
<tr>
<td>Deferred Compensation Obligation</td>
<td>210,340</td>
<td>190,468</td>
</tr>
<tr>
<td><strong>Agency Liabilities</strong></td>
<td>13,508,517</td>
<td>13,736,279</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>39,639,716</td>
<td>39,348,609</td>
</tr>
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</table>

### Net Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Equity in Furnishings and Equipment</td>
<td>53,213</td>
<td>58,637</td>
</tr>
<tr>
<td>Board Designated</td>
<td>8,840,979</td>
<td>8,808,634</td>
</tr>
<tr>
<td>Undesignated - Available for Operations</td>
<td>1,361,712</td>
<td>1,387,089</td>
</tr>
<tr>
<td><strong>Total Unrestricted</strong></td>
<td>10,275,904</td>
<td>10,254,360</td>
</tr>
<tr>
<td>Temporarily Restricted</td>
<td>1,857,293</td>
<td>2,298,850</td>
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<tr>
<td>Permanently Restricted</td>
<td>1,938,755</td>
<td>1,488,755</td>
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<tr>
<td><strong>Total Net Assets</strong></td>
<td>14,071,952</td>
<td>14,041,965</td>
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</table>

**TOTAL LIABILITIES AND NET ASSETS**

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td>$ 53,711,670</td>
<td>$ 53,390,574</td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
**HOUSING DEVELOPMENT FUND, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2016**

(with comparative totals for 2015)

<table>
<thead>
<tr>
<th>Financing Revenues</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
</tr>
<tr>
<td>Interest Income - Loans</td>
<td>$1,228,962</td>
<td>$ -</td>
</tr>
<tr>
<td>Interest and Investment Income - Other, Net</td>
<td>40,307</td>
<td>-</td>
</tr>
<tr>
<td>Contracts and Fees</td>
<td>585,434</td>
<td>-</td>
</tr>
<tr>
<td>Total Financing Revenues</td>
<td>1,854,703</td>
<td>-</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Financing Expenses</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>388,069</td>
<td>-</td>
</tr>
<tr>
<td>Provision for Loan Losses</td>
<td>643,850</td>
<td>-</td>
</tr>
<tr>
<td>Total Financing Expenses</td>
<td>1,031,919</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Financing (Losses) Revenues</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>822,784</td>
<td>1,347,142</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Contributions, Gains and Other Support</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions and Promises to Give</td>
<td>158,300</td>
<td>490,919</td>
</tr>
<tr>
<td>Grant Revenue, Net of Provision for Forgivable Loans of $1,770,000 in 2016</td>
<td>809,030</td>
<td>500,000</td>
</tr>
<tr>
<td>Fund-raising Event</td>
<td>61,855</td>
<td>-</td>
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<tr>
<td>Gain on Settlement of Non-Performing Loan</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>In-kind Contributions</td>
<td>9,450</td>
<td>-</td>
</tr>
<tr>
<td>Total Contributions, Gains and Other Support</td>
<td>1,038,635</td>
<td>990,919</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Assets Released from Restrictions:</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose Restrictions</td>
<td>1,418,770</td>
<td>(1,418,770)</td>
</tr>
<tr>
<td>Time Restrictions</td>
<td>13,706</td>
<td>(13,706)</td>
</tr>
<tr>
<td>Total Net Assets Released from Restrictions</td>
<td>1,432,476</td>
<td>(1,432,476)</td>
</tr>
<tr>
<td>Total Net Financing Revenues, Contributions, Gains and Other Support</td>
<td>3,293,895</td>
<td>(441,557)</td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
### Consolidated Statements of Activities

**Year Ended June 30, 2016**

(with comparative totals for 2015)

<table>
<thead>
<tr>
<th>Expenses</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Temporary</strong></td>
<td>Restricted</td>
<td>Permanently</td>
</tr>
<tr>
<td><strong>Program Services:</strong></td>
<td>Unrestricted</td>
<td>Restricted</td>
</tr>
<tr>
<td>Multi-Family Housing</td>
<td>$269,537</td>
<td>$</td>
</tr>
<tr>
<td>Homebuyer Assistance Underwriting</td>
<td>1,106,594</td>
<td>-</td>
</tr>
<tr>
<td>Homebuyer Assistance Counseling</td>
<td>520,845</td>
<td>-</td>
</tr>
<tr>
<td>Foreclosure Initiatives</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Shore Up</td>
<td>276,089</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Program Services</strong></td>
<td>2,173,065</td>
<td>-</td>
</tr>
<tr>
<td><strong>Support Services:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management, General and Fund Raising</td>
<td>1,090,461</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Functional Expenses</strong></td>
<td>3,263,526</td>
<td>-</td>
</tr>
<tr>
<td>Cost of Direct Benefits to Donors</td>
<td>8,825</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>3,272,351</td>
<td>-</td>
</tr>
<tr>
<td><strong>Change in Net Assets</strong></td>
<td>21,544</td>
<td>(441,557)</td>
</tr>
<tr>
<td><strong>Net Assets at Beginning of Year</strong></td>
<td>10,254,360</td>
<td>2,298,850</td>
</tr>
<tr>
<td><strong>Net Assets at End of Year</strong></td>
<td>$10,275,904</td>
<td>$1,857,293</td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
# Housing Development Fund, Inc. and Subsidiaries

## Consolidated Statements of Cash Flows

**Year Ended June 30, 2016**

(with comparative totals for 2015)

*Increase (Decrease) in Cash and Cash Equivalents*

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>$29,987</td>
<td>$15,149</td>
</tr>
</tbody>
</table>

### Cash Flows from Operating Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in Net Assets</td>
<td>$29,987</td>
<td>$15,149</td>
</tr>
<tr>
<td>Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>36,902</td>
<td>34,025</td>
</tr>
<tr>
<td>Amortization of Deferred Fees</td>
<td>(7,672)</td>
<td>(16,112)</td>
</tr>
<tr>
<td>Unrealized Depreciation (Appreciation) on Investments Held for Deferred Compensation Plan</td>
<td>2,928</td>
<td>(3,630)</td>
</tr>
<tr>
<td>Unrealized Appreciation on Assets Restricted for Long-Term Investments</td>
<td>(7,583)</td>
<td>(8,811)</td>
</tr>
<tr>
<td>Contributions Restricted for Long-Term Purposes</td>
<td>(450,000)</td>
<td>(425,000)</td>
</tr>
<tr>
<td>Provision for Loan Losses</td>
<td>643,850</td>
<td>223,408</td>
</tr>
<tr>
<td>Provision for Forgivable Loans</td>
<td>1,770,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Adjustments</strong></td>
<td>1,978,409</td>
<td>2,569,499</td>
</tr>
<tr>
<td><strong>Net Cash Provided by Operating Activities</strong></td>
<td>2,008,396</td>
<td>2,584,648</td>
</tr>
</tbody>
</table>

### Cash Flows from Investing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of Investments</td>
<td>(768,799)</td>
<td>(6,371)</td>
</tr>
<tr>
<td>Net (Increase) Decrease in Loans Receivable</td>
<td>(2,872,312)</td>
<td>278,834</td>
</tr>
<tr>
<td>Additions to Furnishings and Equipment</td>
<td>(17,772)</td>
<td>(14,295)</td>
</tr>
<tr>
<td>Purchase of Investments Restricted for Long-Term Purposes</td>
<td>(450,000)</td>
<td>(425,000)</td>
</tr>
<tr>
<td>Proceeds from Sale of Investments</td>
<td>476,936</td>
<td>-</td>
</tr>
<tr>
<td>Increase in Assets Restricted for Long-Term Purposes - Construction Loans</td>
<td>(476,936)</td>
<td>-</td>
</tr>
<tr>
<td>Net Increase (Decrease) in Borrower Escrow Accounts</td>
<td></td>
<td>(141,920)</td>
</tr>
<tr>
<td>Increase in Investments Held for Deferred Compensation Plan</td>
<td></td>
<td>(21,800)</td>
</tr>
<tr>
<td>Unrealized (Depreciation) Appreciation on Investments Held for Deferred Compensation Plan</td>
<td></td>
<td>(3,630)</td>
</tr>
<tr>
<td>Unrealized Appreciation on Assets Restricted for Long-Term Investments</td>
<td></td>
<td>(7,583)</td>
</tr>
<tr>
<td><strong>Net Cash Used by Investing Activities</strong></td>
<td>(4,062,998)</td>
<td>(318,012)</td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2016
(with comparative totals for 2015)
Increase (Decrease) in Cash and Cash Equivalents

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flows from Financing Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from Contributions Restricted for Long Term Purposes</td>
<td>$ 450,000</td>
<td>$ 425,000</td>
</tr>
<tr>
<td>Other Financing Activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from Notes Payable</td>
<td>2,615,000</td>
<td></td>
</tr>
<tr>
<td>Repayments of Notes Payable</td>
<td>(994,896)</td>
<td>(1,936,022)</td>
</tr>
<tr>
<td>Net Cash Provided (Used) by Financing Activities</td>
<td>2,070,104</td>
<td>(1,511,022)</td>
</tr>
<tr>
<td>Net Increase in Cash and Cash Equivalents</td>
<td>15,502</td>
<td>755,614</td>
</tr>
<tr>
<td>Cash and Cash Equivalents - Beginning of Year</td>
<td>7,908,686</td>
<td>7,153,072</td>
</tr>
<tr>
<td>Cash and Cash Equivalents - End of Year</td>
<td>$ 7,924,188</td>
<td>$ 7,908,686</td>
</tr>
</tbody>
</table>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During the Year For
Interest                                               | $ 389,592 | $ 410,278 |

NON-CASH INVESTING AND FINANCING ACTIVITIES
During the year ended June 30, 2016, $19,800 in loans receivable funded by the ADDI Grant were forgiven.

During the year ended June 30, 2016, $1,032,848 in Shore Up Loans were assigned to the State of Connecticut.

