

HOUSING DEVELOPMENT FUND, INC.
AND ITS SUBSIDIARY

Consolidated Financial Statements

YEAR ENDED JUNE 30, 2019
(with comparative totals for 2018)

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Housing Development Fund, Inc. and its Subsidiary (HDF) which are comprised of the consolidated statement of financial position as of June 30, 2019, 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.

The Board of Directors
Housing Development Fund, Inc. and its Subsidiary

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 its Subsidiary as of June 30, 2019 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, 2018 and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated September 4, 2018. In our opinion, the summarized consolidated comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the consolidated audited financial statements from which it has been derived (Note 15).

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, 2019 and 2018, as indicated in the contents to the consolidated financial statements are presented for purposes of additional analysis and are 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 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material aspects in relation to the consolidated financial statements as a whole.

Cirone Friedberg, LLP

September 4, 2019
Shelton, Connecticut

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

(with comparative totals for 2018)

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 7,197,645	\$ 8,840,550
Loans Receivable, Net of Allowance for Loan Losses and Deferred Fees	35,140,468	33,475,030
Accrued Interest Receivable	120,520	135,683
Contracts and Other Receivables	786,516	786,285
Prepaid Expenses and Other Assets	54,957	49,100
Unrestricted Investments	117,503	620,706
Investments in Custodial Receipts	1,288,231	1,310,476
Furnishings and Equipment, Net of Accumulated Depreciation	22,368	23,029
Leasehold, Net of Accumulated Amortization	403,185	416,891
Buildings, Net of Accumulated Depreciation	326,986	-
Land	910,150	-
Investments Held for the Deferred Compensation Plan	196,175	298,494
	<u>46,564,704</u>	<u>45,956,244</u>
<u>Assets Restricted for Long-Term Purposes</u>		
Investments	461,631	565,840
Loans Receivable, Net of Allowance for Loan Losses	381,468	416,835
Deposit on Purchase of Property	-	38,000
Total Assets Restricted for Long-Term Purposes	<u>843,099</u>	<u>1,020,675</u>
Agency Assets	<u>12,839,528</u>	<u>13,023,115</u>
TOTAL ASSETS	<u>\$ 60,247,331</u>	<u>\$ 60,000,034</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Notes Payable	\$ 23,950,438	\$ 24,730,181
Accrued Interest Payable	96,376	100,341
Accrued Expenses and Other Liabilities	280,441	197,528
Borrower Escrow Accounts	786,828	770,086
Refundable Advances on Grants	277,074	2,058,489
Deferred Compensation Obligation	196,175	298,494
Agency Liabilities	<u>12,839,528</u>	<u>13,023,115</u>
Total Liabilities	<u>38,426,860</u>	<u>41,178,234</u>
<u>Net Assets</u>		
<u>Without Donor Restriction</u>		
Net Equity in Furnishings and Equipment, Buildings, and Land	1,259,504	23,029
Board Designated	16,444,419	13,814,050
Undesignated - Available for Operations	<u>1,446,368</u>	<u>2,312,145</u>
Total Without Donor Restriction	19,150,291	16,149,224
With Donor Restriction	2,670,180	2,672,576
Total Net Assets	<u>21,820,471</u>	<u>18,821,800</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 60,247,331</u>	<u>\$ 60,000,034</u>

See notes to consolidated financial statements.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(with comparative totals for 2018)

	<u>2019</u>			<u>2018</u>
	Without Donor Restriction	With Donor Restriction	Total	Total
<u>Financing Revenues</u>				
Interest Income - Loans	\$ 1,273,059	\$ -	\$ 1,273,059	\$ 1,303,151
Investment Income, Net	128,258	-	128,258	95,934
Contracts and Fees	667,074	-	667,074	543,303
Total Financing Revenues	<u>2,068,391</u>	<u>-</u>	<u>2,068,391</u>	<u>1,942,388</u>
<u>Financing Expenses</u>				
Interest Expense	441,617	-	441,617	424,073
Provision for Loan Losses	515,198	-	515,198	511,254
Total Financing Expenses	<u>956,815</u>	<u>-</u>	<u>956,815</u>	<u>935,327</u>
Net Financing Revenues	<u>1,111,576</u>	<u>-</u>	<u>1,111,576</u>	<u>1,007,061</u>
<u>Contributions, Grants, Other Support, and Revenue</u>				
Contributions	1,316,034	302,794	1,618,828	663,236
Grant Revenue, Net of (Recovery of) Provision for Forgivable Loans of (\$36,000) and \$81,497 in 2019 and 2018	3,785,298	-	3,785,298	3,378,563
Rental Income	42,183	-	42,183	-
Fund-raising Event	78,855	-	78,855	76,572
In-kind Contributions	5,500	-	5,500	-
Miscellaneous	6,773	-	6,773	-
Total Contributions, Grants, Other Support, and Revenue	<u>5,234,643</u>	<u>302,794</u>	<u>5,537,437</u>	<u>4,118,371</u>
<u>Net Assets Released from Restrictions:</u>				
Purpose Restrictions	113,908	(113,908)	-	-
Time Restrictions	13,706	(13,706)	-	-
Releases	177,576	(177,576)	-	-
Total Net Assets Released from Restrictions	<u>305,190</u>	<u>(305,190)</u>	<u>-</u>	<u>-</u>
Total Net Financing Revenues, Contributions, Grants, Other Support, and Revenue	<u>6,651,409</u>	<u>(2,396)</u>	<u>6,649,013</u>	<u>5,125,432</u>

See notes to consolidated financial statements.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(with comparative totals for 2018)

	<u>2019</u>			<u>2018</u>
	Without Donor Restriction	With Donor Restriction	Total	Total
<u>Expenses</u>				
<u>Program Services:</u>				
Multi-Family Housing	\$ 435,460	\$ -	\$ 435,460	\$ 261,535
Homebuyer Assistance Underwriting	1,250,670	-	1,250,670	1,102,231
Homebuyer Assistance Counseling	565,585	-	565,585	574,907
Shore Up	-	-	-	3,544
Property Management	62,062	-	62,062	3,932
Total Program Services	2,313,777	-	2,313,777	1,946,149
<u>Support Services:</u>				
Management, General and Fund Raising	1,308,477	-	1,308,477	1,174,295
Total Functional Expenses	3,622,254	-	3,622,254	3,120,444
Cost of Direct Benefits to Donors	28,088	-	28,088	13,360
Total Expenses	3,650,342	-	3,650,342	3,133,804
Change in Net Assets	3,001,067	(2,396)	2,998,671	1,991,628
Net Assets at Beginning of Year	16,149,224	2,672,576	18,821,800	16,830,172
Net Assets at End of Year	<u>\$ 19,150,291</u>	<u>\$ 2,670,180</u>	<u>\$ 21,820,471</u>	<u>\$ 18,821,800</u>

See notes to consolidated financial statements.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

(with comparative totals for 2018)

Increase (Decrease) in Cash and Cash Equivalents

	<u>2019</u>	<u>2018</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 2,998,671	\$ 1,991,628
Adjustments to Reconcile Change in Net Assets to <u>Net Cash Provided (Used) by Operating Activities</u>		
Depreciation and Amortization	32,081	34,049
Amortization of Deferred Fees	(32,703)	(14,998)
Unrealized Depreciation on Investments in Custodial Receipts	22,245	5,027
Unrealized Appreciation on Assets Restricted for Long-Term Investments	(20,699)	(26,923)
Provision for Loan Losses	515,198	511,254
(Recovery of) Provision for Forgivable Loans	(36,000)	81,497
<u>Change In:</u>		
Accrued Interest Receivable	15,163	(13,066)
Contracts and Other Receivables	(231)	8,124
Prepaid Expenses and Other Assets	(5,857)	8,786
Agency Assets	183,587	247,613
Accrued Interest Payable	(3,965)	1,131
Accrued Expenses and Other Liabilities	82,913	(90,612)
Refundable Advances on Grants	(1,781,415)	(678,897)
Deferred Compensation Obligation	(118,237)	24,200
Agency Liabilities	(183,587)	(247,613)
Total Adjustments	<u>(1,331,507)</u>	<u>(150,428)</u>
Net Cash Provided by Operating Activities	<u>1,667,164</u>	<u>1,841,200</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of Investments	(586)	(5,571)
Net Increase in Loans Receivable	(2,111,933)	(4,624,169)
Additions to Furnishings and Equipment	(13,444)	-
Acquisition of Land and Buildings	(1,241,406)	-
Proceeds from Sale of Investments	607,998	1,120,166
Increase (Decrease) in Assets Restricted for Long-Term Purposes - Loans Receivable, Net	35,367	(34,142)
Decrease (Increase) in Assets Restricted for Long-Term Purposes - Deposit on Purchase of Property	38,000	(38,000)
Net Increase (Decrease) in Borrower Escrow Accounts	16,742	(28,018)

