



CRHMFA Homebuyers Fund
1215 K Street, Ste 1650 · Sacramento, California 95814
Phone: 855-740-8422 · Fax: 916-444-3551 · www.chfloan.org

**CRHMFA Homebuyers Fund
Board of Directors Meeting
June 19, 2013
12:45 p.m.
1215 K Street Suite 1650
Sacramento, CA 95814**

AGENDA

- 1. Call to Order & Determination of Quorum**
*Chair, Supervisor Richard Forster, Amador County
Vice Chair, Supervisor Kim Dolbow Vann, Colusa County*
- 2. Approval of Minutes – March 20, 2013 Board Meeting**
Board Members absent from the meeting will be recorded as abstained unless the Board Member indicates otherwise **Page 1**
- 3. Member County Concerns**
- 4. Public Testimony**
Presentation only of any matters of concern to the general public
- 5. CHF 2012 Audited Financial Statements**
*Greg Norton, Executive Director
Karl Dolk, Chief Financial Officer* **Page 7**
- 6. Approval and Acceptance of Mendocino County**
Greg Norton, Executive Director **Page 49**
- 7. CHF to NHF Revolving Debt Obligation Update**
*Greg Norton
Craig Ferguson, Vice President* **Page 55**
- 8. Energy Program Update**
*Greg Norton
Craig Ferguson*
- 9. Housing Programs Update**
*Greg Norton
Craig Ferguson*

10. 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 participant in a public meeting, please call Sarah Bolnik at (916) 447-4806 at least 48 hours before the 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.



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**CRHMFA Homebuyers Fund
Board of Directors Meeting
March 20, 2013
11:45 a.m.
1215 K Street, Suite 1650
Sacramento CA 95814
916-447-4806**

MINUTES

Call to Order & Determination of Quorum

Supervisor Richard Forster, Amador County, called the meeting to order at 11:51 a.m.
A quorum was determined at that time. Those present:

<u>Supervisor</u>	<u>County</u>
Mary Rawson	Alpine
Richard Forster	Amador
Doug Teeter	Butte
Merita Callaway	Calaveras
Kim Dolbow Vann	Colusa
David Finigan	Del Norte
Ray Nutting	El Dorado
Linda Arcularius	Inyo
Anthony Farrington	Lake
Aaron Albaugh	Lassen
David Rogers	Madera
Kevin Cann	Mariposa
Geri Byrne	Modoc
Diane Dillon	Napa
Terry Swofford	Plumas
Les Baugh	Shasta
Lee Adams	Sierra
Michael Kobseff	Siskiyou
Stan Cleveland	Sutter
Bob Williams	Tehama
Debra Chapman	Trinity
Randy Hanvelt	Tuolumne
Jim Provenza	Yolo
Roger Abe	Yuba

Absent

John Viegas	Glenn
Michael Kelley	Imperial

John Pedrozo	Merced
Tim Alpers	Mono
Nate Beason	Nevada
Jim Holmes	Placer
Anthony Botelho	San Benito
Allen Ishida	Tulare

Others in Attendance

Supervisor John Fenley, Trinity County
Mark Lowder, Director of Housing Finance, NHF

Staff in Attendance

Greg Norton, Executive Director
Patricia Megason, Deputy Director
Karl Dolk, Chief Financial Officer
Craig Ferguson, RCRC Vice President
Sarah Bolnik, RCRC Executive Assistant

Approval of Minutes – December 5, 2012 Board Meeting

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

Supervisor Michael Kobseff, Siskiyou County, motioned to approve the minutes of the December 5, 2012 CHF Board of Directors Meeting. Supervisor David Rogers, Madera County, seconded the motion. Motion unanimously passed.

Member County Concerns

None

Public Testimony

None

Resolution 13-01 / Approval of Associate Members

Greg Norton, Executive Director, reminded the CHF Board that as required per the CRHMFA Homebuyers Fund (CHF) JPA Agreement, this Resolution is to approve the acceptance of current Associate Members.

This resolution ratifies all current CHF Associate Members and restates the process by which new CHF Associate Members are accepted by the Authority. CHF staff is bringing this resolution to the CHF Board of Directors as part of the annual process regarding Associate Members of CHF.

