

**National Homebuyers  
Fund Inc. (NHF)  
Board of Directors Meeting**



**Wednesday, May 9, 2018  
9:00 A.M.**

**1215 K Street, Suite 1650  
Sacramento CA 95814  
916-447-4806**



**National Homebuyers Fund, Inc.  
Board of Directors Meeting  
Wednesday, May 9, 2018,  
9:00 a.m.  
1215 K Street, Suite 1650  
Sacramento, CA 95814  
(916) 447-4806**

**AGENDA**

**9:30 a.m.  
Special Order of Business  
Simultaneous Meeting  
GSFA Executive Committee  
NHF Board of Directors  
RCRC Executive Committee**

**ACTION ITEMS**

- |   |               |
|---|---------------|
| <b>1. NHF 2017 Annual Audit Exit Conference and Financial Statements</b>  | <b>Page 1</b> |
| <b>2. GSFA 2017 Annual Audit Exit Conference and Financial Statements</b> |               |
| <b>3. RCRC 2017 Annual Audit Exit Conference and Financial Statements</b> |               |

**1. Call to Order & Determination of Quorum**

*Chair, Supervisor Kevin Cann, Mariposa County*

**2. Approval of Minutes – December 6, 2017 Board Meeting**

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*(Board Members absent from the meeting will be recorded as abstained unless the Board Member indicates otherwise.)*

**3. Public Testimony**

*Presentation only of any matters of concern to the general public.*

**4. Business and Administrative Matters** (Discussion and possible action relative to)

*Greg Norton, President*

*Lisa McCargar, Chief Financial Officer*

**a. Recognition of 2018 NHF Board of Directors and Appointment  
of Corporate Officers – ACTION** **Page 31**

**b. NHF Resolution 18-01: Board Travel Policy – ACTION** **Page 33**

**5. NHF Quarterly Reports** (Discussion and possible action relative to)

*Lisa McCargar*

- a. **NHF Budget Report (March 31, 2018)**
- b. **NHF Investment Report (March 31, 2018)**
- c. **NHF Liquidity Report (March 31, 2018)**

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**6. Program Updates** (Discussion and possible action relative to)

*Greg Norton*

**7. Adjournment**

Meeting facilities are accessible to persons with disabilities. By request, alternative agenda document formats are available to persons with disabilities. To arrange an alternative agenda document format or to arrange aid or services to modify or accommodate persons with a disability to participate in a public meeting, contact Sarah Bolnik by calling 916-447-4806 at least 48 hours prior to the scheduled meeting.

Agenda items will be taken as close as possible to the schedule indicated. Any member of the general public may comment on agenda items at the time of discussion. In order to facilitate public comment; please let staff know if you would like to speak on a specific agenda item. The agenda for this meeting of the Board of Directors of National Homebuyer's Fund was duly posted at its offices, 1215 K Street, Suite 1650 Street, Sacramento, CA 72 hours prior to the meeting.



National Homebuyers Fund, Inc.  
1215 K Street, Suite 1650 · Sacramento, California 95814  
Phone: (866) 643-4968 · Fax: (916) 444-3551 · [www.nhfloan.org](http://www.nhfloan.org)

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To: NHF Board of Directors  
From: Lisa McCargar, Chief Financial Officer  
Date: May 1, 2018  
Re: NHF 2017 Audited Financial Statements and Exit Conference –  
**ACTION, Special Order of Business**

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**Summary**

Attached are the National Homebuyers Fund Inc. (NHF) financial statements as of and for the year ended December 31, 2017, audited by Moss Adams LLP. The financial statements contain an unmodified ("clean") audit opinion. The auditors also issued a communication letter to Those Charged With Governance as required by U.S. audit standards. In summary, the communication states that there were no significant matters identified in the course of the audit and no audit adjustments were proposed or made to the original trial balance prepared by management.

The financial statements and communication letter to Those Charged With Governance provide information useful to Board members in exercising their fiduciary responsibility. Moss Adams will be present to address the audit and audit approach as well as answer any questions.

**Recommendation**

It is recommended that the NHF Board of Directors review, approve, and adopt the 2017 audited financial statements and communications letter as presented.

**Attachments**

- NHF 2017 Audited Financial Statements
- Communications to Those Charged With Governance





*Report of Independent Auditors and  
Financial Statements*

**National Homebuyers Fund, Inc.**

*December 31, 2017*



MOSSADAMS

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# **National Homebuyers Fund, Inc.**

## **Management's Discussion and Analysis**

### **December 31, 2017**

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This section presents management's discussion and analysis of National Homebuyers Fund, Inc.'s (NHF) financial performance for the year ended December 31, 2017. Please read it in conjunction with the financial statements and notes thereto, which follow this section.

#### **FINANCIAL HIGHLIGHTS**

The assets of NHF exceeded its liabilities at December 31, 2017, by \$79.7 million (net position). All of the net position is available to meet ongoing obligations. NHF's total net position increased by \$8.3 million (up 11.6%) from December 31, 2016 to December 31, 2017.

Housing programs offered in multiple states via several lending institutions, interest on outstanding second mortgages, and program management services generated revenues of \$43.7 million for the year ended December 31, 2017. As of December 31, 2017, assets include \$72.8 million in unrestricted cash and cash equivalents and approximately \$5.8 million in second mortgage loans, net of an allowance for loan losses. It is important to note that the second mortgage loans are interest bearing; however, they are not securitized and are therefore subject to risk of default.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

NHF's basic financial statements include the (1) statement of net position, (2) statement of revenues, expenses, and changes in net position, (3) statement of cash flows, and (4) notes to basic financial statements, which explain in more detail some of the information in the financial statements.

NHF's financial statements report information about NHF using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The statement of net position includes all of NHF's operating assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to NHF's creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities.

All of the revenues and expenses for 2017 are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of NHF's operations over the year and can be used to determine whether NHF has successfully recovered all of its costs through the services it provides.

The statement of cash flows provides information about NHF's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, noncapital financing, and financing activities.

The notes to basic financial statements provide additional information that is essential to a full understanding of NHF's financial statements.

**National Homebuyers Fund, Inc.**  
**Management's Discussion and Analysis**  
**December 31, 2017**

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**FINANCIAL ANALYSIS**

**Condensed Statement of Net Position**  
**December 31, 2017 and 2016**

			Increase (Decrease)	
	2017	2016	\$	%
<b>Assets</b>				
Current and other assets	\$ 137,396,681	\$ 303,190,438	\$ (165,793,757)	(54.7)%
<b>Liabilities</b>				
Current and other liabilities	57,682,995	231,740,327	(174,057,332)	(75.1)%
<b>Net position</b>				
Net position, unrestricted	\$ 79,713,686	\$ 71,450,111	\$ 8,263,575	11.6%

The condensed statement of net position reflects a snapshot of NHF's financial position at a given moment in time. Changes in net position over time are an indicator of whether the financial condition of NHF is improving or declining. As of December 31, 2017, NHF's net position was \$79,713,686, an increase of \$8,263,575 (up 11.6%) from December 31, 2016. The increase was primarily a result of positive net performance from NHF's down payment assistance program. Despite a reduction in the housing program's volume, overall, net revenue and expense activity increased NHF's cash position.