See notes to consolidated financial statements.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

(with comparative totals for 2018)

Increase (Decrease) in Cash and Cash Equivalents

Decrease (Increase) in Investments Held for Deferred Compensation Plan	\$ 118,237	\$ (24,200)
Unrealized Appreciation on Assets Restricted for Long-Term Investments	<u>20,699</u>	<u>26,923</u>
Net Cash Used by Investing Activities	<u>(2,530,326)</u>	<u>(3,607,011)</u>
<u>Cash Flows from Financing Activities</u>		
Proceeds from Notes Payable	1,174,500	4,758,352
Repayments of Notes Payable	<u>(1,954,243)</u>	<u>(1,634,683)</u>
Net Cash (Used) Provided by Financing Activities	<u>(779,743)</u>	<u>3,123,669</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,642,905)	1,357,858
Cash and Cash Equivalents - Beginning of Year	<u>8,840,550</u>	<u>7,482,692</u>
Cash and Cash Equivalents - End of Year	<u>\$ 7,197,645</u>	<u>\$ 8,840,550</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During the Year For

Interest	<u>\$ 445,582</u>	<u>\$ 422,942</u>
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NON-CASH INVESTING AND FINANCING ACTIVITIES

During the year ended June 30, 2018 \$201,109 in Shore Up Loans were assigned to the State of Connecticut.

See notes to consolidated financial statements.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019
(with comparative totals for 2018)

	<u>2019</u>					<u>2018</u>		
	<u>PROGRAM SERVICES</u>					<u>SUPPORT SERVICES</u>		
	Multi - Family Housing	Homebuyer Assistance Underwriting	Homebuyer Assistance Counseling	Property Management	Total	Management, General and Fund Raising	Total	Total
<u>Expenses:</u>								
<u>Personnel Expenses:</u>								
Salaries and Wages	\$ 237,327	\$ 696,147	\$ 398,517	\$ 12,842	\$ 1,344,833	\$ 822,746	\$ 2,167,579	\$ 1,847,183
Payroll Taxes	26,837	78,701	45,050	1,437	152,025	95,775	247,800	194,059
Employee Benefits	<u>23,779</u>	<u>92,161</u>	<u>39,488</u>	-	<u>155,428</u>	<u>119,759</u>	<u>275,187</u>	<u>259,290</u>
Total Personnel Expenses	287,943	867,009	483,055	14,279	1,652,286	1,038,280	2,690,566	2,300,532
Professional and Consulting Fees, including In-Kind	34,899	136,277	17,698	-	188,874	91,967	280,841	252,936
Shore Up Engineering Fees	-	-	-	-	-	-	-	800
Lending Related Expenses	38,409	20,978	-	-	59,387	2,390	61,777	21,195
Property Management Expenses	-	-	-	38,754	38,754	942	39,696	2,948
Partner Agency Fees	-	18,250	-	-	18,250	-	18,250	5,000
Insurance	9,829	18,384	7,624	3,332	39,169	15,629	54,798	45,321
Occupancy	18,120	29,737	15,385	-	63,242	36,322	99,564	87,461
Telephone	4,373	6,888	3,454	-	14,715	6,925	21,640	21,506
Dues, Subscriptions and Meetings	5,517	21,130	4,041	1,233	31,921	14,082	46,003	50,364
Conferences and Training	1,729	4,700	3,826	-	10,255	10,137	20,392	19,404
Office Supplies and Expenses	6,724	25,314	5,100	20	37,158	11,550	48,708	76,077
Equipment Leases and Maintenance	16,396	76,931	12,159	-	105,486	26,418	131,904	123,108
Marketing	1,348	2,208	1,008	174	4,738	17,673	22,411	17,617
Travel and Parking	4,616	12,091	7,387	-	24,094	12,363	36,457	34,262
Postage	507	1,672	371	-	2,550	2,908	5,458	6,273
Fund-raising Event Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,208</u>	<u>6,208</u>	<u>21,591</u>
Total Expenses before Depreciation and Amortization, and In-kind Expenses	430,410	1,241,569	561,108	57,792	2,290,879	1,293,794	3,584,673	3,086,395
Depreciation and Amortization	5,050	9,101	4,477	4,270	22,898	9,183	32,081	34,049
In-kind Expenses - Legal Fees	-	-	-	-	-	5,500	5,500	-
Total Functional Expenses	<u>\$ 435,460</u>	<u>\$ 1,250,670</u>	<u>\$ 565,585</u>	<u>\$ 62,062</u>	<u>\$ 2,313,777</u>	<u>\$ 1,308,477</u>	<u>\$ 3,622,254</u>	<u>\$ 3,120,444</u>

See notes to consolidated financial statements.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

(with comparative totals for 2018)

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 and Massachusetts.

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 \$7,254,042 through June 30, 2019.

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 an entity formed to conduct certain activities of HDF related to its foreclosure initiatives. HDF Community Works, LLC qualifies as a disregarded entity 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 this entity is reported within the consolidated financial statements of HDF. Intercompany balances and transactions have been eliminated.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

(with comparative totals for 2018)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Asset Classes

The Net asset classes of HDF consist of the following:

Net Assets Without Donor Restriction

Net assets without donor restriction 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, buildings and land consists of the net book value of furnishings and equipment, buildings and land acquired with unrestricted net assets.

Net Assets with Donor Restriction

Net assets with donor restriction consist of net assets subject to stipulations by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of HDF or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained into perpetuity and that only the income from investment thereof be expended either for general purposes or purposes specified by the donor.

Donor restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires or the restricted purpose is satisfied, net assets are reclassified from net assets with donor restriction to net assets without donor restrictions in the consolidated statement of activities. If a restriction is fulfilled in the same period in which the contribution is received, HDF reflects the support as a contribution without donor restriction.

Contributions

Contributions received or promises to give without donor-imposed restrictions are reflected as support without donor restriction. Contributions received or promises to give with donor-imposed restrictions are reflected as support with donor restriction 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.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

(with comparative totals for 2018)

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 recorded.

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 restricted by donor stipulation.

Investments at June 30, 2019 and 2018 consisted of unrestricted investments, investments held to maturity, 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.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

(with comparative totals for 2018)

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.

Furnishings and Equipment

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.

Buildings

Acquisitions of buildings are reflected at cost. Depreciation is provided on a straight-line basis over the twenty-nine year useful life of the assets.

Land

Acquisitions of land are reflected at cost.

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.

During the year ended June 30, 2019 in-kind contributions and corresponding in-kind legal expenses of \$5,500 have been reflected by HDF in the accompanying consolidated financial statements. For the year ended June 30, 2018 no in-kind contributions and corresponding expenses have been reflected in the accompanying consolidated financial statements.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

(with comparative totals for 2018)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The consolidated statements of functional expenses presents the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocation are determined by HDF on an equitable basis. Salaries and benefits are allocated on specific function, time and effort. Occupancy and depreciation costs are allocated based on specific location and the number of staff at the location by their function. Expenses, such as professional and consulting fees, lending related expenses, office supplies and expenses, equipment leases and maintenance, are allocated on direct costs related to each program.

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.

Newly Adopted Accounting Standard

Effective January 2018, HDF adopted the provisions of ASU 2016-14 (ASU). The provisions improve the usefulness and reduce the complexities of information provided to donors, grantors, creditors, and other users of the financial statements by eliminating the distinction between resources with permanent restrictions and those with temporary restrictions from the face of the financial statements. Enhanced disclosures in the notes to the financial statements will provide useful information about the nature, amounts, and effects of the various types of donor-imposed restrictions, which also include the limits on purposes for which the resources can be used as well as the time frame for their use. The adoption of ASU 2016-14 had no effect on the net assets of HDF. The ASU has been applied retrospectively.