Staff recommends that the CHF Board of Directors approve the following staff recommendations:

1. Approve Resolution 13-01; and
2. Ratify the current list of member counties and associate members per the attached list.

Supervisor David Rogers, Madera County, motioned to approve the staff recommendations as presented. Supervisor Debra Chapman, Trinity County, seconded the motion. Motion unanimously passed.

Appointment of the 2013 Chair and Vice Chair and Appointment of Authority Officers

Greg Norton reported that in January 2013, Chair of RCRC Supervisor Kevin Cann, Mariposa County, nominated Supervisor Richard Forster, Amador County, as Chair, and Supervisor Kim Dolbow Vann, Colusa County, as Vice Chair of CRHMFA Homebuyers Fund. Mr. Norton then recommended the following additional officers of CRHMFA Homebuyers Fund:

Deputy Director/Assistant Secretary
Vice President/Assistant Secretary
Controller/Assistant Secretary

Patricia Megason
T. Craig Ferguson
Karl W. Dolk

Staff recommends that the CHF Board:

1. Elect Supervisor Richard Forster, Amador County, the 2013 CHF Chair and Supervisor Kim Dolbow Vann, Colusa County, the CHF Vice Chair per the nomination of the RCRC Chair; and
2. Confirm the appointment of the additional 2013 officers by the CHF Executive Director as noted above.

Supervisor Bob Williams, Tehama County, motioned to approve the staff recommendations as presented. Supervisor Michael Kobseff, Siskiyou County, seconded the motion. Motion unanimously passed.

Investment Policy Renewal

Greg Norton reviewed the 2013 Investment Policy with the CHF Board of Directors. The RCRC Executive Committee reviewed the investment policy and directed that it be recommended for approval to the CHF Board at their February 20, 2013 meeting.

Staff recommends that the CHF Board of Directors review and adopt the attached 2013 Investment Policy.

Supervisor David Rogers, Madera County, motioned to approve the staff recommendations as presented. Supervisor Randy Hanvelt, Tuolumne County, seconded the motion. Motion unanimously passed.

Second Mortgage Program Resources

Greg Norton reviewed with the CHF Board the status of the Second Mortgage Program Resources. In June 2009 the CHF Board approved the use of up to \$5 million of existing resources to fund 2nd mortgages in California. Those resources are nearly exhausted given that the program has assisted more than 2,250 families with the purchase of a home. CHF's portfolio of second mortgages funded totals approximately \$12 million. The program continues to be successful; therefore staff

recommends that the Board approve a commitment of up to \$10 million in additional resources to fund additional second mortgages.

Staff recommends that the CHF Board of Directors approve the following staff recommendations:

Staff recommends that the CHF Board:

1. Ratify the funding of up to \$7 million of additional second mortgage loans in the CHF portfolio as part of the ACCESS Program to date.
2. Commit additional resources of up to \$10 million to fund additional second mortgage loans; and
3. Direct staff to implement necessary changes and policies during the course of the program/s, as market and risk assessment warrants to best meet the needs of the program/s and CHF.

Supervisor David Rogers, Madera County, motioned to approve the staff recommendations as presented. Supervisor Michael Kobseff, Siskiyou County, seconded the motion. Motion unanimously passed.

2013 CHF/NHF Management Agreement and Budget Amendment

Greg Norton explained to the CHF Board of Directors that the CHF/NHF Management Services agreement automatically renews each year for twelve month terms unless either party decides to terminate. Mr. Norton then described how NHF is compensated by CHF for services provided for each program administered. Staff is proposing an amendment to the fees effective January 1, 2013. Mr. Norton described the proposed change in great detail to the Board, the benefits of this change, and that the proposed changes were more in-line with industry standards. The new fee structure was not reflected in the approved 2013 budget. The proposed changes were discussed with the RCRC Executive Committee at their February 20, 2013 meeting.