Total assets and total liabilities experienced a decline. The decrease in assets of \$165,793,757 (down 54.7%) and the decrease in current and other liabilities of \$174,057,332 (down 75.1%) were directly correlated to the decrease in receivables and payables associated with the estimated proceeds and obligations of mortgage backed securities to be settled at a future date. The decline of the receivables and payables corresponds to the decline in housing down payment assistance revenue and gift expenses following a contract ending with a major provider in 2016, further impacting 2017 results.

**National Homebuyers Fund, Inc.**  
**Management's Discussion and Analysis**  
**December 31, 2017**

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**Condensed Statement of Revenues, Expenses, and Changes in Net Position**  
**December 31, 2017 and 2016**

	2017	2016	Increase (Decrease)	
			\$	%
<b>Operating revenues</b>				
Housing program revenue	\$ 38,142,902	\$ 111,927,384	\$ (73,784,482)	(65.9)%
Program management fee revenue	5,019,571	4,632,371	387,200	8.4%
Second mortgage interest	549,839	742,491	(192,652)	(25.9)%
Total operating revenues	43,712,312	117,302,246	(73,589,934)	(62.7)%
<b>Operating expenses</b>				
Housing program expenses	28,680,309	89,397,931	(60,717,622)	(67.9)%
Other operating expenses	7,233,028	7,212,435	20,593	0.3%
Total operating expenses	35,913,337	96,610,366	(60,697,029)	(62.8)%
Operating income	7,798,975	20,691,880	(12,892,905)	(62.3)%
<b>Non-operating revenue</b>	464,600	266,335	198,265	74.4%
Change in net position	8,263,575	20,958,215	(12,694,640)	(60.6)%
Net position, beginning of year	71,450,111	50,491,896	20,958,215	41.5%
Net position, end of year	\$ 79,713,686	\$ 71,450,111	\$ 8,263,575	11.6%

The condensed statement of revenues, expenses, and changes in net position reflects activity that has occurred during the period of time covered by this report. For the year ended December 31, 2017, NHF's operating revenues decreased by \$73,589,934 (down 62.7%) from the year ended December 31, 2016, primarily due to the reduction of the down payment assistance gift and second mortgage programs. Housing programs, which provide financing options for low to moderate income homebuyers, experienced a continued decline in revenue of \$73,784,482 (down 65.9%) following a contract ending with a major provider in 2016. Second mortgage interest income also declined, down \$192,652 (down 25.9%). NHF expects interest income to decline each year as principal balances on second mortgages are paid off and the base on which interest is calculated declines. The reductions in revenue were offset by an increase in program management fee revenue, up \$387,200 (up 8.4%). The increase in fee revenue resulted from the rise in energy program expansion managed by NHF. Housing program expenses of \$60,717,622 decreased (down 67.9%), corresponding directly to housing program revenue and activity for the same period. This was the primary cause for the decline in total operating expenses of \$60,697,029 (down 62.8%).

**National Homebuyers Fund, Inc.**  
**Management's Discussion and Analysis**  
**December 31, 2017**

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**BUDGETARY COMPARISON**

**Comparison of Budget and Actual Revenues, Expenses, and Changes in Net Position**  
**Year Ended December 31, 2017**

	Budgets		Actual	Actual Over (Under) Final Budget	
	Original	Revised		\$	%
<b>Operating revenues</b>					
Housing program revenue	74,250,000	32,140,000	38,142,902	6,002,902	18.7%
Program management fee revenue	1,110,000	3,700,000	5,019,571	1,319,571	35.7%
Second mortgage interest	550,000	550,000	549,839	(161)	0.0%
Total operating revenues	75,910,000	36,390,000	43,712,312	7,322,312	20.1%
<b>Operating expenses</b>					
Housing program expenses	64,850,000	26,225,000	28,680,309	2,455,309	9.4%
Other operating expenses	7,960,137	7,960,137	7,233,028	(727,109)	(9.1)%
Total operating expenses	72,810,137	34,185,137	35,913,337	1,728,200	5.1%
Operating income	3,099,863	2,204,863	7,798,975	5,594,112	253.7%
<b>Non-operating income</b>	454,000	454,000	464,600	10,600	2.3%
Change in net position	\$ 3,553,863	\$ 2,658,863	\$ 8,263,575	\$ 5,604,712	210.8%

Over the course of the year, NHF revised its budget. Housing program revenue was reduced to better reflect an anticipated reduction in housing program activity resulting from a further restructuring of NHF's down payment assistance program. Even with this adjustment, actual program revenue exceeded the revised budget by \$6,002,902. Program management fee revenue also exceeded the revised budget by \$1,319,571, reflecting an increase in the number of transactions and increasing popularity associated with the energy program managed by NHF. NHF's operating expenses exceeded budget by \$1,728,200, an increase of 5.1% primarily due to costs associated with the down payment assistance program which are directly related to activities generating NHF's housing revenues. NHF's change in net position of \$8,263,575 exceeded the revised budget by \$5,604,712, an increase of 210.8%.

**National Homebuyers Fund, Inc.**  
**Management's Discussion and Analysis**  
**December 31, 2017**

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**FUTURE ECONOMIC OUTLOOK**

NHF's 2018 board-approved budget includes continued revenue from second mortgage loan interest, down payment assistance gift programs, and program management services. NHF's budgeted outlook anticipates the most significant growth to come from program management fee revenue, specifically in the area of the residential and commercial energy retrofit program. NHF anticipates that the success of the energy retrofit programs will provide increased program management fee revenue, while the down payment assistance postponements will result in curtailed gift program revenue compared with years past.

Following 2017 activity, NHF had approximately \$72.8 million in unrestricted cash available for future operations and programs. NHF also holds approximately \$5.8 million in gross second mortgage loans in its portfolio. NHF anticipates that additional investment in and development of housing programs and management services will continue to diversify revenues and provide resources for the future.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of NHF's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, 1215 K Street, Suite 1650, Sacramento, CA, 95814.



## **Report of Independent Auditors**

The Board of Directors  
National Homebuyers Fund, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of National Homebuyers Fund, Inc. (NHF) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise NHF's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NHF's internal control. Accordingly, we express no such opinion. An audit also 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 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 financial statements referred to above present fairly, in all material respects, the financial position of NHF as of December 31, 2017, and the changes its in net financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 1 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2018 on our consideration of NHF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NHF's internal control over financial reporting and compliance.