Reclassification

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation.

Subsequent Events

Management has evaluated subsequent events through September 4, 2019, 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.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

(with comparative totals for 2018)

NOTE 3 - CONCENTRATION OF RISK

Cash and Cash Equivalents

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

NOTE 4 - LIQUIDITY

HDF is regularly funded by contributions from donors that contain restrictions. Those restrictions require resources to be used in a certain manner or in a future period. Therefore, HDF must maintain adequate resources to meet those responsibilities to its donors and certain financial assets may not be available for general expenditures within one year. As part of its liquidity management, HDF has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations become due.

Below reflects HDF's financial assets as of June 30, 2019, reduced by amounts that are not available for general use within one year of the statement of financial position date due to donor-imposed or contractual restrictions. Amounts that are not available also include board designated amounts that could be utilized if the Board of Directors approved the use.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

(with comparative totals for 2018)

NOTE 4 - LIQUIDITY (continued)

As of June 30, 2019, the following financial assets are available to meet annual operating need for the year ending June 30, 2020 are as follows:

Cash and Cash Equivalents	\$ 7,197,645
Multi-Family Loans Receivable Due within one year	495,931
Accrued Interest Receivable	<u>120,520</u>
Total Financial Assets	<u>7,814,096</u>

Less amounts unavailable for general expenditures within one year, due to:

Donor-Imposed Restrictions

Unadvanced Live Where You Work Contributions	931,379
Revolving Loan Fund in 2004	36,000
Revolving Loan Fund - Down Payment Assistance in 2004	15,000
CDFI - F/A Down Payment Assistance	214,873
CDFI - F/A Loan Loss Reserve	108,380
LCB Funding for Westport Properties	<u>118,263</u>
Total donor-imposed restrictions	<u>1,423,895</u>

Contractual Restrictions

Multi-Family Escrow Balances	84,206
NeighborWorks Project Reinvest	252,074
NeighborWorks LIFT	45,000
American Dream Down Payment Initiative	25,000
Unadvanced McArthur Loan Fund	2,702,642
Flexible Spending Program	106,000
Principal Repayments Due to Consortium Banks	322,711
Accrued Interest Due to Consortium Banks	<u>96,376</u>
Total contractual restrictions	<u>3,634,009</u>
Total donor-imposed and contractual restrictions	<u>5,057,904</u>

Board designations:

Revolving loan fund - flexible funding for multi-family loans	<u>173,220</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$ 2,582,972</u>

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(with comparative totals for 2018)

NOTE 5 - FURNISHING AND EQUIPMENT, LEASEHOLD, BUILDINGS AND LAND

Furnishing and equipment, leasehold, buildings and land, net, at June 30, consisted of:

	<u>Cost</u>	<u>Accumulated Depreciation/ Amortization</u>	<u>Net</u>
<u>2019</u>			
Furnishings and Equipment	\$ 78,626	\$ (56,258)	\$ 22,368
Leasehold	548,240	(145,055)	403,185
Buildings	331,256	(4,270)	326,986
Land	910,150	-	910,150
Total	<u>\$ 1,868,272</u>	<u>\$ (205,583)</u>	<u>\$ 1,662,689</u>
<u>2018</u>			
Furnishings and Equipment	\$ 65,182	\$ (42,153)	\$ 23,029
Leasehold	548,240	(131,349)	416,891
Total	<u>\$ 613,422</u>	<u>\$ (173,502)</u>	<u>\$ 439,920</u>

During the year ended June 30, 2019, HDF purchased buildings and land to be used as affordable rental housing in lower Fairfield County. HDF received a \$1,000,000 contribution to fund the purchase of two of the properties and related maintenance and administrative costs. During the year ended June 30, 2019, HDF purchased the properties with a cost of \$859,074 and incurred maintenance and administrative costs of \$22,663. As of June 30, 2019, \$118,263 is reflected as donor restricted net assets.

NOTE 6 - 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, 2019 and 2018, these loans were receivable primarily in monthly installments based principally upon 30-year amortization schedules, maturing from April 15, 2024 to January 1, 2049. Construction loans are generally repayable as units are sold, if the intention is not to convert to permanent mortgage loan status.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(with comparative totals for 2018)

NOTE 6 - LOANS RECEIVABLE AND CONCENTRATION OF CREDIT RISK (continued)

Mortgage, Construction and Other Loans (continued)

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, 2019 and 2018, Interest rates of the Loans funded by the Consortium Lenders ranged from 3.88% to 7.75%.

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 \$12,748,979 and \$9,758,682 as of June 30, 2019 and 2018, 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)

HDF's Smart Move I Program provided 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. 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.

HDF had purchased a portfolio of Smart Move I loans in the amount of \$574,143 from a Participating Bank in a prior year. Loans in the amount of \$194,127 and \$246,118 are included in Homebuyer assistance loans in the accompanying consolidated statements of financial position for the years ended June 30, 2019 and 2018, respectively. The Smart Move I Program ended June 30, 2014.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

(with comparative totals for 2018)

NOTE 6 - LOANS RECEIVABLE AND CONCENTRATION OF CREDIT RISK (continued)

Homebuyer Assistance Loans (continued)

Smart Move II Homeownership Program (Smart Move II Program)

HDF's Smart Move II Program provides 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 seventeen Participating Banks who have committed an aggregate of \$11,915,000 and HDF committed \$1,000,000 to the Smart Move II Program as of July 1, 2019. 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.

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, 2019 and 2018, no advances were outstanding under this agreement, which is to expire June 30, 2021. The interest rate on this agreement is equal to the Prime Rate.

At June 30, 2019 and 2018 HDF's portion of Smart Move II Program Loans in the amount of \$1,469,958 and \$1,265,557, respectively, are included in Homebuyer assistance loan in the accompanying consolidated statement of financial position.

As of June 30, 2019 and 2018, closed loans for pools in process aggregating \$327,813 and \$285,199, respectively, which have been subsequently sold, are included in Homebuyer assistance loans in the accompanying consolidated statement of financial position.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(with comparative totals for 2018)

NOTE 6 - LOANS RECEIVABLE AND CONCENTRATION OF CREDIT RISK (continued)

Homebuyer Assistance Loans (continued)

Smart Move NY Homeownership Program (Smart Move NY Program)

HDF expanded into New York and assembled a pool to offer first time homebuyers a low interest, twenty-year second mortgage for up to 20% of the purchase price. HDF entered into a separate Loan Participation Agreement with four banks with an aggregate initial commitment of \$3,000,000 through June 30, 2018. An amendment extended the Agreement to July 31, 2020 with five banks for a new total commitment of \$4,000,000. As of June 30, 2019, the outstanding remaining commitment was \$1,574,325.

As of June 30, 2019, closed loan for pools in process aggregating \$25,600, which have been subsequently sold, are included in Homebuyer assistance loans in the accompanying consolidated statements of financial position. No loans were in process as of June 30, 2018.

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

HDF receives 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 each of the years ended June 30, 2019 and 2018, awards in the amount of \$500,000 was received and sold for a \$500,000 contribution.

During the years ended June 30, 2019 and 2018, \$315,469 and \$443,828, respectively, were utilized for qualifying loans and unadvanced funds of \$931,379 and \$746,848 are reflected as net assets with donor restriction - temporarily restricted as of June 30, 2019 and 2018, respectively.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

(with comparative totals for 2018)

NOTE 6 - LOANS RECEIVABLE AND CONCENTRATION OF CREDIT RISK (continued)

Homebuyer Assistance Loans (continued)

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

The balance of the loans funded with LWYW funds amounted to \$4,306,502 and \$4,146,449 as of June 30, 2019 and 2018, respectively, which are included within total Downpayment assistance loans above.