Staff recommends that the CHF Board of Directors approve the following recommendations; Direct staff to:

1. Amend the NHF/CHF administration/management fee for the Platinum Program from \$350 per loan to 0.60% of the price of the sale of Platinum Program mortgage backed securities, effective January 1, 2013;
2. Increase the MCC fee remitted to CHF to \$100 per MCC in place of the current fee, effective January 1, 2013;
3. Increase the 2013 budget for administration/management fee to NHF by \$1,422,000; and
4. Increase the 2013 budget revenues for the MCC program by \$32,500.

Supervisor David Rogers, Madera County, motioned to approve the staff recommendations as presented. Supervisor Linda Arcularius, Inyo County, seconded the motion. Motion unanimously passed.

Housing Program Update

Craig Ferguson, Vice President, gave an update on CHF housing programs, including ACCESS, Platinum, Mortgage Credit Certificates, and the Energy Retrofit Program, as well as the Board approved \$10 Million loan to affiliate entity, National Homebuyers Fund, Inc. for new program implementation.

Adjournment

Supervisor Richard Forster, Amador County, adjourned the meeting of the CHF Board of Directors at 12:19 p.m.



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To: CRHMFA Homebuyers Fund Board of Directors
From: Greg Norton, Executive Director
Karl Dolk, Chief Financial Officer
Date: June 11, 2013
Re: CHF 2012 Audited Financial Statements

Summary

The 2012 audited financial statements with associated footnotes for the CRHMFA Homebuyers Fund (CHF) received an unqualified ("clean") opinion from Moss Adams LLP, our independent auditing firm, as to the fairness of presentation. The auditors also provided an information letter stating that there were no significant matters identified and no audit adjustments were proposed or made to the original trial balance. However, the auditors did report that CHF filed the Federal grant data collection form after the required due date.

As previously reported to the CHF Board of Directors, staff has continued efforts to enhance financial reporting and provide full disclosure of organizational financial activity to the Board. These audited financial statements further these efforts.

In their capacity as "Audit Committee" the RCRC Executive Committee was presented the audited financial statements by Cheryl Teeter-Balin, Shannon Avrett, and Derek Criswell from Moss Adams at the Executive Committee Meeting on May 15, 2013. The Executive Committee reviewed and approved the financial statements and information letter as presented and recommended them for presentation to the CHF Board of Directors for adoption.

Staff Recommendation

Staff recommends that the Board review and approve the 2012 audited financial statements and information letter as presented.

Attachments

- CHF 2012 Audited Financial Statements
- Information Letter

**Report of Independent Auditors and
Financial Statements**

CRHMFA Homebuyers Fund

December 31, 2012

MOSS ADAMS LLP

certified Public Accountants | Business Consultant

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MOSS ADAMS LLP

REPORT OF INDEPENDENT AUDITORS**The Board of Directors****CRHMFA Homebuyers Fund****Report on the Financial Statements**

We have audited the accompanying financial statements of CRHMFA Homebuyers Fund ("CHF") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the CHF'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 the CHF'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 respective financial position of CHF as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

MOSS ADAMS LLP

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 who 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise CHF's financial statements. The schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations ("Circular A-133") is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2013 on our consideration of CHF'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 CHF's internal control over financial reporting and compliance.

Moss Adams LLP

Sacramento, California

May 7, 2013

CRHMFA HOMEBUYERS FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012

This section presents management's discussion and analysis of CRHMFA Homebuyers Fund's ("CHF") financial performance for the year ended December 31, 2012. Please read it in conjunction with the financial statements and notes thereto, which follow this section.

FINANCIAL HIGHLIGHTS

The assets of CHF exceeded liabilities at December 31, 2012, by \$61.1 million (net position), all of which is available to meet ongoing obligations. CHF's total net position increased by approximately \$9.0 million (up 17.4%) from December 31, 2011 to December 31, 2012.

The CHF Board authorized use of net position generated through bond residuals and program revenues for new program investments which continues to result in successful programs and increased revenue. As of December 31, 2012, assets include approximately \$11.9 million in second mortgage loans receivable, net of an allowance for loan losses, and approximately \$21.6 million in energy grant loans receivable. It is important to note that the second mortgage loans receivable are interest bearing; however, they are not securitized and are therefore subject to risk of default. During 2012, CHF received residual cash of \$2,142,185 from the payoff of conduit debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

CHF's basic financial statements include the (1) statement of net position, (2) statement of revenues, expenses and change 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.