*Moss Adams, LLP*

Sacramento, California  
April 17, 2018

## **Basic Financial Statements**

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**National Homebuyers Fund, Inc.**  
**Statement of Net Position**  
**December 31, 2017**

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**ASSETS**

**Current assets**

Cash and cash equivalents	\$ 72,783,014
Restricted cash (Note 2)	464,356
Accounts receivable, proceeds from sale of securities	57,702,033
Accounts receivable	23,899
Accounts receivable from affiliated entities	564,674
Interest receivable	48,745
Prepaid expenses and other current assets	27,598
<b>Total current assets</b>	<b>131,614,319</b>

**Non-current assets**

Second mortgage loans receivable, net of allowance for loan losses of \$300,000	5,782,362
<b>Total assets</b>	<b>\$ 137,396,681</b>

**LIABILITIES AND NET POSITION**

**Current liabilities**

Accounts payable, securities to be purchased, at fair value	\$ 57,442,193
Accounts payable	230,287
Accounts payable to affiliated entities	10,515
<b>Total current liabilities</b>	<b>57,682,995</b>

**Net position, unrestricted**

<b>Total liabilities and net position</b>	<b>\$ 137,396,681</b>
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the accompanying notes are an integral part of these financial statements

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**National Homebuyers Fund, Inc.**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Year Ended December 31, 2017**

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Operating revenues	
Housing program revenue	\$ 38,142,902
Program management fee revenue	5,019,571
Second mortgage interest	549,839
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Total operating revenues	43,712,312
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Operating expenses	
Accounting and auditing	28,556
Business development and expansion	8,075
Consultants	246,000
Contribution to affiliate	3,000,000
County MCC fees	8,000
Housing program expenses	28,680,309
Insurance	36,566
Legal fees	1,007,112
Provision for loan losses	131,027
Rent	94,424
Sponsorships	200,000
Support services	2,449,000
Miscellaneous	24,268
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Total operating expenses	35,913,337
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Operating income	7,798,975
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Non-operating revenues (expenses)	
Interest income	596,064
Loss on investments	(131,464)
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Total non-operating revenues	464,600
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Change in net position	8,263,575
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Net position, beginning of year	71,450,111
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Net position, end of year	\$ 79,713,686
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The accompanying notes are an integral part of these financial statements

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**National Homebuyers Fund, Inc.**  
**Statement of Cash Flows**  
**Year Ended December 31, 2017**

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Cash flows from operating activities	
Cash receipts from housing programs	\$ 38,880,196
Cash receipts from program management fees	5,019,571
Cash paid for support services	(2,449,000)
Cash paid for services and supplies	(31,905,576)
Net cash from operating activities	<u>9,545,191</u>
Cash flows from investing activities	
Interest received and loss on investments	<u>451,340</u>
Increase in cash and cash equivalents	9,996,531
Cash and cash equivalents, beginning of year	<u>63,250,839</u>
Cash and cash equivalents, end of year	<u>\$ 73,247,370</u>
Reconciliation of operating income to net cash from operating activities	
Operating income	\$ 7,798,975
Adjustment to reconcile operating income to net cash from operating activities:	
Provision for loan losses	(131,027)
Change in assets and liabilities	
Accounts receivable, proceeds from sale of securities	
net of accounts payable and securities sold, at fair value	(1,351,886)
Accounts receivable	116,880
Account receivable from affiliated entities	1,339,508
Second mortgage loans receivable	1,684,515
Prepaid expenses and other current assets	(264)
Accounts payable	<u>88,490</u>
Net cash from operating activities	<u>\$ 9,545,191</u>

The accompanying notes are an integral part of these financial statements

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# National Homebuyers Fund, Inc.

## Notes to Basic Financial Statements

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting entity** – National Homebuyers Fund, Inc. (NHF), was incorporated in August 2002. NHF is a nonprofit public benefit corporation organized exclusively for the purpose of assisting in the provision of adequate, safe, and sanitary residential housing, for any other public purposes related hereto, and is organized within the meaning of Section 115(1) of the Internal Revenue Code. Accordingly, NHF is considered a governmental unit for financial reporting purposes. NHF is governed by a five-member Board of Directors. Four of NHF's five board members are elected officials.

NHF makes available competitively priced financing opportunities to homebuyers for the purchase of residential housing, with particular emphasis on assisting low and moderate income homebuyers. NHF works in cooperation with regional lenders to provide mortgage loan financing and down payment assistance to families and individuals who otherwise may not be able to afford to purchase a home. NHF also provides program management services for a government entity.

NHF contracts with the Rural County Representatives of California (RCRC), a California nonprofit mutual benefit corporation, for various administrative and support services. RCRC was organized to serve and strengthen county and local governments through definition, study, and action relative to problems affecting the member counties and their resources to include but not be limited to those of social, economic, environmental, and ecological importance.

**Basis of accounting** – NHF is accounted for as an enterprise fund and its financial statements are prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows.

NHF distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with NHF's principal ongoing operations. The principal operating revenues of NHF are from its down payment assistance housing programs and program management services. Interest income earned on second mortgage loans and mortgage-backed securities is also reported as operating income. Operating expenses of NHF include the cost of providing the services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenue and expense.

**Accounting standards** – The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. The more significant of NHF's accounting policies are described below.

**Cash and cash equivalents** – NHF considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents, including investments in CalTRUST.

NHF's investment policy authorizes the investment of idle or surplus funds in U.S. Treasury obligations, U.S. government agencies, bankers' acceptances, commercial paper, negotiable CDs, medium-term notes, repurchase agreements, time certificates of deposit, and CalTRUST.

**Second mortgage loans** – Second mortgage loans receivable represent future principal payments on outstanding second mortgage loans. As of December 31, 2017, \$6,082,362 in second mortgage loans remain outstanding.

## National Homebuyers Fund, Inc.

### Notes to Basic Financial Statements

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**Allowance for loan losses** – NHF maintains an allowance for loan losses at a level considered adequate to provide for probable losses on existing second mortgages receivable. The allowance for loan losses is based on estimates and actual losses may vary from current estimates.

**Housing program revenue** – Housing program revenue consists of income earned on NHF's down payment assistance gift program, including gains and losses on the sale of mortgage-backed securities. As part of the gift program, NHF purchases pools of government backed mortgage-backed securities (MBS) for resale into the secondary market. To manage exposure to interest rate risk on the purchase and subsequent resale of MBSs into the secondary market, NHF enters into sales agreements of "to-be-announced" (TBA) Government National Mortgage Association (GNMA) and Federal National Mortgage Association (FNMA) and/or Federal Home Loan Mortgage Corporation (FHLMC) securities, in which NHF has committed to deliver securities at contracted prices at a future date. Realized and unrealized gains and losses on mortgage backed securities is reported in housing program revenue, as the activity relates solely to the down payment assistance gift program.

**Fair value measurements** – NHF categorizes its fair value measurements within the fair value hierarchy established by generally accept accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments in CalTrust of \$39.9 million are valued at net asset value and therefore excluded from the fair value hierarchy.

NHF has the following recurring fair value measurements as of December 31, 2017:

- Money market funds (Level 2 inputs)
- Accounts payable, securities to be purchased, are valued using quoted market prices (Level 1)

**Net position** – Net position is classified into the following categories:

*Invested in capital assets:* Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets; NHF does not have any net position in this category as of December 31, 2017.