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

	<u>2019</u>	<u>2018</u>
Down Payment Assistance (Including LWYW Program)	\$12,748,979	\$ 9,758,682
Smart Move I	194,127	246,118
Smart Move II - HDF Portion	1,469,958	1,265,557
Smart Move II - Participant Portion	327,813	285,199
Smart Move NY - Participant Portion	<u>25,600</u>	<u>-</u>
Total Home Buyer Assistance Loans	<u>\$14,766,477</u>	<u>\$11,555,556</u>

MacArthur Energy Efficient Loan

During the years ended June 30, 2019 and 2018, after consultation from the Connecticut Green bank (a related entity (Note 13)), funds from the MacArthur Foundation loan were used to fund loans with aggregate balances of \$976,826 and \$1,097,403 with interest rates between 0% and 3.34%. (Note 7). If there are any defaults in the loans, interest will increase ranging from 8.34% to 9.99%. The loans mature between November 1, 2018 and April 18, 2020, at which point outstanding principal and interest are due.

Connecticut Green Bank guarantees complete payment on all loans extended by HDF using funds from the MacArthur Foundation loan. Because of this guarantee, no allowance for loan losses have been established on this loan.

The loans are reflected as part of construction and other loans within HDF's loan portfolio.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

(with comparative totals for 2018)

NOTE 6 - LOANS RECEIVABLE AND CONCENTRATION OF CREDIT RISK (continued)

Shore Up Loans

HDF's Shore Up Connecticut Loan Program was funded by a grant from the State of Connecticut Department of Housing (DOH) of \$4,300,000. Loans were 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 did 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.

During the years ended June 30, 2018 \$201,109 in Shore Up Loans were assigned back over to the DOH, respectively. Accordingly, no assets on Loans, and corresponding Recoverable grant, are recognized as of June 30, 2018.

The Shore Up Connecticut Loan Program ended during the year ended June 30, 2018.

Wells Fargo LIFT Loans

HDF's Wells Fargo LIFT (LIFT) Loans were funded by a grant from Wells Fargo. Loans were disbursed in \$15,000 increments and are used for down payment assistance. The loans bear interest at 0% 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 was to pay \$115,500 upfront to cover costs for running the services, \$38,500 when 109 loans, or 50% of the total LIFT Loans are submitted and closed; \$38,500 when an additional 55 loans, or 75% of the total of LIFT are submitted and closed; and \$38,500 when an additional 55 loans, 100% of the total of LIFT Loans are submitted and closed. No fees were paid to NHS during the year ended June 30, 2018.

During the year ended June 30, 2018, HDF concluded the LIFT program.

Loans outstanding at the years ended June 30, 2019 and 2018 amounted to \$1,604,198 and \$2,295,497, respectively. A 100% allowance for forgiveness of loans has been established for each of the years ended June 30, 2019 and 2018. The outstanding loans are not reflected in the accompanying consolidated financial statements since it is anticipated the loans will be forgiven within the five-year period.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

(with comparative totals for 2018)

NOTE 6 - LOANS RECEIVABLE AND CONCENTRATION OF CREDIT RISK (continued)

Connecticut Housing Finance Authority (CHFA) and HDF Landlord Entrepreneurship and Affordability Pilot Program (LEAP)

This is a loan program in which CHFA holds the first mortgage position. HDF is responsible for underwriting the loans and all first mortgages are purchased back by CHFA after closing and are not serviced by HDF. During the years ended June 30, 2019 and 2018, \$200,000 and \$555,200, respectively, were underwritten by HDF and subsequently sold back to CFHA.

Aging Information

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

		<u>Past Due</u>			
	<u>Current</u>	<u>30-89 Days</u>	<u>90 Days or More</u>	<u>Total</u>	<u>Total</u>
<u>2019</u>					
Mortgage Loans	\$22,276,020	\$ -	\$ -	\$ -	\$22,276,020
Homebuyer Assistance Loans	14,731,713	28,488	6,276	34,764	14,766,477
Construction and Other Loans	<u>1,048,461</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,048,461</u>
Total	<u>\$38,056,194</u>	<u>\$28,488</u>	<u>\$ 6,276</u>	<u>\$ 34,764</u>	<u>\$38,090,958</u>
<u>2018</u>					
Mortgage Loans	\$22,751,701	\$ -	\$ -	\$ -	\$22,751,701
Homebuyer Assistance Loans	11,538,219	11,996	5,341	17,337	11,555,556
Construction and Other Loans	<u>1,757,772</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,757,772</u>
Total	<u>\$36,047,692</u>	<u>\$11,996</u>	<u>\$ 5,341</u>	<u>\$ 17,337</u>	<u>\$36,065,029</u>

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 6 - 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 would be classified as Criticized Assets.

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

	<u>Mortgage Loans</u>	<u>Construction And Other Loans</u>	<u>Homebuyer Assistance Loans</u>	<u>Total</u>
<u>2019</u>				
Pass	\$ 19,940,491	\$ 1,048,461	\$ 14,766,477	\$ 35,755,429
Watch	2,335,529	-	-	2,335,529
Criticized Assets	-	-	-	-
Total	<u>\$ 22,276,020</u>	<u>\$ 1,048,461</u>	<u>\$ 14,766,477</u>	<u>\$ 38,090,958</u>
 <u>2018</u>				
Pass	\$ 20,368,882	\$ 1,757,772	\$ 11,555,556	\$ 33,682,210
Watch	2,382,819	-	-	2,382,819
Criticized Assets	-	-	-	-
Total	<u>\$ 22,751,701</u>	<u>\$ 1,757,772</u>	<u>\$ 11,555,556</u>	<u>\$ 36,065,029</u>

All loans classified as Watch on the chart are current as to payments and are not delinquent at June 30, 2019 and 2018. The Watch classification often results from the borrower not submitting all annual financials on a timely basis.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

(with comparative totals for 2018)

NOTE 6 - 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:

	<u>Mortgage Loans</u>	<u>Construction And Other Loans</u>	<u>Homebuyer Assistance Loans</u>	<u>Total</u>
Balance - July 1, 2017	\$ 863,119	\$ 8,001	\$ 793,341	\$ 1,664,461
Provision	36,692	3,338	471,224	511,254
Loans Charged Off	<u>-</u>	<u>-</u>	<u>(184,500)</u>	<u>(184,500)</u>
Balance - June 30, 2018	899,811	11,339	1,080,065	1,991,215
Provision	8,831	(8,831)	515,198	515,198
Loans Charged Off	<u>-</u>	<u>-</u>	<u>(76,112)</u>	<u>(76,112)</u>
Balance - June 30, 2019	<u>\$ 908,642</u>	<u>\$ 2,508</u>	<u>\$ 1,519,151</u>	<u>\$ 2,430,301</u>

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

(with comparative totals for 2018)

NOTE 6 - 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:

	Individually Evaluated For Impairment		Collectively Evaluated For Impairment		Total	
	<u>Portfolio</u>	<u>Allowance</u>	<u>Portfolio</u>	<u>Allowance</u>	<u>Portfolio</u>	<u>Allowance</u>
<u>2019</u>						
Mortgage Loans	\$22,276,020	\$ 908,642	\$ -	\$ -	\$22,276,020	\$ 908,642
Homebuyer Assistance Loans	-	-	14,766,477	1,519,151	14,766,477	1,519,151
Construction and Other Loans	<u>1,048,461</u>	<u>2,508</u>	<u>-</u>	<u>-</u>	<u>1,048,461</u>	<u>2,508</u>
Total	<u>\$23,324,481</u>	<u>\$ 911,150</u>	<u>\$14,766,477</u>	<u>\$1,519,151</u>	<u>\$38,090,958</u>	<u>\$2,430,301</u>
<u>2018</u>						
Mortgage Loans	\$22,751,701	\$ 899,811	\$ -	\$ -	\$22,751,701	\$ 899,811
Homebuyer Assistance Loans	-	-	11,555,556	1,080,065	11,555,556	1,080,065
Construction and Other Loans	<u>1,757,772</u>	<u>11,339</u>	<u>-</u>	<u>-</u>	<u>1,757,772</u>	<u>11,339</u>
Total	<u>\$24,509,473</u>	<u>\$ 911,150</u>	<u>\$11,555,556</u>	<u>\$1,080,065</u>	<u>\$36,065,029</u>	<u>\$1,991,215</u>

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

	<u>2019</u>	<u>2018</u>
Mortgage Loans	\$ 22,276,020	\$ 22,751,701
Homebuyer Assistance Loans	14,766,477	11,555,556
Construction and Other Loans	<u>1,048,461</u>	<u>1,757,772</u>
Total Loans Receivables	38,090,958	36,065,029
Less: Allowance for Loan Losses	2,430,301	1,991,215
Deferred Fees	<u>138,721</u>	<u>181,949</u>
Loans Receivables, Net	<u>\$ 35,521,936</u> (a)	<u>\$ 33,891,865</u> (b)

(a) Included in Loans Receivable, Net at June 30, 2019 are loans, net of allowances, amounting to \$381,468 that are classified as part of assets restricted for long-term purposes

(b) Included in Loans Receivable, Net at June 30, 2018 are loans, net of allowances, amounting to \$416,835 that are classified as part of assets restricted for long-term purposes

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

(with comparative totals for 2018)

NOTE 7 - INVESTMENTS

Generally accepted accounting principles in the United States of America (U.S. 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.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

(with comparative totals for 2018)

NOTE 7 - INVESTMENTS (continued)

The following are the classifications of investments measured at fair value as of June 30, 2019 and 2018, using quoted prices in active markets for identical assets (Level 1); other significant inputs (Level 2); and significant unobservable inputs (Level 3).