CHF's financial statements report information about CHF using accounting methods similar to those used by private sector companies. These statements are intended to offer short-term and long-term financial information about its activities. The statement of net position includes all of CHF's operating assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to CHF 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 2012 are accounted for in the statement of revenues, expenses and change in net position. This statement measures the success of CHF's operations over the year and can be used to determine whether CHF has successfully recovered all of its costs through the services it provides.

The statement of cash flows provides information about CHF'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, non-capital financing, and financing activities.

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

CRHMFA HOMEBUYERS FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012

FINANCIAL ANALYSIS

CRHMFA Homebuyers Fund
Condensed Statement of Net Position
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>	<u>Increase/(Decrease)</u>	
			<u>\$</u>	<u>%</u>
Assets:				
Current assets	\$ 78,232,308	\$ 127,122,708	\$ (48,890,400)	(38.5%)
Noncurrent assets	<u>33,517,019</u>	<u>18,001,819</u>	<u>15,515,200</u>	<u>86.2%</u>
Total assets	<u>111,749,327</u>	<u>145,124,527</u>	<u>(33,375,200)</u>	<u>(23.0%)</u>
Liabilities:				
Current liabilities	<u>50,677,548</u>	<u>93,101,882</u>	<u>(42,424,334)</u>	<u>(45.6%)</u>
Net Position:				
Net position, unrestricted	\$ <u>61,071,779</u>	\$ <u>52,022,645</u>	\$ <u>9,049,134</u>	<u>17.4%</u>

The statement of net position reflects a "snapshot" of CHF's financial position at a given moment in time. Changes in net position over time is an indicator of whether the financial condition of CHF is improving or declining. As of December 31, 2012, CHF's net position was \$61,071,779, an increase of \$9,049,134 (up 17.4%) from December 31, 2011. The decrease in current assets of \$48,890,400 (down 38.5%) resulted primarily from the reduction of the Platinum Program low to moderate income housing assistance loan program pipeline. The increase in noncurrent assets is due to energy loans receivable resulting from the grant provided from the California Energy Commission and the second mortgage loans resulting from the ACCESS program. The decrease in current liabilities also resulted primarily from the reduction of the Platinum Program low to moderate income housing assistance loan program pipeline.

CRHMFA HOMEBUYERS FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012

FINANCIAL ANALYSIS

CRHMFA Homebuyers Fund
Condensed Statement of Revenues, Expenses and Change in Net Position
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>	<u>Increase/(Decrease)</u>	
			<u>\$</u>	<u>%</u>
Operating Revenues:				
Bond and program residual	\$ 2,142,185	\$ 4,303,656	\$ (2,161,471)	(50.2%)
Loan program revenue	15,216,919	44,383,501	(29,166,582)	(65.7%)
Issuer fees	56,682	89,211	(32,529)	(36.5)
Mortgage interest	760,173	432,844	327,329	75.6%
Grant fees	13,892,215	13,277,316	614,899	4.6%
Total operating revenues	<u>32,068,174</u>	<u>62,486,528</u>	<u>(30,418,354)</u>	<u>(48.7%)</u>
Operating Expenses:				
Housing expenses	9,308,719	26,028,518	(16,719,799)	(64.2%)
Grant expenses	13,867,773	12,650,867	1,216,906	9.6%
Total operating expenses	<u>23,176,492</u>	<u>38,679,385</u>	<u>(15,502,893)</u>	<u>(40.1%)</u>
Operating income	<u>8,891,682</u>	<u>23,807,143</u>	<u>(14,915,461)</u>	<u>(62.7%)</u>
Non-operating Revenue:				
Interest income	140,246	171,569	(31,323)	(18.3%)
Gain/(Loss) on investments	17,207	(9,031)	26,238	290.5%
Total non-operating revenue	<u>157,452</u>	<u>162,538</u>	<u>(5,086)</u>	<u>(3.1%)</u>
Change in net position	9,049,134	23,969,681	(14,920,547)	(62.2%)
Net position, beginning of year	<u>52,022,645</u>	<u>28,052,964</u>	<u>23,969,681</u>	<u>85.4%</u>
Net position, end of year	\$ <u>61,071,779</u>	\$ <u>52,022,645</u>	\$ <u>9,049,134</u>	<u>17.4%</u>