See notes to consolidated financial statements.
# Housing Development Fund, Inc. and Subsidiaries

## Consolidated Statements of Functional Expenses

**Year Ended June 30, 2016**

(with comparative totals for 2015)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel Expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and Wages:</td>
<td>$129,509</td>
<td>$644,326</td>
<td>$335,698</td>
<td>$ -</td>
<td>$184,898</td>
<td>$1,294,431</td>
<td>$700,783</td>
<td>$1,995,214</td>
<td>$2,067,344</td>
</tr>
<tr>
<td>Payroll Taxes:</td>
<td>14,648</td>
<td>53,998</td>
<td>29,131</td>
<td>-</td>
<td>14,062</td>
<td>111,839</td>
<td>59,784</td>
<td>171,623</td>
<td>157,368</td>
</tr>
<tr>
<td><strong>Total Personnel Expenses</strong></td>
<td>148,042</td>
<td>773,777</td>
<td>407,810</td>
<td>-</td>
<td>203,795</td>
<td>1,533,424</td>
<td>859,782</td>
<td>2,393,206</td>
<td>2,472,539</td>
</tr>
<tr>
<td>Less: Expenses Deferred in Connection with Deferred Loan Origination Fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Holding Costs of Real Property</td>
<td>34,373</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>34,373</td>
<td>-</td>
<td>34,373</td>
</tr>
<tr>
<td>Professional and Consulting Fees</td>
<td>45,168</td>
<td>61,884</td>
<td>14,437</td>
<td>-</td>
<td>5,159</td>
<td>126,648</td>
<td>48,751</td>
<td>175,399</td>
<td>280,609</td>
</tr>
<tr>
<td>Shore Up Engineering Fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,850</td>
<td>-</td>
<td>1,850</td>
<td>-</td>
<td>1,850</td>
</tr>
<tr>
<td>Lending Fees</td>
<td>-</td>
<td>115,500</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>115,500</td>
<td>-</td>
<td>115,500</td>
</tr>
<tr>
<td>Insurance</td>
<td>10,420</td>
<td>14,327</td>
<td>10,420</td>
<td>-</td>
<td>1,302</td>
<td>36,469</td>
<td>14,943</td>
<td>51,412</td>
<td>50,097</td>
</tr>
<tr>
<td>Occupancy</td>
<td>6,493</td>
<td>24,180</td>
<td>21,934</td>
<td>-</td>
<td>15,360</td>
<td>67,967</td>
<td>27,041</td>
<td>95,008</td>
<td>86,770</td>
</tr>
<tr>
<td>Telephone</td>
<td>2,679</td>
<td>3,798</td>
<td>2,955</td>
<td>-</td>
<td>1,653</td>
<td>11,085</td>
<td>14,564</td>
<td>25,649</td>
<td>25,278</td>
</tr>
<tr>
<td>Dues, Subscriptions and Meetings</td>
<td>2,481</td>
<td>7,812</td>
<td>3,490</td>
<td>-</td>
<td>9,907</td>
<td>23,670</td>
<td>7,542</td>
<td>31,212</td>
<td>26,022</td>
</tr>
<tr>
<td>Conferences and Training</td>
<td>2,657</td>
<td>7,222</td>
<td>7,227</td>
<td>-</td>
<td>1,081</td>
<td>18,167</td>
<td>7,255</td>
<td>29,432</td>
<td>28,706</td>
</tr>
<tr>
<td>Office Supplies and Expenses</td>
<td>5,739</td>
<td>17,045</td>
<td>16,502</td>
<td>-</td>
<td>11,141</td>
<td>50,427</td>
<td>16,070</td>
<td>66,497</td>
<td>94,899</td>
</tr>
<tr>
<td>Equipment Leases and Maintenance</td>
<td>11,057</td>
<td>40,996</td>
<td>17,361</td>
<td>-</td>
<td>11,387</td>
<td>80,801</td>
<td>27,092</td>
<td>107,893</td>
<td>104,485</td>
</tr>
<tr>
<td>Marketing</td>
<td>4,026</td>
<td>7,761</td>
<td>6,223</td>
<td>-</td>
<td>10,229</td>
<td>28,239</td>
<td>19,339</td>
<td>47,578</td>
<td>75,194</td>
</tr>
<tr>
<td>Travel and Parking</td>
<td>3,307</td>
<td>8,490</td>
<td>7,477</td>
<td>-</td>
<td>3,120</td>
<td>22,394</td>
<td>26,354</td>
<td>48,748</td>
<td>56,106</td>
</tr>
<tr>
<td>Postage</td>
<td>557</td>
<td>1,759</td>
<td>657</td>
<td>-</td>
<td>60</td>
<td>3,033</td>
<td>2,561</td>
<td>5,594</td>
<td>7,787</td>
</tr>
<tr>
<td>Fund-raising Event Expenses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,046</td>
<td>2,046</td>
<td>2,046</td>
</tr>
<tr>
<td><strong>Total Expenses before Depreciation and Amortization, and In-kind Expenses</strong></td>
<td>266,156</td>
<td>1,064,551</td>
<td>516,493</td>
<td>276,024</td>
<td>2,143,224</td>
<td>1,073,950</td>
<td>3,217,174</td>
<td>3,377,394</td>
<td></td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>3,381</td>
<td>12,593</td>
<td>4,352</td>
<td>-</td>
<td>65</td>
<td>20,391</td>
<td>16,511</td>
<td>36,902</td>
<td>34,026</td>
</tr>
<tr>
<td>In-kind Expenses</td>
<td>-</td>
<td>9,450</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9,450</td>
<td>-</td>
<td>9,450</td>
<td>9,287</td>
</tr>
<tr>
<td><strong>Total Functional Expenses</strong></td>
<td>$269,537</td>
<td>$1,106,544</td>
<td>$520,845</td>
<td>$276,024</td>
<td>$2,173,065</td>
<td>$1,090,461</td>
<td>$3,263,526</td>
<td>$3,420,706</td>
<td></td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
NOTE 1 - NATURE OF OPERATIONS

Housing Development Fund, Inc. (HDF) facilitates the development of affordable housing, both rental and homeownership, and assists households to become owners of affordable homes. HDF accomplishes this by providing low-interest, flexible financing and technical assistance to developers; by providing homebuyer assistance financing and homeownership counseling to homebuyers; and by working with the private sector, non-profits and government to facilitate the creation of more affordable housing. HDF believes that all households and families should have the opportunity and access to affordable housing, and that affordable housing and economic diversity are beneficial to communities.

Nonprofit Status

HDF is a not-for-profit organization incorporated under the Nonstock Corporation Act of the State of Connecticut, and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. HDF is also exempt from state income tax. HDF has received regulatory approval to operate in New York.

Community Development Financial Institution

HDF has been granted status as a certified Community Development Financial Institution (CDFI) since 1996 by the U.S. Department of Treasury (the Treasury), qualifying it for certain awards and support from the Treasury. HDF has received grants from the Treasury totaling $5,854,042 through June 30, 2016. HDF has received an additional Financial Assistance Grant of $1,400,000 subsequent to June 30, 2016.

To be eligible for CDFI Certification, an organization must meet the following criteria:

- Have a primary mission of promoting community development
- Provide both financial and educational services
- Serve and maintain accountability to one or more defined target markets
- Maintain accountability to a defined market
- Be a legal, non-governmental entity at the time of application (with the exception of Tribal governmental entities)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

HDF is the sole member of three entities formed to conduct certain activities of HDF related to its foreclosure initiatives. Lockwood Terrace, LLC, HDF Community Works, LLC and SF Commons, LLC qualify as disregarded entities under Internal Revenue Service regulations, and accordingly, their financial activities are reported within the tax returns of HDF. In a consistent manner, the financial activities of these entities are reported within the Consolidated financial statements of HDF. Intercompany balances and transactions have been eliminated. In April 2015, Lockwood Terrace, LLC and SF Commons, LLC were dissolved.

- 9 -
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Asset Classes

The Net asset classes of HDF consist of the following:

Unrestricted Net Assets

Unrestricted net assets consist of net assets over which the governing Board has control to use in carrying out the operations of HDF in accordance with its charter and by-laws and are neither Permanently restricted nor Temporarily restricted by donor-imposed restrictions.

Certain Unrestricted net assets have been Designated by the Board.

The Net investment in Furnishings and equipment consists of the net book value of Furnishings and equipment acquired with Unrestricted net assets.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of net assets whose use is limited by donor-imposed restrictions which either expire with the passage of time (Time restriction) or can be fulfilled and removed by actions of HDF pursuant to the restrictions (Purpose restriction). HDF reflects Contributions, except for its LWYWW Contributions, as Temporarily restricted based on the Purpose restrictions imposed by the donor. If a restriction is fulfilled, however, in the same time period in which the Contribution is received, HDF reflects the Support as Unrestricted. HDF has adopted a policy implying a Time restriction on its contributed Leasehold which expires over a forty-year period.

When donor-imposed restrictions expire, that is when a stipulated Time restriction ends or Purpose restriction is accomplished, Temporarily restricted net assets are reclassified to Unrestricted net assets and reported in the accompanying Consolidated statements of activities as Net assets released from restrictions.

Permanently Restricted Net Assets

Permanently restricted net assets consist of net assets whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of HDF. Permanently restricted net assets consist of endowment funds, whereby the donor has stipulated that the principal amount be maintained intact in perpetuity and that only the income from investment thereof be expended either for general purposes or purposes specified by the donor.

Contributions

Contributions received or Promises to give without donor-imposed restrictions are reflected as Unrestricted support. Contributions received or Promises to give with donor-imposed restrictions are reflected as either Temporarily or Permanently restricted support in the accompanying Consolidated financial statements. Contributions and Promises to give with donor-imposed conditions are not recognized as Contributions or Promises to give in the accompanying Consolidated financial statements until the period when the conditions are met.
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions (continued)

Promises to give that are expected to be received within one year of the financial statement date are reflected at their net realizable value (the gross amount of the Promises to give, Net of an Allowance for uncollectible amounts). Promises to give that are expected to be collected more than one year after the financial statement date are reflected at the present value of their estimated future cash flows using a discount rate commensurate with the risks involved at the date the Promise to give was received.

Cash Equivalents

HDF considers all highly liquid debt instruments purchased with a maturity of three months or less to be Cash equivalents.

Investments

Investments are reflected at fair value. Realized gains or losses and Unrealized appreciation or depreciation on Investments are reflected on the accompanying Consolidated statements of activities as increases or decreases in Unrestricted net assets unless their use is Temporarily restricted or Permanently restricted by donor stipulation.

Investments at June 30, 2016 and 2015 consisted of Unrestricted Investments, Investments for long-term investment purposes and Investments for the Deferred compensation plan.

Loans - Mortgage and Homebuyer Assistance Loans

These Loans receivable are reflected at their unpaid principal balance, net of applicable Deferred fees and direct costs. Interest is accrued and included in Interest income based on contractual rates applied to principal amounts outstanding. The net Deferred fees are amortized over the term of the Loans. There are no origination and commitment fees on Homebuyer assistance loans.

Mortgage Loan origination and commitment fees, net of certain direct costs, are recognized over the contractual life of the related loan. When Loans are prepaid, sold or participated out, the unamortized portion of fees is recognized as income at that time. Deferred fees collected amounted to $16,629 and were offset by direct costs which amounted to $10,823 for the year ended June 30, 2016. There were no Deferred fees collected or direct costs during the year ended June 30, 2015. The Deferred direct costs represent Management’s estimate of incremental direct costs associated with loan originations incurred during each year. Amortization amounted to $7,672 and $16,112 for the years ended June 30, 2016 and 2015, respectively.
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for Loan Losses – Mortgage, Construction and Other Loans and Homebuyer Assistance Loans

The Provision for loan losses reflects the amount deemed appropriate by Management to maintain the Allowance for loan losses at a level adequate to absorb losses in the loan portfolio. The Allowance for loan losses is based on estimates and ultimate losses may vary from current estimates. In estimating losses, consideration is given to the performance of the asset, the financial condition of the borrower or guarantor, estimates of the current value of the underlying collateral based on appraisals and analysis of current cash flow of income producing properties, the overall risk characteristics and size of the loan portfolio, current economic and real estate market conditions, and other relevant factors.

Real Estate Acquired in Settlement of Loans

Real estate acquired in settlement of loans is comprised of real estate properties that are held which have been acquired through foreclosure or deeds in lieu of foreclosure and properties that have been in-substance repossessed. These properties are initially reflected at the lower of the carrying value of the related loans or estimated fair value of the real estate acquired or in-substance repossessed, with any excess of the loan balance over the estimated fair value of the property charged to the Allowance for credit losses. Subsequent changes in net realizable values are reflected by charges or credits to the Allowance for estimated losses on Real estate acquired in settlement of loans.

Costs relating to the subsequent development or improvement of a property are capitalized when value is increased. All other Holding costs and expenses, net of rental income, if any, are expensed as incurred. It is the policy of HDF not to reflect sales proceeds and cost of sales or to recognize a gain or loss on the sale of individual units of foreclosed properties, but to write down the carrying value of the unsold units to their estimated fair value as of the Consolidated statements of financial position date.