	2019		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money Market, Cash and Cash Equivalents	\$ 184,269	\$ -	\$ 184,269
Certificates of Deposits	117,503	-	117,503
Custodial Receipts	-	1,288,231	1,288,231
Mutual Funds	<u>473,537</u>	<u>-</u>	<u>473,537</u>
Total	<u>\$ 775,309</u>	<u>\$ 1,288,231</u>	<u>\$ 2,063,540</u>

	2018		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money Market, Cash and Cash Equivalents	\$ 315,984	\$ -	\$ 315,984
Certificates of Deposits	620,706	-	620,706
Custodial Receipts	-	1,310,476	1,310,476
Mutual Funds	<u>548,350</u>	<u>-</u>	<u>548,350</u>
Total	<u>\$ 1,485,040</u>	<u>\$ 1,310,476</u>	<u>\$ 2,795,516</u>

There were no Level 3 investments at June 30, 2019.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

(with comparative totals for 2018)

NOTE 7 - INVESTMENTS (continued)

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

	<u>2019</u>	<u>2018</u>
Unrestricted Investments	\$ 117,503	\$ 620,706
Investment in Custodial Receipts	1,288,231	1,310,476
Investment Held for Deferred Comp Plan	196,175	298,494
Assets Restricted for Long-Term Investment Purposes	<u>461,631</u>	<u>565,840</u>
Total	<u>\$ 2,063,540</u>	<u>\$ 2,795,516</u>

Unrestricted Investments

Unrestricted investments consists of Certificates of Deposit with original maturities of six months to five years and annual interest rates of .65% to 1.24%.

Investments in Custodial Receipts

Investments in custodial receipts consists of custodial receipts purchased at par with a cost of \$1,330,000 with a coupon rate of 3.55% and matures on January 1, 2038. Interest is paid every six months each January 1 and July 1. Beginning July 1, 2032, a portion of the investment will be returned to HDF under the following schedule:

July 1, 2032	\$ 95,000
January 1, 2033	95,000
July 1, 2033	95,000
January 1, 2034	100,000
July 1, 2034	105,000
January 1, 2035	105,000
July 1, 2035	115,000
January 1, 2036	115,000
July 1, 2036	120,000
January 1, 2037	125,000
July 1, 2037	130,000
January 1, 2038	<u>130,000</u>
Total	<u>\$ 1,330,000</u>

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

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NOTE 8 - 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, 2021.

At July 1, 2019, the total commitment was \$26,425,000 from twelve Consortium Lenders.

Consortium bank loans outstanding at June 30, 2019 of \$18,950,438 at an interest rate of 2.00%, of which \$15,353,752 was payable to the above eleven Consortium Lenders and \$3,596,686 was payable to ten Consortium Lenders which have not committed to make additional loans.

Consortium Bank loans outstanding at June 30, 2018 of \$19,730,181 was at an interest rate of 2.00%, of which \$15,382,338 was payable to twelve Consortium Lenders and \$4,347,843 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, 2019 to June 30, 2019, approximately \$379,900 of scheduled and advance principal repayments by HDF's borrowers have been received.

MacArthur Foundation

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. HDF also needs to maintain certain net asset covenants as part of the loan agreement. At June 30, 2019 and 2018, the outstanding balance on the loan is \$5,000,000.

The Loan is to be used to finance clean energy and energy related health and safety improvements to multi-family affordable rent housing properties. During the year ended June 30, 2019, six loans in the amount of \$976,826 have been issued and outstanding and as of June 30, 2018, six loans in the amount of \$1,097,403 were outstanding (Note 6).

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

(with comparative totals for 2018)

NOTE 8 - NOTES PAYABLE (continued)

MacArthur Foundation (continued)

During the year ended June 30, 2017, funds were used to purchase Housing Authority of the Town of Manchester Lease Revenue Custodial Receipts Series 2016 with a cost of \$1,330,000 (Note 7).

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

2/4/2028	\$ 750,000
2/4/2029	750,000
2/4/2030	1,500,000
2/4/2031	<u>2,000,000</u>
Total	<u>\$ 5,000,000</u>

Interest expense on the Loan amount to \$50,000 and \$32,944 for the years ended June 30, 2019 and 2018, respectively.

NOTE 9 - GRANTS

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

	Refundable Advances on Grants		Grant Revenues	
	2019	2018	2019	2018
American Dream Down Payment Initiative	\$ 25,000	\$ 25,000	\$ -	\$ -
Housing Partnership Network, Landlord Entrepreneurship and Affordability Prgogram	-	-	-	35,651
NeighborWorks America (NWA Grants)	-	-	500,500	513,500
NeighborWorks Project Reinvest	252,074	1,008,074	2,556,000	1,139,851
Department of Housing, Landlord Entrepreneurship and Affordability Program	-	322,000	-	-
Department of Housing, Downpayment Assistance	-	689,395	689,395	1,681,181
Wells Fargo Lift	-	-	36,000	-
Other	-	14,020	3,403	8,380
Total	<u>\$ 277,074</u>	<u>\$ 2,058,489</u>	<u>\$ 3,785,298</u>	<u>\$ 3,378,563</u>

During the year ended June 30, 2019, HDF refunded \$322,000 of the Department of Housing Landlord Entrepreneurship and Affordability Program Grant back to the Department of Housing.

During the year ended June 30, 2018, HDF refunded \$79,282 of the Department of Housing Shore Up CT Grant back to the Department of Housing.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

(with comparative totals for 2018)

NOTE 10 - AGENCY ASSETS AND LIABILITIES

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 \$1,699,276 and \$1,740,798 is reflected within Mortgage loans as of June 30, 2019 and 2018, respectively. HDF is servicing the loan, and the loan advances made by CHFA of \$12,765,322 and \$13,023,115 as of June 30, 2019 and 2018, respectively, are reflected as Agency assets and liabilities.

During the year ended June 30, 2019, HDF entered an agreement to act as the fiscal agent on behalf of the Corporation for Supportive Housing (CSH).

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

	<u>2019</u>	<u>2018</u>
Loan Receivable from Developer of the Bijou Square Project, Funded by Participation of CHFA	\$ 12,765,322	\$ 13,023,115
Fiscal Agent, Corporation for Supportive Housing	<u>74,206</u>	<u>-</u>
Total	<u>\$ 12,839,528</u>	<u>\$ 13,023,115</u>

NOTE 11 - NET ASSETS

Net Assets Without Donor Restriction - Board Designated

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

	<u>2019</u>	<u>2018</u>
Revolving Loan Fund - Homebuyer Assistance Loans - Funded by Designated Unrestricted Funds	\$ 12,894,513	\$ 10,165,500
Revolving Loan Fund - Flexible Funding for Multi-Family Loans	<u>3,549,906</u>	<u>3,648,550</u>
Total	<u>\$ 16,444,419</u>	<u>\$ 13,814,050</u>

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

(with comparative totals for 2018)

NOTE 11 - NET ASSETS (continued)

Net Assets With Donor Restriction

At June 30, net assets with donor restriction are restricted for the following purposes or period:

	<u>2019</u>	<u>2018</u>
<u>Purpose Restricted</u>		
Live Where You Work Program	\$ 931,379	\$ 746,848
Revolving Loan Fund in 2004	36,000	36,000
Revolving Loan Fund - Downpayment Assistance Loans in 2004	15,000	15,000
CDFI - F/A Down Payment Assistance	214,873	282,873
CDFI - F/A Loan Loss Reserve	108,381	154,289
LCB Funding for Wesport Properties	<u>118,263</u>	<u>-</u>
Sub-Total - Purpose Restricted	1,423,896	1,235,010
<u>Time Restricted</u>		
Future Value of Leasehold, Net of Accumulated Amortization	<u>403,185</u>	<u>416,891</u>
Total Purpose or Time Restricted	<u>1,827,081</u>	<u>1,651,901</u>
<u>Perpetually Restricted</u>		
Stamford Development Corporation Endowment Fund	428,755	428,755
NeighborWorks America (NWA)	<u>414,344</u>	<u>591,920</u>
Total Perpetually Restricted	<u>843,099</u>	<u>1,020,675</u>
Total Net Assets With Donor Restriction	<u>\$ 2,670,180</u>	<u>\$ 2,672,576</u>

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

(with comparative totals for 2018)

NOTE 11 - NET ASSETS (continued)

Net Assets With Donor Restriction (continued)

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

	<u>2019</u>	<u>2018</u>
<u>Satisfaction of Purpose Restrictions</u>		
Housing Development Loans		
Funded by NCDBG	\$ -	\$ 29,500
Revolving Loan Fund - Downpayment Assistance Loans Funded by CDBG	-	60,018
Revolving Loan Fund - Downpayment Assistance Loans in 2004	-	64,697
CDFI - F/A Down Payment Assistance	68,000	469,138
CDFI - F/A Loan Loss Reserve	45,908	1,001,299
	<u>113,908</u>	<u>1,624,652</u>
<u>Expiration of Time Restrictions</u>		
Amortization of Leasehold	13,706	13,706
<u>Releases</u>		
NeighborWorks America (NWA)	<u>177,576</u>	<u>253,680</u>
Total	<u>\$ 305,190</u>	<u>\$ 1,892,038</u>

Net Assets with Donor Restriction - Perpetually Restricted

Endowment

HDF had accepted an endowment gift of \$428,755 to be known as The Stamford Development Corporation Endowment Fund (Fund). 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.

During the years ended June 30, 2019 and 2018, the Fund recognized Net Investment Income amounting to \$26,088 and \$31,510, respectively. This income was reflected as Approved Spending from Endowment Total Return during each year.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

(with comparative totals for 2018)

NOTE 11 - NET ASSETS (continued)

Net Assets with Donor Restriction - Perpetually Restricted (continued)

NeighborWorks America (NWA)

HDF had received permanently restricted capital grant funds of 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. It is permissible for HDF to also use the funds as a permanent investment in real property. Additionally, HDF can request NWA to release funds to be used currently to further NWA's mission. During the years ended June 30, 2019 and 2018, \$381,468 and \$416,835, respectively, in eligible loans have been disbursed and are reflected as part of net assets with donor restriction - perpetually restricted. During the year ended June 30, 2018, \$38,000 in grant funds were used as a down payment for the future purchase of managed property. During the years ended June 30, 2019 and 2018, NWA permitted the release of the capital grant funds in the amount of \$177,576 and \$253,680, respectively, to net assets without donor restriction, for the purpose of furthering NWA's mission.

U.S. 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". 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, HDF retains in perpetuity the original value of initial and subsequent gift amounts reduced by donor-approved releases of perpetually restricted funds. The total return on perpetually restricted net assets are donor restricted until appropriated for expenditure.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

(with comparative totals for 2018)

NOTE 11 - NET ASSETS (continued)

Net Assets with Donor Restriction - Perpetually Restricted (continued)

Activity in HDF's Net assets with donor restriction - perpetually restricted for the years ended June 30, 2019 and 2018 was as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Balance - July 1, 2017	\$ -	\$ 1,274,355	\$ 1,274,355
Net Investment Income Including Unrealized Appreciation of Investments	31,510	-	31,510
NWA Capital Grant Released by NWA	-	(253,680)	(253,680)
Approved Spending from Endowment Total Return	<u>(31,510)</u>	<u>-</u>	<u>(31,510)</u>
Balance - June 30, 2018	-	1,020,675	1,020,675
Net Investment Income Including Unrealized Appreciation of Investments	26,088	-	26,088
NWA Capital Grant Released by NWA	-	(177,576)	(177,576)
Approved Spending from Endowment Total Return	<u>(26,088)</u>	<u>-</u>	<u>(26,088)</u>
Balance - June 30, 2019	<u>\$ -</u>	<u>\$ 843,099</u>	<u>\$ 843,099</u>

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

(with comparative totals for 2018)

NOTE 12 - EMPLOYEE BENEFIT PLANS

401(k) Plan (Plan)

HDF has 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 years ended June 30, 2019 and 2018, no employer match was made.

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, 2019 and 2018 amounted to \$72,229 and \$68,392, respectively.

Deferred Compensation Plan

HDF has a deferred compensation plan (Plan) for the benefit of its President/CEO. Contributions are discretionary by the Board of Directors. Provisions of \$24,563 and \$24,200 were charged to operations for the years ended June 30, 2019 and 2018, respectively.

During the year ended June 30, 2019, HDF made a distribution to the President/CEO in the amount of \$142,800.

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 earnings of \$15,919 and \$17,606 for the years ended June 30, 2019 and 2018, respectively, with a corresponding increase in the deferred compensation obligation.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

(with comparative totals for 2018)

NOTE 13 - OCCUPANCY ARRANGEMENTS

Stamford Office

See Note 2 for description of Leasehold interest.

Danbury Office

A lease with a two-year term through September 2018, which has been extended for an additional two-year term through September 2020, and continues to provide minimal annual lease payments of \$18,900.

Rent expense charged to operations amounted to \$18,900 for each of the years ended June 30, 2019 and 2018.

Bridgeport Office

A lease for a seven year, five month term through December 2023. The minimum annual lease payments are as follows:

August 2016 - December 2016	\$ 13,458
January 2017 - December 2017	\$ 33,264
January 2018 - December 2018	\$ 39,990
January 2019 - December 2019	\$ 41,097
January 2020 - December 2020	\$ 42,336
January 2021 - December 2021	\$ 43,596
January 2022 - December 2022	\$ 44,898
January 2023 - December 2023	\$ 46,245

Rent expense charged to operations amounted to \$40,499 and \$37,135 for the years ended June 30, 2019 and 2018, respectively.

Estimated minimum lease payments as of June 30, 2019 are as follows:

Years Ending June 30,

2020	\$ 60,600
2021	47,700
2022	44,200
2023	45,600
2024	<u>23,100</u>
Total	<u>\$ 221,200</u>

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

(with comparative totals for 2018)

NOTE 14 - RELATED PARTY TRANSACTIONS

Legal Fees

A member of the board provided pro bono legal services with a value of \$5,500 for the year ended June 30, 2019. This has been reflected on the consolidated statement of financial position as In-kind revenue and expenses.

No services were provided during the year ended June 30, 2018.

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 \$4,000,000 under the agreement. The outstanding balance due to People's at June 30, 2019 and 2018 is \$2,611,564 and \$2,630,882, respectively.

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 \$3,500,000 under the agreement. The outstanding balance due to FCB at June 30, 2019 and 2018 is \$2,240,608 and \$2,277,666, respectively.

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 \$3,000,000 under the agreement. The outstanding balance due to Webster at June 30, 2019 and 2018 is \$ 1,631,767 and \$1,780,568, respectively.

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 \$2,175,000 under the agreement. The outstanding balance due to NSB at June 30, 2019 and 2018 is \$1,250,664 and \$1,263,818, respectively.

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, 2019 and 2018 is \$579,780 and \$763,443, respectively.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(with comparative totals for 2018)

NOTE 14 - 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, 2019 and 2018 is \$1,049,893 and \$1,238,264, respectively.

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 years ended June 30, 2019 and 2018, service fee income from CGB amounted to \$90,000 and \$92,524, respectively.