- *Restricted – non-expendable:* Net position subject to externally imposed conditions that NHF retains in perpetuity; NHF does not have any net position in this category as of December 31, 2017.
- *Restricted – expendable:* Net position subject to externally imposed conditions that can be fulfilled by the actions of NHF or by the passage of time; NHF does not have any net position in this category as of December 31, 2017.
- *Unrestricted:* All other categories of net position; in addition, unrestricted net position may be designated for use by management or the Board of Directors.

NHF has adopted a policy of generally utilizing restricted – expendable funds prior to unrestricted funds when an expenditure is incurred for purposes for which both are available.

**Income taxes** – NHF is a tax-exempt corporation under Section 115(1) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. NHF is not required to file federal or state income tax returns.

## National Homebuyers Fund, Inc.

### Notes to Basic Financial Statements

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**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 the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The allowance for loan losses and fair market value of financial instruments are particularly subject to change.

#### NOTE 2 – CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

A summary of NHF's cash and cash equivalents as of December 31, 2017, is as follows:

Deposits with financial institutions	\$ 1,563,309
Collateral accounts	31,317,604
Collateral accounts (restricted)	464,356
CalTRUST	<u>39,902,101</u>
Total cash and cash equivalents, including restricted cash	<u>\$ 73,247,370</u>

**Deposits – custodial credit risk** – Custodial credit risk is the risk that in the event of a bank failure, NHF's deposits may not be returned to it. Cash and cash equivalents and restricted cash consist of deposits with financial institutions, a collateral account, and amounts held with CalTRUST. As of December 31, 2017, NHF's deposits with financial institutions stated at \$1,563,309 are entirely insured or collateralized. Section 53652 of the California Governmental Code requires financial institutions to secure deposits made by governmental units in excess of insured amounts by the pledging of governmental securities as collateral. The market value of the pledged securities in the collateral pool must be equal to at least 110% of the total amount deposited by governmental units.

**Collateral accounts** – NHF has funds held with securities firms. The funds represent collateral for the sales agreements of TBA GNMA and FNMA and/or FHLMC securities. As required by the Master Securities Forward Transaction Agreement between each securities firm and NHF, if at any time NHF has an "Out-of-the-Money" net unsecured forward exposure, the securities firm shall require NHF to maintain collateral having a margin value sufficient to eliminate such net unsecured forward exposure. If at any time NHF has an excess forward collateral amount, NHF may request the funds from the securities firm. At December 31, 2017, a portion of the funds on deposit with each securities firm represented collateral for a net unsecured forward exposure, and \$464,356 of those funds have therefore been presented as restricted cash in the statement of net position. Of the \$31,781,960 at the securities firms, \$22,349,147 is insured, and \$9,432,813 is uninsured.

**Highly liquid investments** – As of December 31, 2017, NHF also maintains a highly liquid investment account with CalTRUST in the amount of \$39,902,101. CalTRUST is a program established by local public agencies in California for the purpose of pooling and investing local agency funds. The total amount invested by public agencies in CalTRUST at December 31, 2017, exceeded \$2.8 billion.

## National Homebuyers Fund, Inc.

### Notes to Basic Financial Statements

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CalTRUST is a joint powers authority that was formed to pool and invest funds of public agencies. Three pools are offered and NHF is currently invested in the short-term and medium-term funds. Because NHF's deposits are maintained in a recognized Pooled Investment Fund (Fund) under the care of a third party and NHF's share of the pool does not represent specific identifiable investment securities owned by NHF, no disclosure of the individual deposits and investments and related custodial credit risk is required.

A Board of Trustees supervises and administers the investment program of CalTRUST. CalTRUST invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53602, et seq. and 53635, et seq. CalTRUST Short Term and Medium Term funds are rated A- or better by a credit rating agency. NHF's highly liquid investment in CalTRUST is reported at fair value.

**Interest rate and credit risk** – Interest rate risk is the risk that changes in the market interest will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

#### NOTE 3 – SECOND MORTGAGE LOANS RECEIVABLE

Second mortgage loan portfolios are comprised of loans issued to individuals, and are serviced by mortgage companies on NHF's behalf. Second mortgage loans receivable as of December 31, 2017, are as follows:

Second mortgages	\$ 6,082,362
Allowance for loan losses	<u>(300,000)</u>
Total second mortgage loans receivable, net of allowance for loan losses	\$ <u>5,782,362</u>

Activity in the allowance for loan losses for the year ended December 31, 2017, was as follows:

Balance, beginning of year	\$ 300,000
Charge-offs	(131,027)
Recoveries	-
Provision for loan losses	<u>131,027</u>
Balance, end of year	\$ <u>300,000</u>

#### NOTE 4 – HOUSING PROGRAMS

NHF maintains its down payment assistance programs targeting low to moderate income homebuyers. The programs provide down payment assistance in the form of a gift. NHF has partnered with financial institutions to market the programs to homebuyers.

## **National Homebuyers Fund, Inc.**

### **Notes to Basic Financial Statements**

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As part of this program, NHF purchases pools of government backed MBS for resale into the secondary market. To manage exposure to interest rate risk on the purchase and subsequent resale of MBS's into the secondary market, NHF enters into sales agreements of TBA GNMA and FNMA and/or FHLMC securities, in which NHF has committed to deliver the specified securities at contracted prices at a future date. The entity has recorded a receivable of \$57,702,033 for the estimated proceeds from the sale of outstanding TBAs. NHF has also recorded a liability of \$57,442,193, the fair value as of December 31, 2017, to purchase the securities at prevailing prices in order to fulfill the future obligation.

#### **NOTE 5 – RELATED – PARTY TRANSACTIONS**

For the year ended December 31, 2017, NHF maintained a contract support services agreement with RCRC, an affiliated entity, for a flat fee of \$204,083 per month. As of December 31, 2017, NHF owed RCRC \$10,515 for expenses paid by RCRC on its behalf. Also for 2017, NHF entered into a service agreement with Golden State Finance Authority (GSFA), an affiliated entity, to manage its housing and energy programs to include lender training, customer service and support, loan pipeline management, pooling, delivery management, and pricing. Total revenue for those services is included in program management fee revenue. As of December 31, 2017, \$428,411 was due to NHF from GSFA for program management fees and \$136,263 of second mortgage payments collected on NHF's behalf were due from GSFA. Also, GSFA charges a fee to NHF for administrative services related to its trading platform. Fees incurred of approximately \$200,000 are reported as a component of housing program expenses and revenues received of approximately \$945,000 from energy program management fees are included in the statement of revenues, expenses, and changes in net position. The support service agreements with both RCRC and GSFA are annual agreements, expiring on December 31 of each year, with successive one-year automatic renewals until terminated by either party. The annual agreements are revised for fee and scope as needed and are approved by the applicable Board of Directors.

#### **NOTE 6 – RISK MANAGEMENT**

NHF is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. RCRC purchases commercial insurance through an insurance agent that obtains the appropriate insurance coverage needed from insurance companies, which includes coverage for NHF. NHF reimburses RCRC for its pro-rata portion of the insurance premium. There has been no significant reduction in coverage compared to prior year and there have been no settlement amounts that have exceeded commercial insurance coverage for the last three years.