Furnishings, Equipment and Leasehold Improvements

All acquisitions or donations of Furnishings, equipment and leasehold improvements are reflected at cost or their fair value at the date of the gift. Depreciation is provided on a straight-line basis over the five-year estimated useful lives of the assets.

Leasehold

During the year ended June 30, 2009, HDF received an In-kind contribution of a ninety-nine year Leasehold interest in its Stamford office premises. The Leasehold has been valued at its fair value of $548,240. Amortization is provided on a straight-line basis over a forty-year period, commencing November 2008.

Compensated Absences

Historically HDF's policy was to accrue vacation pay. Employees had been able to carry forward up to one year's unused vacation. Effective January 2016, employees can no longer carry forward unused vacation. Accordingly, no vacation has been accrued as of June 30, 2016.
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Goods, Services and Facilities
Goods, services and facilities have been provided by various organizations and a number of unpaid volunteers have contributed their time. Contributions are recognized if the goods or services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed goods, services or facilities that do not meet the above criteria are not recognized.

For the years ended June 30, 2016 and 2015, In-kind contributions and corresponding in-kind legal expenses of $9,450 and $9,287, respectively, have been reflected by HDF in the accompanying Consolidated financial statements.

Income Taxes
Management of HDF has evaluated all significant tax positions as required by generally accepted accounting principles in the United States of America.

Management of HDF is of the opinion that the entity has not taken any material tax positions that would require the recording of any liability of HDF, nor is Management of HDF of the opinion that there were any unrealized tax benefits that would either increase or decrease materially within the next year. If required, it is HDF’s policy to recognize any estimated interest and penalties.

The tax returns of HDF for the three years ended June 30, 2015 are subject to examination by the taxing authorities.

Functional Expenses
The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying Consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification
Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation.

Subsequent Events
Management has evaluated subsequent events through October 25, 2016, the date the Consolidated financial statements were available to be issued. Through that date there were no material events that would require recognition or additional disclosures in the financial statements, except as indicated in Note 14.
NOTE 3 - CASH AND CASH EQUIVALENTS

Credit Risk

HDF maintains Cash and Cash equivalent accounts at several Connecticut Banks. Cash Accounts are insured up $250,000 by the Federal Deposit Insurance Corporation (FDIC). At times during the year the cash balances may have exceeded the insured limits.

Intended Utilization

HDF’s Management has analyzed HDF’s cash flow requirements and determined that its June 30, 2016 Operating cash is intended to be utilized over the course of several years as follows:

<table>
<thead>
<tr>
<th>Available for Loans and Support for Loan Programs:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unadvanced Workforce Housing Contributions</td>
<td>$ 490,919</td>
</tr>
<tr>
<td>Flexible Funding Program</td>
<td>106,000</td>
</tr>
<tr>
<td>CDFI - F/A Smart Move Grant</td>
<td>211,566</td>
</tr>
<tr>
<td>CDFI - F/A Down Payment Assistance</td>
<td>500,000</td>
</tr>
<tr>
<td>Department of Housing Shore Up Grant</td>
<td>3,435,144</td>
</tr>
<tr>
<td>Department of Housing LEAP Lending</td>
<td>322,000</td>
</tr>
<tr>
<td>McArthur Loan Fund</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Wells Fargo LIFT Lending</td>
<td>435,898</td>
</tr>
<tr>
<td>Available for Loans and Support for Loan Programs</td>
<td>7,501,527</td>
</tr>
<tr>
<td>Less: Unreimbursed Advances for Smart Move Homeownership Programs</td>
<td>(529,823)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Available for Loans and Support for Loan Programs, Net</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6,971,704</td>
</tr>
</tbody>
</table>

| Total Operating Cash and Cash Equivalents                    | $ 7,924,188 |
|                                                            |
NOTE 4 – FURNISHING AND EQUIPMENT AND LEASEHOLD

Furnishing and Equipment and Leasehold, Net, at June 30, consisted of:

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Accumulated Depreciation/ Amortization</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2016</strong> Furnishings and Equipment</td>
<td>$248,257</td>
<td>($195,044)</td>
<td>$53,213</td>
</tr>
<tr>
<td>Leasehold</td>
<td>548,240</td>
<td>(103,937)</td>
<td>444,303</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$796,497</td>
<td>($298,981)</td>
<td>$497,516</td>
</tr>
<tr>
<td><strong>2015</strong> Furnishings and Equipment</td>
<td>$244,551</td>
<td>($185,914)</td>
<td>$58,637</td>
</tr>
<tr>
<td>Leasehold</td>
<td>548,240</td>
<td>(90,231)</td>
<td>458,009</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$792,791</td>
<td>($276,145)</td>
<td>$516,646</td>
</tr>
</tbody>
</table>
NOTE 5 - LOANS RECEIVABLE AND CONCENTRATION OF CREDIT RISK

Mortgage, Construction and Other Loans

HDF has made Mortgage, Construction and Other loans which have been financed by the Consortium Lenders, Grants, Board designated net assets, and Temporarily restricted contributions. At June 30, 2016 and 2015, these Loans were receivable primarily in monthly installments based principally upon 30-year amortization schedules, maturing from 2024 to 2044. Construction loans are generally repayable as units are sold, if the intention is not to convert to permanent mortgage loan status.

HDF’s lending activities are with borrowers primarily in Southwestern Connecticut. All Loans are secured by real estate and are scheduled to be repaid from the cash flow of the borrower or the proceeds from the sale or refinancing of the underlying collateral. HDF evaluates the credit risk of each borrower and on each project. HDF’s loans are all concentrated in the low income and special needs housing markets. Since the tenants of HDF’s projects typically require housing subsidies, there is significant reliance on Federal assistance to support the rental income earned on the underlying properties.

At June 30, 2016 and 2015, Interest rates of the Loans funded by the Consortium Lenders ranged from 4.50% to 7.75%.

Non-Performing Loans

A loan with a balance of $433,528 as of June 30, 2015 was classified as non-performing effective April 1, 2010, but not as Real estate acquired in the settlement of loans. Interest of approximately $151,000 at June 30, 2015 has not been recognized in the Consolidated financial statements. HDF had initiated foreclosure proceedings, and the parties had agreed to a judgment of foreclosure by sale, which provides in part for a sale by auction of the real property.

In early August 2013, an auction was held with a winning bid of $501,500 which was approved by the court. However, a second mortgagee of the property had appealed the court’s decision. In March, 2015 there was a final judgment on the sale of the property and HDF was awarded $501,500. Settlement consists of $433,528 on the outstanding balance of the non-performing loan plus $67,972 reflected as part of Contracts and other receivables in the accompanying Consolidated statements of financial position at June 30, 2015. Upon the final judgement, HDF also reversed reserves amounting to $75,033 and recognized a gain in the amount of $143,005 during the year ended June 30, 2015. Payment on the judgment was received in August 2015. The loan balance of $433,528 was paid to consortium lenders.
NOTE 5 - LOANS RECEIVABLE AND CONCENTRATION OF CREDIT RISK (continued)

Homebuyer Assistance Loans

Downpayment Assistance

HDF makes Downpayment assistance loans primarily in the range of $5,000 to $15,000 to first-time low and moderate income homebuyers. These loans, including the LWYW Program described below, amounting to $6,189,248 and $6,128,977 as of June 30, 2016 and 2015, respectively, are secured by second or third mortgages on the related residential properties located in Southwestern Connecticut. For loans made through March 2000, interest accrues after year ten at 5% per annum until the property is sold, title is transferred, or the first mortgage is paid off, at which time both interest and principal are due. If the property is vacated by the borrower, or the property is sold, title is transferred, or the first mortgage is paid off within the first ten years, interest accrues from the date of the note, and both interest and principal are due at that time. For loans made April 2000 and subsequent, the loans bear no interest and are payable in full on the date the borrower transfers title, pays off the first mortgage, or vacates the property.

Smart Move I Homeownership Program (Smart Move I Program)

During the year ended June 30, 2005, HDF commenced the Smart Move I Program to provide low-interest second mortgages of up to 20% of the purchase price to first-time homebuyers. Each pool of approximately $250,000 to $1,000,000 of loans were funded initially by HDF. HDF had entered into a Loan Participation Agreement (Agreement), with fifteen Participating Banks who had committed an aggregate of $59,625,000 to the Smart Move I Program as of February 2014. Under the terms of the Smart Move I Program and the Agreement, the first mortgage was provided by one of the Participating Banks and the second mortgage was provided by HDF. Many of the Smart Move I Program participants also obtained a Downpayment assistance loan from HDF, as described above.
NOTE 5 - LOANS RECEIVABLE AND CONCENTRATION OF CREDIT RISK (continued)

Homebuyer Assistance Loans (continued)

Smart Move I Homeownership Program (Smart Move I Program) (continued)

HDF had assembled pools of second mortgage loans, which were sold to the Participating Banks pro-rata to each bank's commitment. The loan pools are being serviced by a third-party service organization. HDF earned interest, net of servicing fees, on each loan pool before it was sold and a fee of $750 to $2,500 per second mortgage from the Homebuyer to cover the costs of administering the Smart Move I Program. The Smart Move I Program ended June 30, 2014.

During the year ended June 30, 2014, HDF purchased a portfolio of Smart Move I loans in the amount of $574,143 from a Participating Bank. Loans in the amount of $361,698 and $435,898 are included in Homebuyer assistance loans in the accompanying Consolidated statements of financial position for the years ended June 30, 2016 and 2015, respectively.

Smart Move II Homeownership Program (Smart Move II Program)

Effective July 1, 2014, HDF commenced the Smart Move II Program to provide low-interest second mortgages of up to 20% of the purchase price to first-time homebuyers. Each pool of approximately $250,000 to $1,000,000 of loans are being funded initially by HDF. HDF has entered into a Loan Participation Agreement (Agreement), currently with eighteen Participating Banks who have committed an aggregate of $9,470,000 and HDF committed $500,000 to the Smart Move II Program as of July 1, 2016. Under the terms of the Smart Move II Program and the Agreement, the first mortgage will be provided by one of the Participating Banks and the second mortgage will be provided by HDF. Many of the Smart Move II Program participants will also obtain a Downpayment assistance loan from HDF, as described above.
NOTE 5 - LOANS RECEIVABLE AND CONCENTRATION OF CREDIT RISK (continued)

Homebuyer Assistance Loans (continued)

Smart Move II Homeownership Program (Smart Move II Program) (continued)

HDF is assembling pools of second mortgage loans, which will be sold to the Participating Banks pro-rata to each bank’s commitment. The loan pools are being serviced by a third-party service organization. HDF earns interest, net of servicing fees, on each loan pool before it is sold and a fee of $750 to $2,500 per second mortgage from the Homebuyer to cover the costs of administering the Smart Move II Program.

HDF entered into a $1,000,000 revolving line-of-credit agreement with a bank which is to be used for short-term Smart Move II funding requirements. As of June 30, 2016, no advances were outstanding under this agreement, which is to expire June 30, 2017. The interest rate on this agreement is equal to the Prime Rate.

At June 30, 2016 and 2015 HDF’s portion of Smart Move II Program Loans in the amount of $902,375 and $608,247, respectively, are included in Homebuyer assistance loan in the accompanying Consolidated statements of financial position.