HDF and CGB amended their agreement to include a Put Option on the Housing Authority of the Town of Manchester Lease Revenue Custodial Receipts Series 2016 (Receipts). HDF shall have the right, and CGB will have the obligation, to acquire any outstanding Receipts at par value. HDF is entitled to issue the Put Option any time prior to the final MacArthur Foundation note payable payment but no earlier than 1) ninety days prior to the first required amortization of principal under the loans, or 2) the declaration of an event of default by the MacArthur Foundation. In order to mitigate CGB's exposure under its guarantee obligations, all interest earned on the receipts in excess of any interest payable shall be set aside in a sinking fund established by HDF.

Lease

HDF has entered into an agreement to rent space in Bridgeport from a member of the Board of Directors. Management is of the opinion that the Lease is at fair value (Note 13).

NOTE 15 - 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.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

(with comparative totals for 2018)

NOTE 16 - PRIOR YEAR INFORMATION

The financial statements include certain prior year consolidated summarized comparative information at June 30, 2018 and for the year ended June 30, 2018 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, 2018 and for the year then ended, from which the summarized information was derived.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2019

	Housing Development Fund, Inc.	HDF Community Works, LLC	Eliminations	Consolidated
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 7,060,787	\$ 136,858	\$ -	\$ 7,197,645
Unrestricted Investments	117,503	-	-	117,503
Due from HDF Community Works, LLC	255,755	-	(255,755)	-
Loans Receivable, Net of Allowance for Loan Losses and Deferred Fees	35,140,468	-	-	35,140,468
Accrued Interest Receivable	120,520	-	-	120,520
Contracts and Other Receivables	786,516	-	-	786,516
Prepaid Expenses and Other Assets	53,975	982	-	54,957
Investments in Custodial Receipts	1,288,231	-	-	1,288,231
Furnishings and Equipment, Net of Accumulated Depreciation	22,368	-	-	22,368
Leasehold, Net of Accumulated Amortization	403,185	-	-	403,185
Buildings, Net of Accumulated Depreciation	-	326,986	-	326,986
Land, Net of Accumulated Depreciation	-	910,150	-	910,150
Investments Held for the Deferred Compensation Plan	196,175	-	-	196,175
Investment in Subsidiary	1,093,880	-	(1,093,880)	-
<u>Assets Restricted for Long-Term Purposes</u>				
Investments	461,631	-	-	461,631
Loans Receivable, Net	381,468	-	-	381,468
Agency Assets	12,839,528	-	-	12,839,528
TOTAL ASSETS	<u>\$ 60,221,990</u>	<u>\$ 1,374,976</u>	<u>\$ (1,349,635)</u>	<u>\$ 60,247,331</u>

See independent auditor's report.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2019

	Housing Development Fund, Inc.	HDF Community Works, LLC	Eliminations	Consolidated
<u>LIABILITIES AND NET ASSETS</u>				
<u>Liabilities</u>				
Due to Housing Development Fund, Inc	\$ -	\$ 255,755	\$ (255,755)	\$ -
Notes Payable	23,950,438	-	-	23,950,438
Accrued Interest Payable	96,376	-	-	96,376
Accrued Expenses and Other Liabilities	263,662	16,779	-	280,441
Borrower Escrow Accounts	778,266	8,562	-	786,828
Refundable Advances on Grants	277,074	-	-	277,074
Deferred Compensation Obligation	196,175	-	-	196,175
Agency Liabilities	<u>12,839,528</u>	<u>-</u>	<u>-</u>	<u>12,839,528</u>
Total Liabilities	<u>38,401,519</u>	<u>281,096</u>	<u>(255,755)</u>	<u>38,426,860</u>
<u>Net Assets</u>				
<u>Without Donor Restriction</u>				
Net Equity in Furnishings and Equipment	22,368	-	1,237,136	1,259,504
Board Designated	16,444,419	-	-	16,444,419
Undesignated - Available for Operations	<u>2,801,767</u>	<u>-</u>	<u>(1,355,399)</u>	<u>1,446,368</u>
Total Without Donor Restriction	19,268,554	-	(118,263)	19,150,291
With Donor Restriction	<u>2,551,917</u>	<u>-</u>	<u>118,263</u>	<u>2,670,180</u>
Total Net Assets	<u>21,820,471</u>	<u>-</u>	<u>-</u>	<u>21,820,471</u>
Member's Equity	<u>-</u>	<u>1,093,880</u>	<u>(1,093,880)</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 60,221,990</u>	<u>\$ 1,374,976</u>	<u>\$ (1,349,635)</u>	<u>\$ 60,247,331</u>

See independent auditor's report.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2018

	Housing Development Fund, Inc.	HDF Community Works, LLC	Eliminations	Consolidated
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 8,840,536	\$ 14	\$ -	\$ 8,840,550
Unrestricted Investments	620,706	-	-	620,706
Due from HDF Community Works, LLC	-	106,533	(106,533)	-
Loans Receivable, Net of Allowance for Loan Losses and Deferred Fees	33,475,030	-	-	33,475,030
Accrued Interest Receivable	135,683	-	-	135,683
Contracts and Other Receivables	786,285	-	-	786,285
Prepaid Expenses and Other Assets	49,100	-	-	49,100
Investment in Custodial Receipts	1,310,476	-	-	1,310,476
Deposit on Acquisition of Property	-	38,000	(38,000)	-
Furnishings and Equipment, Net of Accumulated Depreciation	23,029	-	-	23,029
Leasehold, Net of Accumulated Amortization	416,891	-	-	416,891
Investments Held for Deferred Compensation Plan	298,494	-	-	298,494
Investment in Subsidiary	113,435	-	(113,435)	-
<u>Assets Restricted for Long-Term Purposes</u>				
Investments	565,840	-	-	565,840
Loans Receivable, Net of Allowance for Loan Losses	416,835	-	-	416,835
Deposit on Acquisition of Property	-	-	38,000	38,000
Agency Assets	13,023,115	-	-	13,023,115
TOTAL ASSETS	<u>\$ 60,075,455</u>	<u>\$ 144,547</u>	<u>\$ (219,968)</u>	<u>\$ 60,000,034</u>

See independent auditor's report.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2018

	Housing Development Fund, Inc.	HDF Community Works, LLC	Eliminations	Consolidated
<u>LIABILITIES AND NET ASSETS</u>				
<u>Liabilities</u>				
Due to Housing Development Fund, Inc.	\$ 106,533	\$ -	\$ (106,533)	\$ -
Notes Payable	24,730,181	-	-	24,730,181
Accrued Interest Payable	100,341	-	-	100,341
Accrued Expenses and Other Liabilities	166,416	31,112	-	197,528
Borrower Escrow Accounts	770,086	-	-	770,086
Refundable Advances on Grants	2,058,489	-	-	2,058,489
Deferred Compensation Obligation	298,494	-	-	298,494
Agency Liabilities	<u>13,023,115</u>	<u>-</u>	<u>-</u>	<u>13,023,115</u>
Total Liabilities	<u>41,253,655</u>	<u>31,112</u>	<u>(106,533)</u>	<u>41,178,234</u>
<u>Net Assets</u>				
<u>Without Donor Restriction</u>				
Net Equity in Furnishings and Equipment	23,029	-	-	23,029
Board Designated	13,814,050	-	-	13,814,050
Undesignated - Available for Operations	<u>2,312,145</u>	<u>-</u>	<u>-</u>	<u>2,312,145</u>
Total Without Donor Restriction	16,149,224	-	-	16,149,224
With Donor Restriction	2,672,576	-	-	2,672,576
Total Net Assets	<u>18,821,800</u>	<u>-</u>	<u>-</u>	<u>18,821,800</u>
Member's Equity	<u>-</u>	<u>113,435</u>	<u>(113,435)</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 60,075,455</u>	<u>\$ 144,547</u>	<u>\$ (219,968)</u>	<u>\$ 60,000,034</u>

See independent auditor's report.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