#### **NOTE 7 – COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS**

In May 2015, NHF, and additionally RCRC and GSFA, two affiliated entities, were named as defendants in a summons brought by the Washington State Housing Finance Commission (Commission). The lawsuit alleged that NHF does not have the authority to provide homeownership financing services in the state of Washington. Subsequent to year end, a Washington State judge ruled that NHF did not have the authority to offer services in the state of Washington. NHF maintains that its activities in Washington State complied with all applicable law, and is in the process of appealing this decision. Management believes that this ruling is invalid and the outcome will not have a material adverse effect on the financial position.





## **Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors  
National Homebuyers Fund, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of National Homebuyers Fund, Inc. (NHF), as of and for the year ended December 31, 2017, and the related notes to basic financial statements, which collectively comprise NHF's basic financial statements, and have issued our report thereon dated April 17, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered NHF's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NHF's internal control. Accordingly, we do not express an opinion on the effectiveness of NHF's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether NHF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Moss Adams, LLP*

Sacramento, California  
April 17, 2018

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*Communication with  
Those Charged with Governance*

**National Homebuyers Fund, Inc.**

*December 31, 2017*



MOSSADAMS



## **Communication with Those Charged with Governance**

To the Board of Directors and Management  
National Homebuyers Fund, Inc.

We have audited the financial statements of National Homebuyers Fund, Inc. (NHF), as of and for the year ended December 31, 2017, and have issued our report thereon dated April 17, 2018. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under Auditing Standards Generally Accepted in The United States of America and Government Auditing Standards**

As stated in our engagement letter dated November 9, 2017, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with auditing standards generally accepted in the United States of America as well as Government Auditing Standards, issued by the Comptroller General of the United States, and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NHF's internal control over financial reporting. Accordingly, we considered NHF's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in the engagement letter and during planning discussions conducted on November 15, 2017.

## **Significant Audit Findings and Issues**

### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by NHF are described in Note 1 to the financial statements. No new accounting policies were adopted and there were no changes in the application of existing policies during 2017. We noted no transactions entered into by NHF during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transactions occurred.

### ***Significant Accounting Estimates***

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the allowance for loan loss on second mortgages receivable is based on estimates of historical loss trends and current exposure in the loan pools. We evaluated the key factors and assumptions used in the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

### ***Financial Statement Disclosures***

The disclosures in the financial statements are consistent, clear and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

Disclosure of the reporting entity and its operations, basis of accounting, and summary of significant accounting policies are described in Note 1.

Disclosure of mortgage backed securities and forward sales of "to-be-announced" (TBA) securities in Notes 1 and 4. Mortgage backed securities sold, not yet purchased, represent obligations of NHF to deliver the specified security at a contract price, thereby creating a liability to purchase the security at quoted market prices. NHF also records a receivable as of the trade date for the estimated proceeds receivable. Realized and unrealized gains and losses on mortgage backed securities are reported in operating income as the activity relates solely to the housing program.

### ***Significant Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements as of and for the year ended December 31, 2017.

### ***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated April 17, 2018.

### ***Management Consultation with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to NHF's financial statements, or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Significant Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as NHF's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of NHF and is not intended to be, and should not be, used by anyone other than these specified parties.

*Moss Adams, LLP*

Sacramento, California  
April 26, 2018



National Homebuyers Fund, Inc.  
1215 K Street, Ste 1650 · Sacramento, California 95814  
Phone: 866-643-4968 · Fax: 916-444-3551 · [www.nhfloan.org](http://www.nhfloan.org)

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**Board of Directors Meeting  
Wednesday, December 6, 2017  
8:30 a.m.  
1215 K Street, Suite 1650  
Sacramento CA 95814  
(916) 447-4806**

**MINUTES**

**Call to Order, Determination of Quorum**

Chair, Supervisor Kevin Cann, Mariposa County, called to order the meeting of National Homebuyers Fund, Inc. (NHF) at 8:36 a.m. A quorum was determined at that time. Those present:

**Directors Present**

Chair, Supervisor Kevin Cann, Mariposa County  
Vice Chair, Supervisor Randy Hanvelt, Tuolumne County  
Supervisor Rex Bohn, Humboldt County  
Supervisor Bob Williams, Tehama County

**Directors Absent**

None

**Others in Attendance**

Greg Norton, President  
Craig Ferguson, Vice President  
Lisa McCargar, Chief Financial Officer  
Sarah Bolnik, RCRC Business Development & Board Relations  
Elizabeth Jensen, RCRC Accountant

**Approval of Minutes of the July 12, 2017 Board Meeting**

**Supervisor Bob Williams, Tehama County, motioned to approve the minutes of the July 12, 2017 NHF Board of Directors Meeting. Supervisor Randy Hanvelt, Tuolumne County, seconded the motion. Motion unanimously approved.**

**Public Testimony**

None

**NHF Quarterly Budget and Investment Reports**

Lisa McCargar, Chief Financial Officer, presented the Quarterly NHF Investment Report, the NHF Budget Report, and the NHF Cash and Securities Asset Report for period ending September 30, 2017.

**NHF 2018 Proposed Budget**

Lisa McCargar reviewed the proposed 2018 Operating Budget for NHF with the Board of Directors.

**Recommendations**

It is recommended that the NHF Board of Directors approve the following recommendations:

1. Approve the attached proposed 2017 NHF Operating Budget.
2. Grant the NHF President the authority to make necessary business decisions and utilize up to \$500,000 per decision outside of the approved operating budget when necessary. Such decisions will be made in consultation with the Vice President, the NHF Board Chair and NHF Vice Chair and reported back to the NHF Board at the next available Board meeting.
3. Grant the NHF President the authority to proceed with necessary operating decisions due to changes in opportunities, the market, the economy or changing transactional requirements to provide necessary flexibility to effectively and timely implement programs. Such decisions to be made in consultation with the Vice President, NHF Chair and NHF Vice Chair with subsequent ratification by the Board of Directors as necessary.
4. Approve the 2017 contract service fee to RCRC in the amount of \$2,449,000 and transfer of \$3,000,000 of excess resources to RCRC in accordance with the NHF bylaws.
5. Approve continued commitment of \$1.68 million to veteran's housing or other specific related projects approved by the Board.

**Supervisor Randy Hanvelt, Tuolumne County, motioned to approve the 2018 NHF Budget and proposed recommendations. Supervisor Bob Williams, Tehama County, seconded the motion. Motion unanimously passed.**



### **NHF 2018 Investment Policy Renewal**

Lisa McCargar presented the 2018 investment policy to the NHF Board of Directors. Mr. Norton pointed out that the only revisions are applicable date changes.

#### **Recommendation**

It is recommended that the NHF Board of Directors review and approve the attached 2018 Investment Policy.