As of June 30, 2016 and 2015, closed loans for pools in process aggregating $1,005,915 and $307,715, respectively, which have been subsequently sold, are included in Homebuyer assistance loans in the accompanying Consolidated statements of financial position.
NOTE 5 - LOANS RECEIVABLE AND CONCENTRATION OF CREDIT RISK (continued)

Homebuyer Assistance Loans (continued)

Live Where You Work Program (Formerly Workforce Housing Downpayment Fund) (LWYW)

During the year ended June 30, 2007, HDF received the first of a series of awards from the Housing Tax Credit Program administered by the Connecticut Housing Finance Authority (CHFA). The tax credits are then sold to a Connecticut corporation in exchange for a Contribution to HDF equal to each award. With these funds, HDF has made zero-interest loans up to $20,000 for income eligible clients purchasing properties in the community where they work. This program of assisting homebuyers to live where they work allows them to free up income for housing and other monthly expenses as a result of lower monthly personal transportation costs.

During the year ended June 30, 2015, $344,771 from the sixth award, $125,000 from the seventh award and $496,603 from the eighth award were utilized for qualifying loans and released from restriction and a ninth award of $500,000 was received and sold for a $500,000 Contribution. Unadvanced funds of $3,397 from the eighth award and the entire $500,000 from the ninth award, for a total of $503,397, are reflected as Temporarily restricted net assets as of June 30, 2015.

During the year ended June 30, 2016, $3,397 from the eighth award and $500,000 from the ninth award were utilized for qualifying loans and released from restriction. A tenth award of $500,000 was received and sold for a $500,000 Contribution and $9,081 were utilized for qualifying loans. Unadvanced funds of $490,920 from the tenth award are reflected as Temporarily restricted net assets as of June 30, 2016.

The balance of the loans funded with LWYW funds amounted to $3,727,116 and $3,487,717 as of June 30, 2016 and 2015, respectively, which are included within total Downpayment assistance loans above.

Home Buyer Assistance Loans at June 30 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Down Payment Assistance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Including LWYW Program)</td>
<td>$6,189,248</td>
<td>$6,128,977</td>
</tr>
<tr>
<td>Smart Move I</td>
<td>361,698</td>
<td>435,898</td>
</tr>
<tr>
<td>Smart Move II - HDF Portion</td>
<td>902,375</td>
<td>608,247</td>
</tr>
<tr>
<td>Smart Move II - Participant Portion</td>
<td>1,005,915</td>
<td>307,715</td>
</tr>
<tr>
<td>Total Home Buyer Assistance Loans</td>
<td>$8,459,236</td>
<td>$7,480,837</td>
</tr>
</tbody>
</table>
NOTE 5 - LOANS RECEIVABLE AND CONCENTRATION OF CREDIT RISK (continued)

Shore Up Loans

During the year ended June 30, 2015, HDF commenced the Shore Up Connecticut Loan Program utilizing a Grant from the State of Connecticut Department of Housing (DOH) of $4,300,000. Loans can be disbursed up to $300,000 at an interest rate of 2.75% with no Principal and Interest Payments to be made in the first year. Interest does not accrue during the first year. Loans are to be repaid over a fifteen year term.

HDF services the loans on behalf of DOH and each quarter must remit payments received during the previous quarter. HDF earns a service fee of $20 each month, netted from monthly payments, and .39% of interest payments when they commence. Fee income in the amount of $4,198 has been recognized as of June 30, 2016. No fee income has been recognized as of June 30, 2015.

HDF has recognized Loans issued, and corresponding Recoverable grant, in the amount of $338,800 at June 30, 2015.

During the year ended June 30, 2016, $1,032,848 in Shore Up Loans were assigned back over to the DOH. Accordingly no assets on Loans, and corresponding Recoverable grant, are recognized as of June 30, 2016.

Wells Fargo LIFT Loans

During the year ended June 30, 2016, HDF commenced the Wells Fargo LIFT (LIFT) Loans utilizing a Grant from Wells Fargo. Loans are disbursed in $15,000 increments and are used for down payment assistance. The loans are 0% interest and are forgivable over a five year period. Loans are to be repaid if the property is sold, refinanced, transfer of title, or foreclosed on within the first five years at a prorated amount on the balance of the amount due.

HDF also entered into a two year agreement with Housing Neighborhood Services New Haven, Inc. (NHS) to act as the main point of contact for the Wells Fargo LIFT program. HDF is to pay $115,500 upfront cover costs to running the services, $38,500 when 109, or 50% of the total LIFT Loans are submitted and closed; $38,500 when an additional fifty-five, or 75% of the total of LIFT are submitted and closed; and $38,500 when an additional fifty-five, 100% of the total of LIFT Loans are submitted and closed. During the year ended June 30, 2016, $115,500 in fees were paid to NHS for services performed.

Loans in the amount of $1,770,000 are not reflected in the accompanying Consolidated financial statements since it is anticipated the loans will be forgiven within the five year period.
NOTE 5 - LOANS RECEIVABLE AND CONCENTRATION OF CREDIT RISK (continued)

Aging Information

Aging information of past due loans by class of loans as of June 30 is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Past Due</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current</td>
<td>30-89</td>
<td>90 Days</td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgage Loans</td>
<td>$20,623,716</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$20,623,716</td>
</tr>
<tr>
<td>Homebuyer Assistance Loans</td>
<td>8,435,439</td>
<td>23,797</td>
<td>-</td>
<td>23,797</td>
<td>8,459,236</td>
</tr>
<tr>
<td>Construction and Other Loans</td>
<td>583,590</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>583,590</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$29,642,745</strong></td>
<td><strong>$23,797</strong></td>
<td><strong>$ -</strong></td>
<td><strong>$23,797</strong></td>
<td><strong>$29,666,542</strong></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgage Loans</td>
<td>$21,233,786</td>
<td>$ -</td>
<td>$433,528</td>
<td>$433,528</td>
<td>$21,667,314</td>
</tr>
<tr>
<td>Homebuyer Assistance Loans</td>
<td>7,448,509</td>
<td>25,917</td>
<td>6,411</td>
<td>32,328</td>
<td>7,480,837</td>
</tr>
<tr>
<td>Shore Up Loans</td>
<td>333,800</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>333,800</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$29,016,095</strong></td>
<td><strong>$25,917</strong></td>
<td><strong>$439,939</strong></td>
<td><strong>$465,856</strong></td>
<td><strong>$29,481,951</strong></td>
</tr>
</tbody>
</table>
NOTE 5 - LOANS RECEIVABLE AND CONCENTRATION OF CREDIT RISK (continued)

Risk Rating System

HDF utilizes an internal loan risk rating system as a means of monitoring the credit quality of its loan portfolio and to identify problem and potential problem loans. Within the risk rating system, lower risk loans are classified as Pass or Watch, while problem and potential problem loans are classified as "Criticized Assets", which are identified in the risk rating system as High Risk, Doubtful, or Loss, when management has determined a loss is probable and the amount is quantifiable. Such loans are then partially or entirely charged off.

Loans identified as High Risk have deficiencies that are defined as weaknesses indicating there is a distinct possibility HDF could sustain some loss if the deficiencies are not corrected. Loans identified as Doubtful possess all the weaknesses in loans identified as High Risk with the added characteristic that conditions exist that suggest a high probability of loss. Loans identified as Loss possess all the weaknesses as Doubtful, with added characteristic conditions that there is a certainty of a loss. HDF updates its risk ratings on an ongoing basis as warranted. Loans classified as Non-Performing are also assigned a risk rating and are classified as Criticized Assets.

Credit quality indicators by class of loan as of June 30 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Mortgage Loans</th>
<th>Construction And Other Loans</th>
<th>Homebuyer Assistance Loans</th>
<th>Shore Up Loans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 Pass</td>
<td>$18,151,275</td>
<td>$583,590</td>
<td>$8,443,927</td>
<td>$-</td>
<td>$27,178,792</td>
</tr>
<tr>
<td>Watch</td>
<td>2,472,441</td>
<td></td>
<td>15,309</td>
<td>$-</td>
<td>2,487,750</td>
</tr>
<tr>
<td>Criticized Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$20,623,716</td>
<td>$583,590</td>
<td>$8,459,236</td>
<td>$-</td>
<td>$29,666,542</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Mortgage Loans</th>
<th>Construction And Other Loans</th>
<th>Homebuyer Assistance Loans</th>
<th>Shore Up Loans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 Pass</td>
<td>$18,720,518</td>
<td>$</td>
<td>$7,480,837</td>
<td>$333,800</td>
<td>$26,535,155</td>
</tr>
<tr>
<td>Watch</td>
<td>2,513,268</td>
<td></td>
<td></td>
<td></td>
<td>2,513,268</td>
</tr>
<tr>
<td>Criticized Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>433,528</td>
</tr>
<tr>
<td>Total</td>
<td>$21,667,314</td>
<td>$</td>
<td>$7,480,837</td>
<td>$333,800</td>
<td>$29,481,951</td>
</tr>
</tbody>
</table>

All loans classified as Watch on the chart are current as to payments and have never been delinquent. The Watch classification often results from the borrower not submitting all annual financials on a timely basis.
NOTE 5 - LOANS RECEIVABLE AND CONCENTRATION OF CREDIT RISK (continued)

HDF evaluates each loan in its portfolio for impairment and assigns an allowance for each loan based on the Loan’s inherent risk and other factors. Activity in the Allowance for Loan losses by portfolio class for the years ended June 30, consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Mortgage Loans</th>
<th>Construction And Other Loans</th>
<th>Homebuyer Assistance Loans</th>
<th>Shore Up Loans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance - July 1, 2014</td>
<td>$481,783</td>
<td>$1,536</td>
<td>$570,527</td>
<td>$</td>
<td>$1,053,846</td>
</tr>
<tr>
<td>Provision (Credit)</td>
<td>46,907</td>
<td>(1,536)</td>
<td>178,037</td>
<td>-</td>
<td>223,408</td>
</tr>
<tr>
<td>Loans Charged Off</td>
<td>-</td>
<td>-</td>
<td>(67,985)</td>
<td>-</td>
<td>(67,985)</td>
</tr>
<tr>
<td>Balance - June 30, 2015</td>
<td>528,690</td>
<td>-</td>
<td>680,579</td>
<td>-</td>
<td>1,209,269</td>
</tr>
<tr>
<td>Provision</td>
<td>245,838</td>
<td>-</td>
<td>398,012</td>
<td>-</td>
<td>643,850</td>
</tr>
<tr>
<td>Loans Charged Off</td>
<td>-</td>
<td>-</td>
<td>(367,616)</td>
<td>-</td>
<td>(367,616)</td>
</tr>
<tr>
<td>Balance - June 30, 2016</td>
<td>$774,528</td>
<td>$</td>
<td>$710,975</td>
<td>$</td>
<td>$1,485,503</td>
</tr>
</tbody>
</table>
NOTE 5 - LOANS RECEIVABLE AND CONCENTRATION OF CREDIT RISK (continued)

The Allowance for loan losses and related portfolio balances, by loan portfolio segment and Impairment methodology as of June 30, were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Individually Evaluated</th>
<th>Collectively Evaluated</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>For Impairment</td>
<td>For Impairment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Portfolio</td>
<td>Allowance</td>
<td>Portfolio</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgage Loans</td>
<td>$20,623,716</td>
<td>$774,528</td>
<td>$-</td>
</tr>
<tr>
<td>Homebuyer Assistance Loans</td>
<td>-</td>
<td>-</td>
<td>8,459,236</td>
</tr>
<tr>
<td>Construction and Other Loans</td>
<td>583,590</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$21,207,306</td>
<td>$774,528</td>
<td>$8,459,236</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgage Loans</td>
<td>$21,667,314</td>
<td>$528,690</td>
<td>$-</td>
</tr>
<tr>
<td>Homebuyer Assistance Loans</td>
<td>-</td>
<td>-</td>
<td>7,480,837</td>
</tr>
<tr>
<td>Shore Up Loans</td>
<td>333,800</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$22,001,114</td>
<td>$528,690</td>
<td>$7,480,837</td>
</tr>
</tbody>
</table>