The statement of revenues, expenses and change in net position reflects activity that has occurred during the fiscal period of time covered by this report. For the year ended December 31, 2012, CHF's operating revenues decreased by \$30,418,355 (down 48.7%) from the year ended December 31, 2011, primarily due to decreased revenues in the Platinum housing program. CHF also experienced a decrease in operating expenses of \$15,502,893 (down 40.1%) for the same period. The decrease was primarily due to grant and other expenses associated with the Platinum housing program and loans.

**CRHMFA HOMEBUYERS FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

FUTURE ECONOMIC OUTLOOK

During 2012, no new tax-exempt bonds were issued, and the market for these bond programs continues to remain uncertain. CHF has approximately \$153 million of tax-exempt carry-forward volume cap that was recently converted from Mortgage Revenue Bond to Mortgage Credit Certificate ("MCC") volume cap. A MCC program is currently available in CHF member and associate member jurisdictions. CHF continues to work on the enhancement of existing programs with efforts to develop new programs that would improve the competitiveness of the organization's housing programs and seek to address the affordability challenges of the current market. During 2012, CHF continued the commitment of \$5 million of existing resources for down payment assistance in the ACCESS program. Program volume has increased through 2012 and continuing into 2013. The CHF Board of Directors recently approved an additional commitment of up to \$10 million to fund second mortgages associated with the ACCESS program.

In September 2010, CHF was awarded a \$16.5 million grant from the California Energy Commission ("CEC") to provide energy retrofit funding for single family residences. Additional grant funds totaling \$14 million were awarded by CEC to CHF in 2011 and 2012. Due to the success of the retrofit program, CHF has implemented a new program utilizing a commitment from PG&E and the investment of private capital from a regional bank. Additional efforts are underway to further expand the residential energy retrofit program.

In 2012, CHF's Platinum Program was very successful. The program has assisted over 5,056 families since inception with the purchase of a home. CHF is continuing the program in 2013. To remain competitive and provide effective programs, it will be necessary for the organization to continue to be innovative and aggressive in the development of such programs.

CHF revenues exceeded the projected levels for 2012. At December 31, 2012, CHF had approximately \$61.1 million in net position available including \$55.4 million in cash. We anticipate that continued investment in mortgage programs and new program efforts will lead to strong operating revenues in 2013 and future years.

REQUESTS FOR INFORMATION

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

CRHMFA HOMEBUYERS FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2012

ASSETS

Current assets:

Cash and cash equivalents	\$ 55,431,306
Accounts receivable, proceeds from sale of securities	22,215,625
Accounts receivable	540,101
Interest receivable	8,340
Prepaid expenses	<u>36,936</u>
Total current assets	78,232,308

Noncurrent assets:

Energy grant loans receivable	21,646,812
Second mortgage loans receivable, net of allowance for loan losses of \$717,000	<u>11,870,207</u>
Total assets	\$ <u>111,749,327</u>

LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable	\$ 77,505
Accounts payable, securities sold, at fair value	22,260,000
Accounts payable to Energy Commission	24,165,474
Accounts payable to affiliated entities	207,103
Unearned revenue	<u>3,967,466</u>
Total liabilities	<u>50,677,548</u>

Net position, unrestricted	<u>61,071,779</u>
Total liabilities and net position	\$ <u>111,749,327</u>

CRHMFA HOMEBUYERS FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012

Operating revenues:	
Loan program revenue	\$ 15,216,919
Bond and program residual funds	2,142,185
Issuer fees	56,682
Mortgage interest	760,173
Grant fees	<u>13,892,215</u>
Total operating revenues	<u>32,068,174</u>
Operating expenses:	
Support services	2,662,998
Accounting and auditing	49,866
Arbitrage rebate calculation	14,500
Business development and expansion	17,013
CDLAC fees	52,503
Consultants	223,500
Contract labor	50,510
Grant costs	13,867,773
Insurance	45,954
Legal fees	22,505
Provision for loan losses	380,635
Platinum program	5,649,360
Promotion and marketing	17,089
Rent	87,365
Travel	13,623
Miscellaneous	<u>21,298</u>
Total operating expenses	<u>23,176,492</u>
Operating income	<u>8,891,682</u>
Non-operating revenues:	
Interest income	140,246
Gain on investments	<u>17,207</u>
Total non-operating revenues	<u>157,452</u>
Change in net position	9,049,134
Net position, January 1, 2012	<u>52,022,645</u>
Net position, December 31, 2012	\$ <u>61,071,779</u>

The accompanying notes are an integral part of these financial statements.