**Supervisor Randy Hanvelt, Tuolumne County, motioned to approve the 2018 NHF Investment Policy. Supervisor Bob Williams, Tehama County, seconded the motion. Motion unanimously passed.**

### **Support of iFoster 1 Laptop Program for Foster Youth**

Craig Ferguson, Vice President, reviewed a potential give back program for NHF to possibly sponsor. iFoster is a non-profit, 501 © (3), serving the child welfare community, including formal foster care, guardianship, and informal kinship care to youth ages 16-24 years old. Mr. Ferguson explained that should NHF allot \$200,000 (of the budgeted \$360,000) of the sponsorship funds, iFoster could provide a significant number of computers to foster children in rural California.

#### **Recommendation**

It is recommended the NHF Board of Directors approve a one-time contribution of \$200,000 to iFoster to fund the 1 Laptop Program for the purpose of providing new laptops with the necessary software to eligible foster youth and former foster youth ages 16-21 under the same parameters as the attached RCRC Board of Directors memorandum. Such contribution shall come from the 2018 proposed sponsorship budgeted expenditure.

**Supervisor Randy Hanvelt, Tuolumne County, motioned to approve the 2018 NHF Investment Policy. Supervisor Bob Williams, Tehama County, seconded the motion. Motion unanimously passed.**

### **Program Updates**

Craig Ferguson provided the NHF Board of Directors an update on the current housing programs.

### **Adjournment**

Chair, Supervisor Kevin Cann, Mariposa County adjourned the NHF Board of Directors Meeting at 9:02 a.m.





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**To:** NHF Board of Directors  
**From:** Greg Norton, President  
**Date:** May 1, 2018  
**Subject:** Recognition of 2018 NHF Board of Directors and Appointment of Corporate Officers - **ACTION**

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**Summary**

Each year the Officers of National Homebuyers Fund (NHF) are to be designated. The NHF Bylaws (Section 4 (e)) state that the directors of the corporation shall be the currently serving Chair, Vice Chair and President (or his or her designee) of RCRC and the currently serving Chair and Vice Chair of the Golden State Finance Authority (GSFA). The Bylaws (Section 6 (a)) further state that the Chair shall be the current Chair of GSFA and the Vice Chair shall be the current Vice Chair of GSFA.

As RCRC President, I am designating Supervisor Les Baugh, Shasta County, to serve as a Director on the NHF Board. The 2018 NHF Board of Directors is as follows:

<u>NHF Board Directors</u>	<u>NHF Position</u>	<u>Currently Serving</u>
Kevin Cann, Mariposa County	Chair	GSFA Chair
Bob Williams, Tehama County	Vice Chair	GSFA Vice Chair
Rex Bohn, Humboldt County	Director	RCRC Chair
Randy Hanvelt, Tuolumne County	Director	RCRC Vice Chair
Les Baugh, Shasta County	Director	RCRC Designee

The Bylaws (Section 6. (b)) state the following: the President shall be the President of RCRC, the Chief Financial Officer shall be the Chief Financial Officer of RCRC and Secretary shall be the Secretary of RCRC. For purposes of conducting the business and affairs of NHF, as NHF President, I appoint/designate the following as additional officers of NHF:

Vice President/Secretary  
Chief Financial Officer

Craig Ferguson  
Lisa McCargar

**Recommendations:**

- Acknowledge the 2018 NHF Board of Directors and Chair and Vice Chair as reflected above. (No action necessary)
- Confirm the appointment of the additional corporate officers by the NHF President as noted above.





National Homebuyers Fund, Inc.  
1215 K Street, Suite 1650 · Sacramento, California 95814  
Phone: (866) 643-4968 · Fax: (916) 444-3551 · [www.nhfloan.org](http://www.nhfloan.org)

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To: NHF Board of Directors  
From: Greg Norton, President  
Lisa McCargar, Chief Financial Officer  
Date: May 1, 2018  
Re: NHF Resolution 18-01: Board Travel Policy - **ACTION**

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**Background**

NHF has prepared a Travel Expense Policy (NHF Resolution 18-01) for the NHF Board of Directors and is presenting a draft to the Board for consideration and approval.

**Recommendation**

It is recommended that the NHF Board of Directors approve and adopt the proposed Board Travel Expense Policy, NHF Resolution 18-01.

**Attachment**

- NHF Resolution 18-01



## ***NHF RESOLUTION 18-01***

### **TRAVEL EXPENSE POLICY FOR THE NATIONAL HOMEBUYERS FUND, INC. BOARD MEMBERS**

WHEREAS, National Homebuyers Fund, Inc. Board of Directors needs to establish rules and regulations concerning travel, lodging and meals;

NOW, THEREFORE, BE IT RESOLVED by the Board of National Homebuyers Fund, Inc. (NHF) that unless otherwise provided by law, the following rules and regulations shall govern NHF business travel by NHF Board Members.

#### **STATEMENT OF GENERAL POLICY**

- A. It is recognized that members of Boards of Supervisors are reimbursed for business expenses by their respective counties. It is the intention of NHF to encourage involvement in NHF business by reimbursing NHF Board Members for certain NHF-related expenses, as described herein. Such a policy is intended to augment county reimbursement, not fully replace it.
- B. Travel is limited to only those purposes which enhance the efficient and effective operation of NHF.
- C. NHF Board Members traveling on NHF-related business shall do so by the most reasonable means available, both in terms of financial costs as a primary focus and productive utilization as a secondary consideration. It is also recognized that circumstances such as the distance to be traveled and the time necessary to travel, emergency situations, inclement weather conditions, etc., are all factors which may have significant impact in determining the allowance for the cost of travel.
- D. Authority to travel and reimbursements for customary and reasonable costs incurred for such travel including meals, transportation, registration, lodging, parking and other related costs shall be in accordance with policy and procedures delineated herein.
- E. All travel reimbursement claims must be submitted utilizing the NHF travel claim form.
- F. In no case will a Board Member be reimbursed in an amount greater than provided in this resolution without approval of the President.
- G. Reimbursement for commercial air travel will be at "coach" class cost.

- H. Reimbursement associated with an NHF Board Meeting, attendance at the full meeting is required in order to be reimbursed.

### **I. TRAVEL DEFINITIONS**

Travel in this policy is defined as travel that is necessary to complete NHF business required by the organization in the performance of its primary function and/or in the course of the assigned duties. Travel for Board Members consists of roundtrip travel from their place of residence or office to attend such required events/activities.

Such travel events include, but are not limited to:

- Meetings or conferences required in the implementation or administration of new or ongoing NHF program areas.
- Meetings, appearances or other travel necessary to conduct NHF business requested by the Board of Directors, Chair of the NHF Board, or the NHF President.

### **II. REIMBURSABLE TRAVEL ACTIVITIES**

NHF and its Board recognize the importance of NHF Officers and Board Members actively participating on behalf of NHF in certain activities on NHF business.

NHF will reimburse for travel expenses, including transportation, meals and lodging at the levels approved in this policy, for such activities in the following circumstances:

1. The activity is an NHF Board Meeting and the attending person is an official Member of the NHF Board.
2. The activity is a conference or a necessary meeting in which NHF has been invited to participate, and relates to subjects of interest to NHF, as determined by the NHF Board of Directors, and the NHF President.
3. The participation of the particular NHF Board Member is designated as official NHF business by the NHF President.
4. The travel, lodging and meal expenses are in connection with the activities described above, and are not for personal or non-official purposes, such as entertainment or tourist related activities organized as part of a conference.