Loans Receivables, net at June 30 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage Loans</td>
<td>$20,623,716</td>
<td>$21,667,314</td>
</tr>
<tr>
<td>Homebuyer Assistance Loans</td>
<td>8,459,236</td>
<td>7,480,837</td>
</tr>
<tr>
<td>Shore Up Loans</td>
<td>-</td>
<td>333,800</td>
</tr>
<tr>
<td>Construction and Other Loans</td>
<td>583,590</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Loans Receivables</strong></td>
<td>29,666,542</td>
<td>29,481,951</td>
</tr>
<tr>
<td>Less: Allowance for Loan Losses</td>
<td>1,485,503</td>
<td>1,209,269</td>
</tr>
<tr>
<td>Deferred Fees</td>
<td>171,974</td>
<td>173,839</td>
</tr>
<tr>
<td><strong>Loans Receivables, Net</strong></td>
<td>$28,009,065 (a)</td>
<td>$28,098,843</td>
</tr>
</tbody>
</table>

(a) Included in Loans Receivable, Net at June 30, 2016 are loans amounting to $476,936 that are classified as part of assets restricted for long term purposes.
NOTE 6 - INVESTMENTS

Generally accepted accounting principles in the United States of America (GAAP) have established a definition and framework for measuring fair value, and disclosure about fair value measurements. Fair value is the exchange price that would be received for an asset or liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy that prioritizes the inputs used to measure fair value, requiring entities to maximize the use of markets or observable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs generally require significant management judgment. The three levels of the fair value hierarchy are as follows:

- **Level 1** – Unadjusted quoted market prices for identical assets or liabilities in active markets the entity has the ability to access at the measurement date.
- **Level 2** – Observable inputs other than quoted prices included in Level 1, such as:
  - Quoted prices for identical or similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets; and
  - Other inputs that are observable for substantially the full term of the asset or liability, such as interest rates, yield curves, prepayment speeds and default rates or that can be corroborated by observable market data.
- **Level 3** – Valuation techniques that require unobservable inputs which are supported by little or no market activity and that are significant to the fair value measurement of the asset or liability such as, pricing models, discounted cash flow methodologies and similar techniques that typically reflects management’s own estimates and assumptions a market participant would use in pricing that asset or liability.
NOTE 6 - INVESTMENTS (continued)

Investments at June 30 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Fair</td>
</tr>
<tr>
<td>Money Market, Cash</td>
<td></td>
<td></td>
</tr>
<tr>
<td>and Cash Equivalents</td>
<td>$1,034,351</td>
<td>$1,034,351</td>
</tr>
<tr>
<td>Certificates of Deposit</td>
<td>1,613,538</td>
<td>1,613,538</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>301,140</td>
<td>372,728</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,949,029</strong></td>
<td><strong>$3,020,617</strong></td>
</tr>
</tbody>
</table>

|                               | 2015         |             |
| Money Market, Cash            |              |             |
| and Cash Equivalents          | $1,311,125   | $1,311,125   |
| Certificates of Deposit       | 602,459      | 602,459      |
| Mutual Funds                  | 291,855      | 368,098      | 76,243      |
| **Total**                     | **$2,205,439**| **$2,281,682**| **$76,243** |

All investments are classified as Level 1.

Investments are reflected in the accompanying financial statements at June 30 as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted Investments</td>
<td>$1,371,258</td>
<td>$602,459</td>
</tr>
<tr>
<td>Investment Held for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred Comp Plan</td>
<td>187,540</td>
<td>190,468</td>
</tr>
<tr>
<td>Assets Restricted for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-Term Investment Purposes</td>
<td>1,461,819</td>
<td>1,488,755</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,020,617</strong></td>
<td><strong>$2,281,682</strong></td>
</tr>
</tbody>
</table>
NOTE 6 - INVESTMENTS (continued)

Unrestricted Investments

Unrestricted Investments consists of Certificates of Deposit with original maturity of one to five years and annual interest rates of .65% to 1.24%.

Assets Restricted for Long-Term Investment Purposes

At June 30, 2016 the fair value of $186,474 was more than cost by $67,009. At June 30, 2015 fair value of $179,384 was more than cost by $63,752. Investment Income, Net from the above accounts, including the accumulated reinvested prior years’ earnings, amounted to $7,090 and $12,364 for the years ended June 30, 2016 and 2015, respectively.

NOTE 7 - NOTES PAYABLE

Consortium Banks

HDF has entered into a Master Loan Agreement (Agreement) with certain entities, principally banks (Consortium Lenders) which has been modified several times. Under the terms of the Agreement, as modified, the Consortium Lenders have agreed to provide financing to HDF to be used to make loans for purposes of creating housing opportunities for low and moderate income families. The total available credit line and interest rate may be modified from time-to-time. The Agreement expires on June 30, 2017.

At July 1, 2016, the total commitment was $22,500,000 from twelve Consortium Lenders.

Total loans outstanding at June 30, 2016 of $18,776,138 was at an interest rate of 2.00%, of which $13,164,590 was payable to the above twelve Consortium Lenders and $5,611,548 was payable to ten Consortium Lenders which have not committed to make additional loans.

Total loans outstanding at June 30, 2015 of $19,156,034 was at an interest rate of 2.00%, of which $13,290,669 was payable to eleven Consortium Lenders and $5,865,365 was payable to ten Consortium Lenders which have not committed to make additional loans.

Other terms of the Agreement provide for a collateral assignment in favor of the Consortium Lenders in case of default and provide that the Consortium Lenders bear the ultimate risk if loans made by HDF with the consortium funds become uncollectible. HDF is required to make interest and principal repayments equal to the total principal repaid by HDF’s borrowers, loaned from consortium funds, during the preceding calendar quarter, due 30 days after the end of each calendar quarter. For the period April 1, 2016 to June 30, 2016, approximately $96,000 of scheduled and advance principal repayments by HDF’s borrowers have been received.
NOTE 7 - NOTES PAYABLE (continued)

MacArthur Foundation

Effective February 2016, HDF entered into a $5,000,000 loan agreement with the MacArthur Foundation at a rate of 1% for a fifteen year term, maturing February 2031. Interest accrues and is paid quarterly. Interest accrues at a rate of 3% on any outstanding balances after the date of maturity. The initial $2,000,000 was disbursed February 2016 with the remaining $3,000,000 to be disbursed at an agreed upon time but no more than twenty-four months after the initial closing date. HDF also needs to maintain certain net asset covenants as part of the loan agreement. At June 30, 2016, the outstanding balance on the loan is $2,000,000.

The Loan is to be used to finance clean energy and energy related health and safety improvements to multi-family affordable renting housing properties. No loans have been financed as of June 30, 2016.

Repayment terms on the note once all proceeds are received are as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2/4/2028</td>
<td>$ 750,000</td>
</tr>
<tr>
<td>2/4/2029</td>
<td>750,000</td>
</tr>
<tr>
<td>2/4/2030</td>
<td>1,500,000</td>
</tr>
<tr>
<td>2/4/2031</td>
<td>2,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 5,000,000</strong></td>
</tr>
</tbody>
</table>

Interest expense on the Loan amount to $7,949 for the year ended June 30, 2016.

Opportunity Finance Network

Effective March 2013 HDF entered into a loan agreement (Loan) with a lender to borrow up to $1,000,000. Amounts must be requested in minimum amounts of $100,000 by March 31, 2014. As of June 30, 2014, the only amount borrowed was $250,000. During the year ended June 30, 2015 the outstanding balance of $250,000 was repaid to the borrower. Interest only was payable quarterly at 3% per annum, with principal due at maturity on February 29, 2020. Interest expense amounted to $5,104 the year ended June 30, 2015.
NOTE 8 - GRANTS

Grants receivable and Refundable advances on Grants at June 30 and Grant revenues for the years ended June 30 consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>Grants Receivable</th>
<th>Refundable Advances on Grants</th>
<th>Grant Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Development Financial Institutions, Financial Institutions Fund, Financial Assistance (CDFI F/A)</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>American Dream Down Payment Initiative</td>
<td>-</td>
<td>-</td>
<td>25,000</td>
</tr>
<tr>
<td>United Way of Western Connecticut</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Housing and Foreclosure Counseling Services</td>
<td>-</td>
<td>32,000</td>
<td>6,225</td>
</tr>
<tr>
<td>Housing Partnership Network, Landlord</td>
<td>-</td>
<td>-</td>
<td>39</td>
</tr>
<tr>
<td>Entrepreneurship and Affordability Program</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>NeighborWorks America (NWA Grants)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Clean Energy Finance and Investment Authority</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Department of Housing, Shore UP CT</td>
<td>-</td>
<td>-</td>
<td>3,435,144</td>
</tr>
<tr>
<td>Department of Housing, Landlord Entrepreneurship and Affordability Program</td>
<td>-</td>
<td>14,913</td>
<td>29,447</td>
</tr>
<tr>
<td>Wells Fargo LIFT (a)</td>
<td>-</td>
<td>-</td>
<td>435,898</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>14,913</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ -</strong></td>
<td><strong>$ 46,913</strong></td>
<td><strong>$ 4,263,753</strong></td>
</tr>
</tbody>
</table>

(a) - Wells Fargo LIFT (LIFT) grant revenue in the amount of $1,770,000 are not reflected as part of grant income. Wells Fargo LIFT loans will be forgiven over a five-year period. The $1,770,000 was used to offset LIFT receivable balances on loans issued during the year ended June 30, 2016.

During the year ended June 30, 2016 the State of Connecticut Depart of Housing awarded HDF a down payment assistance grant of $3,000,000. No amounts have been spent nor received.
NOTE 9 - AGENCY ASSETS AND LIABILITIES

During the year ended June 30, 2010, HDF entered into a Construction to Permanent Loan Participation Agreement with the Connecticut Housing Finance Authority (CHFA) to make a first mortgage loan in the maximum amount of $16,130,000 to the developers of the Bijou Square Project (Project) in Bridgeport, Connecticut. HDF’s share of the loan is $1,930,000, which was advanced in full utilizing prior-period HTF Grant funds. The Project was completed during the year ended June 30, 2013, and HDF’s Construction loan converted to a permanent Mortgage loan in May 2013. A Loan balance of $1,818,805 and $1,855,345 is reflected within Mortgage loans as of June 30, 2016 and 2015, respectively. HDF is servicing the loan, and the loan advances made by CHFA of $13,508,517 and $13,735,713 as of June 30, 2016 and 2015, respectively, are reflected as Agency assets and liabilities.

In addition the City of Bridgeport advanced an additional $1,200,000 to the developers of the Project, which loan is not being serviced by HDF.