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CRHMFA HOMEBUYERS FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

Cash flows from operating activities:	
Cash receipts from loan and grant programs	\$ 40,675,800
Cash receipts from bond and residual funds	2,711,998
Cash paid for support services	(2,916,000)
Cash paid for services and supplies	<u>(7,937,813)</u>
Net cash provided by operating activities	<u>32,533,985</u>
Cash flows from investing activities:	
Interest received and gain on investments	<u>162,210</u>
Cash flows used in financing activities:	
Second mortgages purchased	<u>(6,137,802)</u>
Increase in cash and cash equivalents	26,558,392
Cash and cash equivalents, January 1, 2012	<u>28,872,914</u>
Cash and cash equivalents, December 31, 2012	<u>\$ 55,431,306</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 8,891,682
Adjustment to reconcile operating income to net cash provided by operating activities:	
Provision for loan losses	380,635
Increase in accounts receivable	(31,687,723)
Decrease in second mortgage loans	479,936
Decrease in mortgage backed securities	19,380,727
Increase in prepaid expenses	(4,108)
Increase in unearned revenue	1,463,256
Decrease in accounts payable to affiliated entity	(576,572)
Increase in accounts payable	<u>34,206,152</u>
Net cash provided by operating activities	<u>\$ 32,533,985</u>

The accompanying notes are an integral part of these financial statements.

CRHMFA HOMEBUYERS FUND

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

CRHMFA Homebuyers Fund ("CHF"), a California joint powers authority, is an organization of certain political subdivisions of the state of California, engaged in the exercise of an essential government function and not required to file federal or state income tax returns. CHF was organized on July 1, 1993, under the provisions of the Health and Safety Code of the state of California, which authorized CHF to be created by the joint powers agreement entered into by counties for the purpose of assisting homebuyers with mortgage financing. CHF is governed by representatives of its member counties, each of which appoints an elected county supervisor which comprises the Board of Directors, which are counties in California having an interest in the general and specific purposes of CHF. Member counties of CHF are as follows: Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, El Dorado, Glenn, Imperial, Inyo, Lake, Lassen, Madera, Mariposa, Merced, Modoc, Mono, Napa, Nevada, Placer, Plumas, San Benito, Shasta, Sierra, Siskiyou, Sutter, Tehama, Trinity, Tuolumne, Yolo, and Yuba.

CHF programs are designed to provide assistance for adequate, safe, and sanitary residential housing. CHF makes available competitively priced financing opportunities for homebuyers for the purchase of residential housing and energy retrofits, with particular emphasis on assisting low and moderate income homebuyers. CHF works in cooperation with regional lenders to provide mortgage loan financing and down-payment assistance to families and individuals in the state of California who otherwise may not be able to afford to purchase a home.

CHF contracts for various administrative and support services with the Rural County Representatives of California ("RCRC"), a California nonprofit mutual benefit corporation. RCRC was organized to serve and strengthen county and local governments through definition, study, and actions 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.

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

Basis of Accounting

CHF 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.

CHF distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with CHF's principal ongoing operations. The principal operating revenues of CHF are charges for services (i.e., loan program fees investment gains, bond issuance fees, on-going issuer fees, and bond residuals) associated with its affordable housing loan programs. Interest and capital gain income earned on second mortgage loans and mortgage-backed securities is also reported as operating income. Operating expenses of CHF include the cost of providing the services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expense.

CRHMFA HOMEBUYERS FUND

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (continued)

CHF has the option to apply all Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. CHF has elected not to apply FASB pronouncements issued after that date.