**Reimbursements shall be made only upon supporting invoices, receipts and bills consistent with appropriate NHF policies.**

Notwithstanding the above, in no event shall NHF make reimbursement for lavish expenses for travel, lodging or meals; provided, however, that if the prevailing levels of lodging expenses exceed prevailing per diem levels, NHF may reimburse for such expenses upon a determination of the NHF President that the location, prevailing costs of lodging, or business necessity required more expensive lodging or meals.

NHF Board Members who are public officials under Government Code Section 87200 or are designated employees of a governmental agency, will be required to report payments as income on their FPPC Form 700 Statement of Economic Interests. NHF will provide to such persons annually a listing of reimbursements for these reporting purposes.

### **III. LICENSE, INSURANCE REQUIREMENTS AND MEANS OF TRAVEL**

**Licenses** - All NHF Board Members operating any vehicle used in the performance of NHF-related business must possess a valid driver's license. All NHF Board Members flying/piloting their own or a rented aircraft in the performance of NHF-related business must possess a valid and proper license.

**Insurance Requirements** - Any Board Member who uses their personal vehicle, rental vehicle or government vehicle for travel on NHF-related business shall carry insurance for personal injury or property damage at or above state mandated minimum levels at that time. Board Members not in compliance with these minimum standards shall not be authorized to drive their personal vehicle, rental vehicle or government vehicle on NHF business. If requested, Board Member is required to provide proof of licensing and insurance.

Any Board Member flying/piloting an aircraft for travel on NHF-related business shall carry comprehensive liability insurance coverage in the minimum amount of \$1,000,000 prior to their using the aircraft to conduct NHF business. Board Members not in compliance with these requirements shall not be authorized to fly their own or a rented aircraft on NHF business. If requested, Board Member is required to provide proof of licensing and insurance. NHF's Liability and Excess Liability policies exclude aircraft.

### **IV. MILEAGE CALCULATION AND REIMBURSEMENT**

**Mileage Calculation**-Roundtrip mileage is to be calculated from the Board Member's principal place of employment or home to the destination. Any special circumstances which inflate the normal mileage should be accompanied by an explanation in the expense claim and are subject to denial.

**Mileage Reimbursement Rate-**Authorized private vehicle usage for NHF business travel will be reimbursed at the rate allowed under prevailing Internal Revenue Service rules and regulations as maintained by NHF.

**Aircraft Travel-** NHF Board Member's use of a private aircraft will be reimbursed at the same rate as that allowed by the Internal Revenue Service for a private automobile as stated under "Mileage Reimbursement Rate" or at the cost of commercial air travel.

**Other Forms of Travel-** NHF Board Member's choosing to utilize another form of travel, such as train or other transit, shall be reimbursed at the same rate as if travel occurred as addressed in the Statements of General Policy. Item C. states NHF Board Members traveling on NHF-related business shall do so by the most reasonable means available, both in terms of financial costs as a primary focus and productive utilization as a secondary consideration. Item G states Reimbursement for commercial air travel will be at "coach" class cost.

## **V. LODGING**

**Hotel Allowance-**Delegates should seek the lowest cost accommodation reasonably available for the intended travel. For lodging in the Sacramento area, NHF will reimburse lodging expense, inclusive of room rate, occupancy tax and other fees, up to a maximum of \$128 per night. Board Members are charged with using reasonable care and judgment in regard to whether overnight accommodations are required for their participation.

Guidelines regarding the need for overnight accommodations are as follows:

- For a two-day meeting/event when one-way travel from place of residence or office to the meeting/event is more than 75 miles or if travel will take more than 1 to 1 ½ hours;
- For a one-day meeting/event when one-way travel from place of residence or office is more than 150 miles or if travel will take longer than 2 hours; or
- In circumstances when the Board Member needs to remain in Sacramento to participate at an NHF associated event that will end later than 6:30 pm or in an early meeting the following morning.
- When participation in NHF business requires arrival the night before for a meeting in Sacramento that begins at 8:00 am or earlier.

For accommodation reimbursement associated with an NHF Board Meeting, attendance at the full meeting is required in order to be reimbursed.

**Transient Occupancy Tax-** Occupancy tax can sometimes be waived by the motel/hotel dependent upon local regulation. Board Members traveling should always inquire about an exemption when appropriate.

## **VI. MEALS**

**Meal Allowances-** Meal allowances will be reimbursed at the following rate, however, receipts must be provided:

- Breakfast                      \$15.00
- Lunch                            \$15.00
- Dinner                          \$34.00

**Board Members will not be reimbursed for meals if the cost of a meal is included in the conference fee either reimbursed or paid directly by NHF. Board Members will not be reimbursed for meals that are provided at NHF events or meetings.**

**Meal Times** - Board Members are charged with using reasonable care and judgment in regard to reimbursements. Reasonable times are generally considered to be departure prior to 7:00 a.m. for breakfast and return to residence after 6:00 p.m. for dinner.

**Meal Limitations** - Reimbursement will not include alcoholic beverages regardless of meal type or captive nature. Gratuities are capped at 15% of the cost of the meal.

**Captive Meal** - Captive refers specifically to those instances where a Board Member must/should participate in a dining event as part of an agendaized event. Required group meetings, gatherings or functions for which meal allowances will be claimed for breakfasts, luncheons or dinners and which are of a captive nature shall be reimbursed at actual cost even though it exceeds those amounts set forth under Meal Allowances. Expense claims for meals at such meetings, gatherings or functions (captive meals) will state the captive nature of the meal for which the expense claim is being presented.

**Fixed Prices** - When attendance at official meetings or conventions forces fixed prices, the claimant must list the items separately on the claim form as "Official Banquet" or other such language and the amount thereof. In this event, all such items will be supported by receipts verifying such charges. If supporting documents are not obtainable, then a statement to this effect will be made by the claimant. The NHF President reserves the right to deny any undocumented expenses.

## **VII. EXPENSE DOCUMENTATION**

**Receipt Requirements-**Receipts must be provided for reimbursable expenses including the following:

- All lodging expenses paid at actual cost. There is \$128 per night maximum in the Sacramento area, inclusive of room rate, taxes and fees.
- All meal expenses

- Registration fees
- Telephone calls related to NHF business in excess of \$2.50 per trip
- Taxi/Bus fare in excess of \$5.00 per travel period
- Car Rental
- Air Travel (use ticket stub or electronic itinerary)
- Other common carrier (use ticket stub)
- Commuter bus fare (i.e. Airporter service)
- Toll Charges in excess of \$6.00
- "Captive Meal" and "Fixed Prices" as described in Section VI (a written explanation of circumstances and approval by the NHF President can suffice.)
- Parking, at standard parking rates for City visited

#### **VIII. NON-REIMBURSABLE PERSONAL EXPENSE**

**Personal Expense-** Any and all expenses that are for the direct personal needs of the Board Member, except as otherwise identified as reimbursable under this document, are not reimbursable by NHF. Examples of such non-reimbursable items are listed below. This is not intended to be an all-inclusive list.