As of June 30, Agency assets and liabilities consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Receivable from Developer of the Bijou Square Project, Funded by Participation of CHFA</td>
<td>$ 13,508,517</td>
<td>$ 13,735,713</td>
</tr>
<tr>
<td>Fiscal Agent for NeighborWorks New England Forum, Funded by NWA</td>
<td>-</td>
<td>566</td>
</tr>
<tr>
<td>Total</td>
<td>$ 13,508,517</td>
<td>$ 13,736,279</td>
</tr>
</tbody>
</table>
NOTE 10 - NET ASSETS

Unrestricted – Board Designated

As of June 30, the Board of Directors has Designated the following amounts for the purposes indicated:

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revolving Loan Fund - Homebuyer Assistance Loans - Funded by</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designated Unrestricted Funds</td>
<td>$ 6,399,992</td>
<td>$ 6,332,965</td>
</tr>
<tr>
<td>Revolving Loan Fund - Flexible Funding for Multi-Family Loans</td>
<td>2,440,987</td>
<td>2,475,669</td>
</tr>
<tr>
<td>Total</td>
<td>$ 8,840,979</td>
<td>$ 8,808,634</td>
</tr>
</tbody>
</table>


NOTE 10 - NET ASSETS (continued)

Temporarily Restricted

At June 30, Temporarily restricted net assets are restricted for the following purposes or period:

<table>
<thead>
<tr>
<th>Purpose Restricted</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Development Loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funded by NCDBG</td>
<td>$ 29,500</td>
<td>$ 29,500</td>
</tr>
<tr>
<td>Revolving Loan Fund - Downpayment Assistance Loans Funded by CDBG</td>
<td>65,307</td>
<td>65,307</td>
</tr>
<tr>
<td>Live Where You Work Program</td>
<td>490,920</td>
<td>503,397</td>
</tr>
<tr>
<td>Revolving Loan Fund in 2004</td>
<td>36,000</td>
<td>36,000</td>
</tr>
<tr>
<td>Revolving Loan Fund - Downpayment Assistance Loans in 2004</td>
<td>79,697</td>
<td>79,697</td>
</tr>
<tr>
<td>CDFI - F/A LEAP Grant</td>
<td>-</td>
<td>377,475</td>
</tr>
<tr>
<td>CDFI - F/A Smart Move II Grant</td>
<td>211,566</td>
<td>602,966</td>
</tr>
<tr>
<td>CDFI - F/A Down Payment Assistance</td>
<td>500,000</td>
<td>-</td>
</tr>
<tr>
<td>NWA Grants</td>
<td>-</td>
<td>146,499</td>
</tr>
<tr>
<td><strong>Sub-Total - Purpose Restricted</strong></td>
<td>1,412,990</td>
<td>1,840,841</td>
</tr>
</tbody>
</table>

Time Restricted

Future Value of Leasehold, Net of Accumulated Amortization

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>444,303</td>
<td>458,009</td>
</tr>
</tbody>
</table>

**Total**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 1,857,293</td>
<td>$ 2,298,850</td>
</tr>
</tbody>
</table>
Temporarily Restricted (continued)

Net Assets released from donor restrictions by incurring expenses satisfying the restricted purposes, by occurrence of other events or by passage of time for the years ended June 30 were as follows:

<table>
<thead>
<tr>
<th>Satisfaction of Purpose Restrictions:</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revolving Loan Fund - Downpayment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assistance Loans Funded by CDBG</td>
<td>$</td>
<td>$9,001</td>
</tr>
<tr>
<td>Live Where You Work Program</td>
<td>503,397</td>
<td>966,374</td>
</tr>
<tr>
<td>Revolving Loan Fund - Downpayment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assistance Loans in 2004</td>
<td></td>
<td>2,583</td>
</tr>
<tr>
<td>CDFI - F/A LEAP Grant</td>
<td>377,475</td>
<td>40,572</td>
</tr>
<tr>
<td>CDFI - F/A Smart Move II Grant</td>
<td>391,399</td>
<td>744,034</td>
</tr>
<tr>
<td>NWA Grants</td>
<td>146,499</td>
<td>219,266</td>
</tr>
<tr>
<td></td>
<td>1,418,770</td>
<td>1,981,830</td>
</tr>
<tr>
<td>Expiration of Time Restrictions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of Leasehold</td>
<td>13,706</td>
<td>13,706</td>
</tr>
<tr>
<td>Total</td>
<td>$1,432,476</td>
<td>$1,995,536</td>
</tr>
</tbody>
</table>

Permanently Restricted

Endowment

In November 1995, HDF accepted a permanently restricted gift of $415,349 to be known as The Stamford Development Corporation Endowment Fund (Fund). During the year ended June 30, 2002, HDF accepted an additional gift from the Fund of $13,406. The net income from the Fund is available to be used to help meet the operating expenses of HDF in its efforts to assist affordable housing within the City of Stamford, Connecticut (Stamford). In addition, no more than 25% of the principal of the Fund may be advanced by HDF as short-term seed money loans to qualified developers to assist them in their efforts to create affordable housing in Stamford. No funds have been loaned to date. The assets of the Fund are classified as Assets Restricted for Long-Term Purposes in the accompanying Consolidated financial statements.
NOTE 10 - NET ASSETS (continued)

Permanently Restricted (continued)

Endowment (continued)

During the years ended June 30, 2016 and 2015, the Fund recognized Net Investment Income amounting to $7,090 and $13,222, respectively. This income was reflected as Approved Spending from Endowment Total Return during each year.

GAAP requires certain provisions relating to "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institution Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds". These provisions were adopted by HDF during the year ended June 30, 2009. The provisions improve disclosures about an organization's endowment funds to enable users of the financial statements to understand the net asset classifications, net asset composition, changes in net asset composition, spending policy and related investment policy of an organization’s endowment funds.

The Board of Directors of HDF has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the Endowment contributions unless there are explicit donor stipulations to the contrary. None of HDF’s Endowment contributions have any such stipulations. As a result, there may be three classes of Permanently restricted net assets, which included: Permanently restricted amounts that are the original and any subsequent contributions; Temporarily restricted amounts that are the Total return portion on Permanently restricted net assets until those amounts are appropriated for expenditure; and unrestricted amounts that are net losses in excess of unexpended Appreciation of any Temporarily restricted amounts and include the unrealized net depreciation of Permanently restricted amounts resulting when the fair value of such amounts is less than the fair value of the original contributions.
NOTE 10 - NET ASSETS (continued)

Permanently Restricted (continued)

**NeighborWorks America (NWA)**

In March 2016, March 2015, March 2014, May 2013 and February 2012 HDF received Permanently restricted capital grant funds of $450,000, $425,000, $200,000, $235,000 and $200,000, respectively, from NWA. These funds are to be used for HDF’s LEAP Revolving Loan Fund to build assets for HDF and the communities in which HDF operates. As of June 30, 2016 $476,936 in eligible loans have been disbursed and are reflected as part of Permanently restricted net assets. Subsequent to June 30, 2016, NWA released $302,000 of Permanently restricted net assets to Unrestricted net assets.

Activity in HDF’s Permanently Restricted Net Assets for the years ended June 30, 2016 and 2015 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance - July 01, 2014</strong></td>
<td>$</td>
<td>-</td>
<td>$</td>
<td>$1,063,755</td>
</tr>
<tr>
<td><strong>Net Investment Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Including Unrealized Appreciation of Investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Permanently Restricted Capital Grant for LEAP Revolving Loan Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Approved Spending from Endowment Total Return</strong></td>
<td></td>
<td>(13,222)</td>
<td></td>
<td>(13,222)</td>
</tr>
<tr>
<td><strong>Balance - June 30, 2015</strong></td>
<td></td>
<td></td>
<td>1,488,755</td>
<td>1,488,755</td>
</tr>
<tr>
<td><strong>Net Investment Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Including Unrealized Appreciation of Investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Permanently Restricted Capital Grant for LEAP Revolving Loan Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Approved Spending from Endowment Total Return</strong></td>
<td></td>
<td>(7,090)</td>
<td></td>
<td>(7,090)</td>
</tr>
<tr>
<td><strong>Balance - June 30, 2016</strong></td>
<td>$</td>
<td>-</td>
<td>$</td>
<td>$1,938,755</td>
</tr>
</tbody>
</table>
NOTE 11 - EMPLOYEE BENEFIT PLANS

401(k) Plan (Plan)

HDF has adopted a 401(k) Retirement Plan covering substantially all employees. Eligible employees may elect to defer a percentage of their compensation up to annual IRS limitations. At its discretion, HDF may elect to make a Matching contribution, which is based on a percentage of each employee's contribution, at the end of each plan year. During the year ended June 30, 2016 no employer match was made. During the year ended June 30, 2015 there was an employer match of $32,110.

The Plan also provides for a Safe Harbor Contribution, whereby a required Contribution will be made based on 3% of each eligible employee's compensation. The Safe Harbor Contribution will be reported to each employee on an annual basis. A provision for the Safe Harbor Contribution for the years ended June 30, 2016 and 2015 amounted to $44,362 and $45,120, respectively.

Deferred Compensation Plan

Effective July 1, 2007, HDF adopted a Deferred compensation plan (Plan) for the benefit of its President/CEO. Contributions are discretionary by the Board of Directors. Provisions of $22,800 and $21,800 were charged to operations for the years ended June 30, 2016 and 2015, respectively.

The Plan is funded by contributions to a Trust, which cannot be expended except for payment of benefits to the President/CEO, but is available for general creditors of HDF in the event of insolvency. Income of the Trust is reinvested as additional benefits, and any unrealized losses reduce the value of the Plan assets. The assets of the Trust are invested in mutual funds held at the Trust department of a Bank. The Plan incurred net (losses) earnings of ($2,928) and $3,630 for the years ended June 30, 2016 and 2015, respectively, with a corresponding (decrease) increase in the Deferred compensation obligation.
NOTE 12 - OCCUPANCY ARRANGEMENTS

Stamford Office

See Note 2 for description of Leasehold interest.

Danbury Office

HDF entered into a Lease for office space in Danbury originally extending to December 31, 2007, including most utilities. The Lease has been renewed several times under substantially the same terms with increasing annual rentals. The lease was last amended effective October 2014 for a two-year term through September 2016 and provides for minimum annual rentals of $18,900. The lease was again amended October 2016 for a two-year term through September 2018 and continues to provide minimal annual lease payments of $18,900.

Rent expense charged to operations amounted to $18,900 and $18,810 for the years ended June 30, 2016 and 2015, respectively.

Bridgeport Office

In February 2009, HDF entered into a lease agreement for office space in Bridgeport. In November 2011 the lease was extended to October 2014. The first year of the term calls for minimum annual lease payments of $21,213. The second year of the term calls for minimum annual lease payments of $22,910. The third year of the term calls for minimum annual lease payments of $24,607. The lease was amended effective November 2014 for a three-year term, expiring November 2017. The first year of the term calls for minimum annual lease payments of $25,336. The second year of the term calls for minimum annual lease payments of $26,100. The third year of the term calls for minimum annual lease payments of $26,883. Rent expense charged to operations amounted to $25,848 and $33,173 for the years ended June 30, 2016 and 2015, respectively.

Subsequent to June 30, 2016, HDF vacated these premises to move to a new location in Bridgeport. The new Lessor has agreed to pay any termination costs. The new lease commenced on August 17, 2016 for a seven year, five month term through December 2024. The minimum annual lease payments are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 2016 - December 2016</td>
<td>$ 13,458</td>
</tr>
<tr>
<td>January 2017 - December 2017</td>
<td>$ 33,264</td>
</tr>
<tr>
<td>January 2018 - December 2018</td>
<td>$ 39,990</td>
</tr>
<tr>
<td>January 2019 - December 2019</td>
<td>$ 41,097</td>
</tr>
<tr>
<td>January 2020 - December 2020</td>
<td>$ 42,336</td>
</tr>
<tr>
<td>January 2021 - December 2021</td>
<td>$ 43,596</td>
</tr>
<tr>
<td>January 2022 - December 2022</td>
<td>$ 44,898</td>
</tr>
<tr>
<td>January 2023 - December 2023</td>
<td>$ 46,245</td>
</tr>
</tbody>
</table>
NOTE 13 – RELATED PARTY TRANSACTIONS

Legal Fees

A member of the board provided pro bono legal services with a value of $9,450. This has been reflected on the Consolidated statement of financial position as In-Kind revenue.