CONSOLIDATING SCHEDULE OF ACTIVITIES
JUNE 30, 2019

	<u>Housing Development Fund, Inc.</u>	<u>HDF Community Works, LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Financing Revenues</u>				
Interest Income - Loans	\$ 1,273,059	\$ -	\$ -	\$ 1,273,059
Investment Income, Net	127,934	324	-	128,258
Contracts and Fees	667,074	-	-	667,074
Total Financing Revenues	<u>2,068,067</u>	<u>324</u>	<u>-</u>	<u>2,068,391</u>
<u>Financing Expenses</u>				
Interest Expense	441,617	-	-	441,617
Provision for Loan Losses	515,198	-	-	515,198
Total Financing Expenses	<u>956,815</u>	<u>-</u>	<u>-</u>	<u>956,815</u>
Net Financing Revenues	<u>1,111,252</u>	<u>324</u>	<u>-</u>	<u>1,111,576</u>
<u>Contributions, Grants and Other Support</u>				
Contributions	618,828	1,000,000	-	1,618,828
Grant Revenue, Net of Recovery for Forgivable Loans of (\$36,000)	3,785,298	-	-	3,785,298
Rental Income	-	42,183	-	42,183
Fund-raising Event	78,855	-	-	78,855
Investment in Subsidiary Loss	980,445	-	(980,445)	-
In-kind Contributions	5,500	-	-	5,500
Miscellaneous	6,773	-	-	6,773
Total Contributions, Gains and Other Support	<u>5,475,699</u>	<u>1,042,183</u>	<u>(980,445)</u>	<u>5,537,437</u>
Total Net Financing Revenues, Contributions, Grants and Other Support	<u>6,586,951</u>	<u>1,042,507</u>	<u>(980,445)</u>	<u>6,649,013</u>

See independent auditor's report.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

CONSOLIDATING SCHEDULE OF ACTIVITIES
JUNE 30, 2019

	<u>Housing Development Fund, Inc.</u>	<u>HDF Community Works, LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Expenses</u>				
<u>Program Services:</u>				
Multi-Family Housing	\$ 435,460	\$ -	\$ -	\$ 435,460
Homebuyer Assistance Underwriting	1,250,670	-	-	1,250,670
Homebuyer Assistance Counseling	565,585	-	-	565,585
Property Management	<u>-</u>	<u>62,062</u>	<u>-</u>	<u>62,062</u>
Total Program Services	2,251,715	62,062	-	2,313,777
<u>Support Services:</u>				
Management, General and Fund Raising	<u>1,308,477</u>	<u>-</u>	<u>-</u>	<u>1,308,477</u>
Total Functional Expenses	3,560,192	62,062	-	3,622,254
Cost of Direct Benefit to Donors	<u>28,088</u>	<u>-</u>	<u>-</u>	<u>28,088</u>
Total Expenses	<u>3,588,280</u>	<u>62,062</u>	<u>-</u>	<u>3,650,342</u>
Change in Net Assets	2,998,671		-	2,998,671
Net Income		<u>\$ 980,445</u>	<u>\$ (980,445)</u>	-
Net Assets at Beginning of Year	<u>18,821,800</u>			<u>18,821,800</u>
Net Assets at End of Year	<u>\$ 21,820,471</u>			<u>\$ 21,820,471</u>

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HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

CONSOLIDATING SCHEDULE OF ACTIVITIES
JUNE 30, 2018

	Housing Development Fund, Inc.	HDF Community Works, LLC	Eliminations	Consolidated
<u>Financing Revenues</u>				
Interest Income - Loans	\$ 1,303,151	\$ -	\$ -	\$ 1,303,151
Investment Income, Net	95,220	714	-	95,934
Contracts and Fees	543,303	-	-	543,303
Total Financing Revenues	<u>1,941,674</u>	<u>714</u>	<u>-</u>	<u>1,942,388</u>
<u>Financing Expenses</u>				
Interest Expense	424,073	-	-	424,073
Provision for Loan Losses	511,254	-	-	511,254
Total Financing Expenses	<u>935,327</u>	<u>-</u>	<u>-</u>	<u>935,327</u>
Net Financing Revenues	<u>1,006,347</u>	<u>714</u>	<u>-</u>	<u>1,007,061</u>
<u>Contributions, Grants and Other Support</u>				
Contributions and Promises to Give	663,236	-	-	663,236
Grant Revenue, Net of Provision for Forgivable				
Loans of \$81,497	3,378,563	-	-	3,378,563
Fund-raising Event	76,572	-	-	76,572
Subsidiary Investment Income	(6,762)	-	6,762	-
In-kind Contributions	-	-	-	-
Total Contributions, Grants and Other Support	<u>4,111,609</u>	<u>-</u>	<u>6,762</u>	<u>4,118,371</u>
Total Net Financing Revenues, Contributions, Grants and Other Support	<u>5,117,956</u>	<u>714</u>	<u>6,762</u>	<u>5,125,432</u>

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HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

CONSOLIDATING SCHEDULE OF ACTIVITIES
JUNE 30, 2018

	<u>Housing Development Fund, Inc.</u>	<u>HDF Community Works, LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Expenses</u>				
<u>Program Services:</u>				
Multi-Family Housing	\$ 261,536	\$ -	\$ -	\$ 261,536
Homebuyer Assistance Underwriting	1,102,231	-	-	1,102,231
Homebuyer Assistance Counseling	574,907	-	-	574,907
Shore Up	-	3,544	-	3,544
Property Management	-	<u>3,932</u>	-	<u>3,932</u>
Total Program Services	1,938,674	7,476	-	1,946,150
<u>Support Services:</u>				
Management, General and Fund Raising	<u>1,174,294</u>	<u>-</u>	<u>-</u>	<u>1,174,294</u>
Total Functional Expenses	3,112,968	7,476	-	3,120,444
Cost of Direct Benefits to Donors	<u>13,360</u>	<u>-</u>	<u>-</u>	<u>13,361</u>
Total Expenses	<u>3,126,328</u>	<u>7,476</u>	<u>-</u>	<u>3,133,805</u>
Change in Net Assets	1,991,628	-	-	1,991,628
Net Income		<u>\$ (6,762)</u>	<u>\$ 6,762</u>	-
Net Assets at Beginning of Year	<u>16,830,172</u>			<u>16,830,172</u>
Net Assets at End of Year	<u>\$ 18,821,800</u>			<u>\$ 18,821,800</u>

See independent auditor's report.

HOUSING DEVELOPMENT FUND, INC. AND ITS SUBSIDIARY

SCHEDULE OF GROSS LOANS RECEIVABLE,
BALANCE ON SERVICED LOANS, AND
LOANS ORIGINATED AND SOLD
YEAR ENDED JUNE 30, 2019
(with comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
<u>Gross Loans Receivable on Statements of Activities</u>		
Downpayment Assistance (Including LWYW Program)	\$ 12,748,979	\$ 9,758,682
Smart Move I	194,127	246,118
Smart Move II - HDF Portion	1,469,958	1,265,557
Smart Move II - Participant Portion	327,813	285,199
Smart Move NY - Participant Portion	25,600	-
Mortgage Loans	22,276,020	22,751,701
Construction and Other Loans	<u>1,048,461</u>	<u>1,757,772</u>
Gross Loans Receivable	38,090,958	36,065,029
<u>Agency Assets</u>		
Loan Receivable from Developer of the Bijou Square Project, Funded by Participation of CHFA	<u>12,765,322</u>	<u>13,023,115</u>
Total Loan Receivables on Statements of Activities	<u>50,856,280</u>	<u>49,088,144</u>
<u>Gross Loans Receivable Not on Statements of Activities</u>		
Gross Forgivable Loans		
Wells Fargo Lift Loans	<u>1,604,198</u>	<u>2,295,497</u>
Total Gross Loans Receivable	<u>52,460,478</u>	<u>51,383,641</u>
<u>Gross Balance, net of HDF Portion, of Serviced Loans</u>		
Smart Move (Pools 1- 124 through 6/30/14)	21,840,761	26,151,862
Smart Move II (July 1, 2014 - June 30, 2018)	19,186,041	16,754,546
Smart Move - New York	2,425,675	1,959,474
Shore Up Loans (Assigned to State of CT)	<u>1,509,228</u>	<u>1,637,645</u>
Total Gross Balance on Serviced Loans	<u>44,961,705</u>	<u>46,503,527</u>
Total Gross Loan Receivable and Balance on Serviced Loans as of June 30	97,422,183	97,887,168
Loans Originated and Sold During the Year Ended June 30	<u>200,000</u>	<u>555,200</u>
Total	<u>\$ 97,622,183</u>	<u>\$ 98,442,368</u>

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