- Personal telephone calls, internet charges and personal fax transmissions
- Alcoholic Beverages (Except as provided in connection with an NHF business related meeting or event)
- Entertainment (including related transportation costs)
- Violations of legal requirements

#### **IX. CLAIM PROCESS**

**Completed claim forms are to be submitted to NHF within thirty (30) days after the completion of the trip/expense. Failure to adhere to the filing deadline may result in the denial of the reimbursement claim**

The claim form must include the purpose of the trip/expense, and the inclusive dates. All expenditures must be itemized and all claims will include receipts for expenses as detailed earlier under the section titled **EXPENSE DOCUMENTATION**.

The claim information must include all expenses of the trip whether or not they were paid directly to a vendor. The claim form is intended to be a recap of the complete trip as a reconciliation of all expenses and a central location for all receipts. Those items paid in advance or by credit card should be duly noted.

Secretary's Certificate

*I certify that the foregoing is a true and accurate description of action taken at a properly constituted meeting of the Board of Directors of National Homebuyers Fund, Inc. on **May 9, 2018**.*

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Secretary's Signature





National Homebuyers Fund, Inc.  
1215 K Street, Suite 1650 · Sacramento, California 95814  
Phone: (866) 643-4968 · Fax: (916) 444-3551 · [www.nhfloan.org](http://www.nhfloan.org)

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**To:** NHF Board of Directors  
**From:** Greg Norton, President  
Lisa McCargar, Chief Financial Officer  
**Date:** May 1, 2018  
**Re:** NHF Budget Report (March 31, 2018)

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**Summary**

The Statement of Revenues and Expenses for NHF provides a budget to actual comparison for the quarter ended March 31, 2018.

**Attachment**

- NHF Statement of Revenues and Expenses, Budget vs. Actual, for the Quarter Ended March 31, 2018





**NATIONAL HOMEBUYERS FUND**  
**Statement of Revenue and Expenses**  
**Budget Vs. Actual - Unaudited**  
**For the Quarter Ended March 31, 2018**

	<b>2018 Annual Budget</b>	<b>Quarter Ended March 31, 2018 Budget</b>	<b>Quarter Ended March 31, 2018 Actual</b>	<b>Variance Favorable / (Unfavorable)</b>	<b>Percent Favorable / (Unfavorable)</b>
<b>Income:</b>					
Housing Program Revenue	\$ 12,000,000	\$ 3,000,000	\$ 3,400,991	\$ 400,991	13.37%
Program Management Fee Revenue	3,410,000	852,500	614,053	(238,447)	-27.97%
2nd Mortgage Interest	470,000	117,500	119,882	2,382	2.03%
Interest Income / Capital Gain	640,000	160,000	(2,657)	(162,657)	-101.66%
<b>Total Income</b>	<b>16,520,000</b>	<b>4,130,000</b>	<b>4,132,269</b>	<b>2,289</b>	<b>0.05%</b>
<b>Expenditures:</b>					
Accounting & Auditing	\$ 26,500	6,625	\$ 13,703	(7,078)	-106.84%
Business Development and Expansion	100,000	25,000	1,021	23,979	95.92%
Consultants	250,000	62,500	61,500	1,000	1.60%
Contract Support Services	2,114,000	528,500	528,500	0	0.00%
County MCC Fees	-	0	6,400	(6,400)	0.00%
Custodian / Trustee Fees	35,000	8,750	2,500	6,250	71.43%
Dues, Fees & Subscriptions	20,000	5,000	3,705	1,295	25.90%
Excess Resources to RCRC	1,000,000	250,000	250,000	0	0.00%
Insurance	37,500	9,375	9,207	168	1.79%
Legal Services	1,500,000	375,000	82,780	292,220	77.93%
Loan Losses	75,000	18,750	11,935	6,815	36.35%
Meetings	1,000	250	173	77	30.80%
Miscellaneous	5,000	1,250	5,000	(3,750)	-300.00%
Gift Program	10,000,000	2,500,000	2,848,788	(348,788)	-13.95%
Pipeline Services	75,000	18,750	12,500	6,250	33.33%
Rent	108,100	27,025	27,255	(230)	-0.85%
Sponsorships	360,000	90,000	320,000	(230,000)	-255.56%
<b>Total Expenditures</b>	<b>15,707,100</b>	<b>3,926,775</b>	<b>4,184,967</b>	<b>(258,192)</b>	<b>-6.58%</b>
<b>Net Revenue Over Expenditures</b>	<b>\$ 812,900</b>	<b>\$ 203,224</b>	<b>\$ (52,698)</b>	<b>\$ (255,923)</b>	<b>-125.93%</b>





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To: NHF Board of Directors  
From: Greg Norton, President  
Lisa McCargar, Chief Financial Officer  
Date: May 1, 2018  
Re: NHF Investment Report (March 31, 2018)

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**Summary**

In accordance with NHF's investment policy, we are providing the NHF investment report. This report provides a summary of investment transactions from December 31, 2017 to March 31, 2018. In addition, the report provides the returns by investment type and a comparison to the 90 day Treasury Rate.

The CalTRUST yields are the funds' reported 1<sup>st</sup> quarter yields.

**Attachment**

- NHF Investment Report as of March 31, 2018



**NATIONAL HOMEBUYERS FUND**  
**Investment Report**  
**As of March 31, 2018**

	Total	CalTRUST Short-Term	CalTRUST Medium-Term
Balance 12/31/17	\$ 39,950,846	\$ 9,480,400	\$ 30,470,446
Additions	-	-	-
Withdrawals	-	-	-
Interest (includes accrued)	167,776	36,257	131,519
Capital Gain/(Loss)	(213,556)	-	(213,556)
Balance 3/31/18	\$ 39,905,066	\$ 9,516,657	\$ 30,388,409

Yield:

	Short Term	Mid Term
Annualized One Year	1.28%	1.50%
Average Maturity (days)	270	741
90 Day Treasury Bill Rate	1.73%	

All current cash investments are held in either CalTRUST's Short-Term Fund or Medium-Term Fund. Cash in the CalTRUST Short-Term Fund may be accessed within 24 hours. Cash in the CalTRUST Medium-Term Fund may be accessed at the end of each month.

Amounts include accrued interest at the end of the period.

No members of the Investment Committee have any conflict of interest with any current investment firms.

Purpose of transactions in excess of \$1 million:

-None



Provide documentation for expenses as required in the Travel and Expense Policy for Delegates. Mileage expenses may not exceed \$0.54.5 per mile. For lodging in the Sacramento area, reimbursement will include lodging expense, inclusive of room rate, occupancy tax and other fees, up to a maximum of \$128 per night. Meal allowances may not exceed \$15 for breakfast, \$15 for lunch, and \$34 for dinner without prior approval, except as noted in the Travel and Expense Policy. Receipts for **ALL** requested reimbursements must be attached to this expense claim.