People’s United Bank

People’s United Bank (People’s) is a Consortium Lender under the Master Loan agreement. A senior official of People’s is also a member of HDF’s Board of Directors. People’s has a total commitment of $3,500,000 under the agreement. The outstanding balance due to People’s at June 30, 2016 is $2,517,255.

First County Bank

First County Bank (FCB) is a Consortium Lender under the Master Loan agreement. A senior official of FCB is also a member of HDF’s Board of Directors. FCB has a total commitment of $3,000,000 under the agreement. The outstanding balance on due to FCB at June 30, 2016 is $2,184,727.

Webster Bank

Webster Bank (Webster) is a Consortium Lender under the Master Loan agreement. A senior official of Webster is also a member of HDF’s Board of Directors. Webster has a total commitment of $2,500,000 under the agreement. The outstanding balance due to Webster at June 30, 2016 is $1,678,809.

Newtown Savings Bank

Newtown Savings Bank (NSB) is a Consortium Lender under the Master Loan agreement. A senior official of NSB is also a member of HDF’s Board of Directors. NSB has a total commitment of $2,000,000 under the agreement. The outstanding balance due to Webster at June 30, 2016 is $1,125,608.

CitiBank

CitiBank is a Consortium Lender under the Master Loan agreement. A senior official of CitiBank is also a member of HDF’s Board of Directors. CitiBank does not have any future commitments under the agreement. The outstanding balance due to CitiBank at June 30, 2016 is $853,258.
NOTE 12 – RELATED PARTY TRANSACTIONS (continued)

TD Bank

TD Bank is a Consortium Lender under the Master Loan agreement. A senior official of TD Bank is also a member of HDF’s Board of Directors. TD Bank does not have any future commitments under the agreement. The outstanding balance due to TD Bank at June 30, 2016 is $1,338,816.

Connecticut Green Bank

Connecticut Green Bank (CGB) is the guarantor on the $5,000,000 MacArthur Foundation note payable. A senior official from CGB is also on HDF’s Board of Directors. CGB also pays HDF service fees for administering the loan up to $125,000 per year. For the year ended June 30, 2016, service fee income from CGB amounted to $47,261.

Rent

In November 2015, HDF entered into an agreement to rent space in Bridgeport from a member of the Board of Directors. Management determines the lease to be at fair value. The commencement date of the lease is effective August 2016.

NOTE 13 - CONTINGENCY

Under the terms and conditions of Grants and Contracts, expenditures and compliance with the provision of the funding are subject to audit by the funder. Management of the Agency does not anticipate that there would be any changes as a result of an audit.

NOTE 14 - PRIOR YEAR INFORMATION

The financial statements include certain prior year Consolidated summarized comparative information at June 30, 2015 and for the year ended June 30, 2015 in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with HDF’s Consolidated financial statements at June 30, 2015 and for the year ended June 30, 2015, from which the summarized information was derived.
### HOUSING DEVELOPMENT FUND, INC. AND SUBSIDIARIES

#### CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

**JUNE 30, 2016**

<table>
<thead>
<tr>
<th></th>
<th>Housing Development Fund, Inc.</th>
<th>HDF CommunityWorks, LLC</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$4,436,760</td>
<td>$3,487,428</td>
<td>$</td>
<td>$7,924,188</td>
</tr>
<tr>
<td>Unrestricted Investments</td>
<td>1,371,258</td>
<td></td>
<td></td>
<td>1,371,258</td>
</tr>
<tr>
<td>Due from HDF Community Works, LLC</td>
<td>25,436</td>
<td></td>
<td>(25,436)</td>
<td></td>
</tr>
<tr>
<td>Loans Receivable, Net of Allowance for Loan Losses and Deferred Fees</td>
<td>27,532,129</td>
<td></td>
<td></td>
<td>27,532,129</td>
</tr>
<tr>
<td>Accrued Interest Receivable</td>
<td>102,000</td>
<td></td>
<td></td>
<td>102,000</td>
</tr>
<tr>
<td>Contracts and Other Receivables</td>
<td>601,069</td>
<td></td>
<td></td>
<td>601,069</td>
</tr>
<tr>
<td>Prepaid Expenses and Other Assets</td>
<td>48,698</td>
<td></td>
<td></td>
<td>48,698</td>
</tr>
<tr>
<td>Furnishings and Equipment, Net of Accumulated Depreciation</td>
<td>53,213</td>
<td></td>
<td></td>
<td>53,213</td>
</tr>
<tr>
<td>Leasehold, Net of Accumulated Amortization</td>
<td>444,303</td>
<td></td>
<td></td>
<td>444,303</td>
</tr>
<tr>
<td>Investments Held for Deferred Compensation Plan</td>
<td>187,540</td>
<td></td>
<td></td>
<td>187,540</td>
</tr>
<tr>
<td>Investment in Subsidiary</td>
<td>26,848</td>
<td></td>
<td>(26,848)</td>
<td></td>
</tr>
<tr>
<td>Assets Restricted for Long-Term Purposes Investments</td>
<td>1,461,819</td>
<td></td>
<td></td>
<td>1,461,819</td>
</tr>
<tr>
<td>Construction Loans</td>
<td>476,936</td>
<td></td>
<td></td>
<td>476,936</td>
</tr>
<tr>
<td>Agency Assets</td>
<td>13,508,517</td>
<td></td>
<td></td>
<td>13,508,517</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$50,276,526</strong></td>
<td><strong>$3,487,428</strong></td>
<td><strong>(52,284)</strong></td>
<td><strong>$53,711,670</strong></td>
</tr>
</tbody>
</table>

See independent auditor's report.
## Liabilities and Net Assets

### Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Housing Development Fund, Inc.</th>
<th>HDF Community Works, LLC</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to Housing Development Fund, Inc.</td>
<td>$</td>
<td>$ 25,436</td>
<td>$(25,436)</td>
<td>$</td>
</tr>
<tr>
<td>Notes Payable</td>
<td>20,776,138</td>
<td></td>
<td></td>
<td>20,776,138</td>
</tr>
<tr>
<td>Accrued Interest Payable</td>
<td>95,665</td>
<td></td>
<td></td>
<td>95,665</td>
</tr>
<tr>
<td>Accrued Expenses and Other Liabilities</td>
<td>175,768</td>
<td></td>
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<td>175,768</td>
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<tr>
<td>Borrower Escrow Accounts</td>
<td>619,537</td>
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</tr>
<tr>
<td>Refundable Advances on Grants</td>
<td>818,609</td>
<td>3,435,144</td>
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<td>4,253,753</td>
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<tr>
<td>Deferred Compensation Obligation</td>
<td>210,340</td>
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<tr>
<td>Agency Liabilities</td>
<td>13,508,517</td>
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<tr>
<td><strong>Total Liabilities</strong></td>
<td>36,204,574</td>
<td>3,460,580</td>
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<td>39,639,718</td>
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### Net Assets

#### Unrestricted

<table>
<thead>
<tr>
<th>Description</th>
<th>Housing Development Fund, Inc.</th>
<th>HDF Community Works, LLC</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Equity in Furnishings and Equipment</td>
<td>53,213</td>
<td></td>
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<td>53,213</td>
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<tr>
<td>Board Designated</td>
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<td>Undesignated - Available for Operations</td>
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<tr>
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<td>1,857,293</td>
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<tr>
<td>Permanently Restricted</td>
<td>1,938,755</td>
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<td></td>
<td>1,938,755</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
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<td></td>
<td></td>
<td>14,071,952</td>
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<tr>
<td>Member’s Equity</td>
<td>-</td>
<td>26,848</td>
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<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td>$ 50,276,526</td>
<td>$ 3,487,428</td>
<td>(52,284)</td>
<td>$ 53,711,670</td>
</tr>
</tbody>
</table>

See independent auditor's report.
### Consolidating Schedule of Financial Position

**June 30, 2015**

<table>
<thead>
<tr>
<th></th>
<th>Housing Development Fund, Inc.</th>
<th>HDF Community Works, LLC</th>
<th>Lockwood Terrace, LLC</th>
<th>SF Commons, LLC</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$3,693,463</td>
<td>$4,215,223</td>
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<td>$-</td>
<td>$-</td>
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<td>Unrestricted Investments</td>
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<td>Due from Housing Development Fund, Inc.</td>
<td>-</td>
<td>195,530</td>
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<tr>
<td>Loans Receivable, Net of Allowance for Loan Losses and Deferred Fees</td>
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<td>-</td>
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<td>-</td>
<td>-</td>
<td>27,765,043</td>
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<td>-</td>
<td>333,800</td>
<td>-</td>
<td>-</td>
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<td>333,800</td>
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<td>Accrued Interest Receivable</td>
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<td>104,160</td>
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<td>Grants Receivable</td>
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<td>46,913</td>
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<tr>
<td>Contracts and Other Receivables</td>
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<td>639,149</td>
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<td>Prepaid Expenses and Other Assets</td>
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<td>-</td>
<td>58,216</td>
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<tr>
<td>Furnishings and Equipment, Net of Accumulated Depreciation</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>58,637</td>
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<tr>
<td>Leasehold, Net of Accumulated Amortization</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>458,009</td>
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<tr>
<td>Investments Held for Deferred Compensation Plan</td>
<td>190,468</td>
<td>-</td>
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<tr>
<td>Investment in Subsidiary</td>
<td>55,666</td>
<td>-</td>
<td>-</td>
<td>(55,666)</td>
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<td>-</td>
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<tr>
<td><strong>Assets Restricted for Long-Term Purposes</strong></td>
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<tr>
<td>Investments</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,488,755</td>
</tr>
<tr>
<td>Agency Assets</td>
<td>13,736,279</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13,736,279</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$48,897,217</strong></td>
<td><strong>$4,744,553</strong></td>
<td>$-</td>
<td>$-</td>
<td>$(251,196)</td>
<td><strong>$53,390,574</strong></td>
</tr>
</tbody>
</table>

See independent auditor's report.
# HOUSING DEVELOPMENT FUND, INC. AND SUBSIDIARIES

## CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

**JUNE 30, 2015**

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th>Housing Development Fund, Inc.</th>
<th>HDF Community Works, LLC</th>
<th>Lockwood Terrace, LLC</th>
<th>SF Commons, LLC</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Due to HDF Neighborworks, LLC</td>
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<td>Notes Payable</td>
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<td>97,188</td>
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<td>Accrued Expenses and Other Liabilities</td>
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<tr>
<td>Borrower Escrow Accounts</td>
<td>578,307</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>578,307</td>
</tr>
<tr>
<td>Refundable Advances on Grants</td>
<td>585,111</td>
<td>4,355,087</td>
<td>-</td>
<td>-</td>
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<td>4,940,198</td>
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<tr>
<td>Shore Up - Recoverable Grant</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>333,800</td>
</tr>
<tr>
<td>Deferred Compensation Obligation</td>
<td>190,468</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>190,468</td>
</tr>
<tr>
<td>Agency Liabilities</td>
<td>13,736,279</td>
<td></td>
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<td>-</td>
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<td>13,736,279</td>
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<tr>
<td><strong>Total Liabilities</strong></td>
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<td>4,688,887</td>
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<tr>
<td>Unrestricted</td>
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<tr>
<td>Net Equity in Furnishings and Equipment</td>
<td>58,637</td>
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<td>58,637</td>
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<tr>
<td>Board Designated</td>
<td>8,808,634</td>
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<tr>
<td>Undesignated - Available for Operations</td>
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<tr>
<td>Temporarily Restricted</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>2,298,850</td>
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<tr>
<td>Permanently Restricted</td>
<td>1,488,755</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>1,488,755</td>
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<tr>
<td><strong>Total Net Assets</strong></td>
<td>14,041,965</td>
<td>-</td>
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<td>14,041,965</td>
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<tr>
<td><strong>Member's Equity</strong></td>
<td>-</td>
<td>55,666</td>
<td>-</td>
<td>-</td>
<td>(55,666)</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td><strong>$48,897,217</strong></td>
<td><strong>$4,744,553</strong></td>
<td><strong>$</strong></td>
<td><strong>$</strong></td>
<td><strong>(251,196)</strong></td>
<td><strong>$53,390,574</strong></td>
</tr>
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</table>

See independent auditor's report.
HOUSING DEVELOPMENT FUND, INC. AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF ACTIVITIES
JUNE 30, 2016

<table>
<thead>
<tr>
<th></th>
<th>Housing Development Fund, Inc.</th>
<th>HDF Community Works, LLC</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Income - Loans</td>
<td>$1,228,962</td>
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<td>$</td>
<td>$1,228,962</td>
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<td>Interest and Investment Income - Other, Net</td>
<td>30,614</td>
<td>9,693</td>
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<td>40,307</td>
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<tr>
<td>Contracts and Fees</td>
<td>581,236</td>
<td>4,198</td>
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<td>585,434</td>
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<td>13,891</td>
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<td>1,854,703</td>
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<td>Financing Expenses</td>
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<td>Interest Expense</td>
<td>388,069</td>
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<td>388,069</td>
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<tr>
<td>Provision for Loan Losses</td>
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<td>643,850</td>
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<td>13,891</td>
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<td>822,784</td>
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<td>Contributions, Gains and Other Support</td>
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<td></td>
</tr>
<tr>
<td>Contributions and Promises to Give</td>
<td>649,219</td>
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<td></td>
<td>649,219</td>
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<tr>
<td>Grant Revenue, Net</td>
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<td>233,380</td>
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<td>1,759,030</td>
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<tr>
<td>Fund-raising Event</td>
<td>61,855</td>
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<tr>
<td>Investment in Subsidiary Loss</td>
<td>(28,818)</td>
<td></td>
<td></td>
<td>(28,818)</td>
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<tr>
<td>In-kind Contributions</td>
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<td>9,450</td>
</tr>
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<td>Total Contributions, Gains and Other Support</td>
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<td>233,380</td>
<td>28,818</td>
<td>2,479,554</td>
</tr>
<tr>
<td>Total Net Financing Revenues, Contributions, Gains and Other Support</td>
<td>3,026,249</td>
<td>247,271</td>
<td>28,818</td>
<td>3,302,338</td>
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</table>

See independent auditor's report.
## Consolidating Schedule of Activities
### June 30, 2016

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Housing Development Fund, Inc.</th>
<th>HDF Community Works, LLC</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Program Services:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multi-Family Housing</td>
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<td>$269,537</td>
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<td>Homebuyer Assistance Underwriting</td>
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<tr>
<td>Homebuyer Assistance Counseling</td>
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<td>-</td>
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<tr>
<td>Shore Up</td>
<td>-</td>
<td>276,089</td>
<td>-</td>
<td>276,089</td>
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<tr>
<td><strong>Total Program Services</strong></td>
<td>1,896,976</td>
<td>276,089</td>
<td>-</td>
<td>2,173,065</td>
</tr>
<tr>
<td><strong>Support Services:</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management, General and Fund Raising</td>
<td>1,090,461</td>
<td>-</td>
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<td>1,090,461</td>
</tr>
<tr>
<td><strong>Total Functional Expenses</strong></td>
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<td>276,089</td>
<td>-</td>
<td>3,263,526</td>
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<tr>
<td><strong>Cost of Direct Benefit to Donors</strong></td>
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<td>-</td>
<td>-</td>
<td>8,825</td>
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<tr>
<td><strong>Total Expenses</strong></td>
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<td>276,089</td>
<td>-</td>
<td>3,272,351</td>
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<tr>
<td><strong>Change in Net Assets</strong></td>
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<td><strong>Net Income</strong></td>
<td>$ (28,818)</td>
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<tr>
<td><strong>Net Assets at Beginning of Year</strong></td>
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</table>

See independent auditor's report.
### CONSOLIDATING SCHEDULE OF ACTIVITIES
#### JUNE 30, 2015

<table>
<thead>
<tr>
<th>Financing Revenues</th>
<th>Housing Development Fund, Inc.</th>
<th>HDF Community Works, LLC</th>
<th>Lockwood Terrace, LLC</th>
<th>SF Commons, LLC</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Income - Loans</td>
<td>$1,280,070</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$1,280,070</td>
</tr>
<tr>
<td>Interest and Investment Income - Other, Net</td>
<td>19,478</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>19,478</td>
</tr>
<tr>
<td>Contracts and Fees</td>
<td>668,004</td>
<td>5,123</td>
<td>-</td>
<td>-</td>
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<td>673,127</td>
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<tr>
<td><strong>Total Financing Revenues</strong></td>
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<td>-</td>
<td>-</td>
<td><strong>1,972,675</strong></td>
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</table>

<table>
<thead>
<tr>
<th>Financing Expenses</th>
<th>Housing Development Fund, Inc.</th>
<th>HDF Community Works, LLC</th>
<th>Lockwood Terrace, LLC</th>
<th>SF Commons, LLC</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Expense</td>
<td>402,125</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>402,125</td>
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<td>Provision for Loan Losses</td>
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<td>-</td>
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<td><strong>625,533</strong></td>
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<td>-</td>
<td><strong>1,347,142</strong></td>
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</table>

<table>
<thead>
<tr>
<th>Contributions, Gains and Other Support</th>
<th>Housing Development Fund, Inc.</th>
<th>HDF Community Works, LLC</th>
<th>Lockwood Terrace, LLC</th>
<th>SF Commons, LLC</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions and Promises to Give</td>
<td>558,111</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>558,111</td>
</tr>
<tr>
<td>Grant Revenue</td>
<td>1,029,291</td>
<td>311,113</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,340,404</td>
</tr>
<tr>
<td>Fund-raising Event</td>
<td>54,764</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>54,764</td>
</tr>
<tr>
<td>Gain on Settlement of Non-Performing Loan</td>
<td>143,005</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>143,005</td>
</tr>
<tr>
<td>Subsidiary Investment Income</td>
<td>41,528</td>
<td>-</td>
<td>-</td>
<td>(41,528)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>In-kind Contributions</td>
<td>9,287</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9,287</td>
</tr>
<tr>
<td><strong>Total Contributions, Gains and Other Support</strong></td>
<td><strong>1,835,986</strong></td>
<td><strong>311,113</strong></td>
<td>-</td>
<td>-</td>
<td>(41,528)</td>
<td><strong>2,105,571</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Net Financing Revenues, Contributions, Gains and Other Support</th>
<th>Housing Development Fund, Inc.</th>
<th>HDF Community Works, LLC</th>
<th>Lockwood Terrace, LLC</th>
<th>SF Commons, LLC</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,178,005</td>
<td>316,236</td>
<td>-</td>
<td>-</td>
<td>(41,528)</td>
<td>3,452,713</td>
</tr>
</tbody>
</table>

See independent auditor's report.
### CONSOLIDATING SCHEDULE OF ACTIVITIES

**JUNE 30, 2015**

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Housing Development Fund, Inc.</th>
<th>HDF Community Works, LLC</th>
<th>Lockwood Terrace, LLC</th>
<th>SF Commons, LLC</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Program Services:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multi-Family Housing</td>
<td>$ 308,607</td>
<td>$</td>
<td>-</td>
<td>$</td>
<td>-</td>
<td>$ 308,607</td>
</tr>
<tr>
<td>Homebuyer Assistance Underwriting</td>
<td>897,069</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>897,069</td>
</tr>
<tr>
<td>Homebuyer Assistance Counseling</td>
<td>694,941</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>694,941</td>
</tr>
<tr>
<td>Foreclosure Initiatives</td>
<td>52,178</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>52,178</td>
</tr>
<tr>
<td>Shore Up</td>
<td>-</td>
<td>274,708</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>274,708</td>
</tr>
<tr>
<td><strong>Total Program Services</strong></td>
<td>1,952,795</td>
<td>274,708</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,227,503</td>
</tr>
<tr>
<td><strong>Support Services:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management, General and Fund Raising</td>
<td>1,193,206</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,193,206</td>
</tr>
<tr>
<td>Total Functional Expenses</td>
<td>3,146,001</td>
<td>274,708</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,420,709</td>
</tr>
<tr>
<td>Cost of Direct Benefits to Donors</td>
<td>16,855</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>16,855</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>3,162,856</td>
<td>274,708</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,437,564</td>
</tr>
<tr>
<td>Change in Net Assets</td>
<td>15,149</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15,149</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$ 41,528</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$ (41,528)</td>
</tr>
<tr>
<td><strong>Net Assets at Beginning of Year</strong></td>
<td>14,026,816</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>14,026,816</td>
</tr>
<tr>
<td><strong>Net Assets at End of Year</strong></td>
<td>$ 14,041,965</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$ 14,041,965</td>
</tr>
</tbody>
</table>

See independent auditor’s report.
HOUSING DEVELOPMENT FUND, INC. AND SUBSIDIARIES

SCHEDULE OF GROSS LOANS RECEIVABLE AND BALANCE ON SERVICED LOANS
JUNE 30, 2016
(with comparative totals for 2015)

<table>
<thead>
<tr>
<th>Gross Loans Receivable and Balances on Serviced Loans</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downpayment Assistance (Including LWYW Program)</td>
<td>$6,189,248</td>
<td>$6,128,977</td>
</tr>
<tr>
<td>Smart Move I</td>
<td>361,698</td>
<td>435,898</td>
</tr>
<tr>
<td>Smar Move II - HDF Portion</td>
<td>902,375</td>
<td>608,247</td>
</tr>
<tr>
<td>Smart Move II - Participant Portion</td>
<td>1,005,915</td>
<td>307,715</td>
</tr>
<tr>
<td>Mortgage Loans</td>
<td>20,623,716</td>
<td>21,233,786</td>
</tr>
<tr>
<td>Construction Loans</td>
<td>583,590</td>
<td>-</td>
</tr>
<tr>
<td>Shore Up Loans</td>
<td>-</td>
<td>333,800</td>
</tr>
<tr>
<td>Gross Loans Receivable</td>
<td>29,666,542</td>
<td>29,048,423</td>
</tr>
</tbody>
</table>

Agency Assets

| Loan Receivable from Developer of the Bijou Square Project, Funded by Participation of CHFA | 13,508,517 | 13,735,713 |

Total Loan Receivables on Statement of Activities | 43,175,059 | 42,784,136 |

Gross Loans Receivable Not on Statement of Activities

| Gross Forgivable Loans                               | 1,770,000 | -        |
| Wells Fargo Lift Loans                               |           |          |

Total Gross Loans Receivable | 44,945,059 | 42,784,136 |

Gross Balance, net of HDF Portion, of Serviced Loans

| Smart Move (Pools 1-124 through 6/30/14)           | 36,410,129| 40,894,955 |
| Smart Move II (July 1, 2014 - June 30, 2016)       | 11,237,381| 6,515,990  |
| Smart Move - New York                               | 423,400  | 76,384    |
| Shore Up Loans (Assigned to State of CT)           | 1,032,848| -         |

Total Gross Balance on Serviced Loans | 49,103,758 | 47,487,329 |

Total Gross Loan Receivable and Balance on Serviced Loans | $94,048,817 | $90,271,465 |

See independent auditor's report.