When both restricted and unrestricted resources are available for use, it is CHF's policy to use unrestricted resources first, then restricted resources as they are needed.

Cash and Cash Equivalents

CHF considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents, including investments in the State's Local Agency Investment Fund and CalTRUST.

California statutes and CHF's investment policy authorize the investment of idle or surplus funds in U.S. Treasury obligations, U.S. Government agencies, bankers' acceptances, commercial paper, negotiable CD's, medium-term notes, repurchase agreements, time certificates of deposit, the California Local Agency Investment Fund, and CalTRUST.

Second Mortgage Loans

Second mortgage loans receivable represent future principal payments on outstanding second mortgage loans, and second mortgages purchased as part of the current ACCESS program. During 2012, CHF received \$2,142,185 in cash from these assets. As of December 31, 2012, \$2,367,436 in second mortgage loans from the bond releases, \$10,219,771 in the ACCESS program, and 2007C second mortgages remain outstanding.

Allowance for Loan Losses

CHF 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 of historical loss trends and current exposure in the loan pools. Actual losses may vary from current estimates.

Mortgage Backed Securities

Mortgage backed securities represent assets purchased as part of CHF's housing program (Note 5). As of December 31, 2012, no securitized first mortgage loans, in the form of mortgage backed securities, were outstanding. Mortgage backed securities sold, not yet purchased, represent obligations of CHF to deliver the specified security at a contract price, thereby creating a liability to purchase the security at quoted market prices. The Company also records a receivable as of the trade date for the estimate proceeds receivable. Realized and unrealized gains and losses on mortgage backed securities are reported in operating income as the activity relates solely to the Platinum loan program.

CRHMFA HOMEBUYERS FUND

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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; CHF does not have any net position in this category as of December 31, 2012.
- *Restricted – non-expendable:* Net position subject to externally imposed conditions that CHF retains in perpetuity; CHF does not have any net position in this category as of December 31, 2012.
- *Restricted – expendable:* Net position subject to externally imposed conditions that can be fulfilled by the actions of CHF or by the passage of time; CHF does not have any net position in this category as of December 31, 2012.
- *Unrestricted:* All other categories of net position; in addition, unrestricted net position may be designated for use by management or the Board of Directors.

CHF 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.

Revenue Recognition

Operating revenue such as loan program, bond, residual, and issuer fees are recognized as earned. Operating and non-operating interest and investment income is also recognized as earned. Grant revenue is recognized as allowable expenditures are incurred. Advances received are deferred until allowable expenses are incurred.

Income Taxes

Because CHF is a political subdivision of the state of California and engaged in the exercise of an essential government function, it is not required to file federal or state income tax returns.

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.

CRHMFA HOMEBUYERS FUND

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - CASH AND CASH EQUIVALENTS

A summary of CHF's cash and cash equivalents as of December 31, 2012, is as follows:

Deposits with financial institutions	\$ 2,224,298
Money market funds	5,370,918
Brokerage account	33,662,824
LAIF	182,590
CalTRUST	13,990,676
Total cash and cash equivalents	\$ <u>55,431,306</u>

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, CHF's deposits may not be returned to it. As of December 31, 2012, CHF's deposits with financial institutions 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 equal at least 110% of the total amount deposited by governmental units.

CHF maintains an investment account with CalTRUST, which 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 as of December 31, 2012 exceeded \$1.17 billion.

CalTRUST is a joint powers authority formed to pool and invest funds of public agencies. Three pools are offered and CHF is currently invested in the short term and medium term funds. Because CHF's deposits are maintained in a recognized Pooled Investment Fund under the care of a third party and CHF's share of the pool does not represent specific identifiable investment securities owned by CHF, 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 is rated AAF/S1+ by a credit rating agency. CHF'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.

CHF may own mortgage-backed securities that are secured by first mortgage loans. These are fixed rate securities backed by the Government National Mortgage Association that were rated AAA by nationally recognized rating agencies (Note 5). There were no mortgage-backed securities owned by CHF as of December 31, 2012.

CRHMFA HOMEBUYERS FUND

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

Interest Rate and Credit Risk (continued)

CHF maintains money-market funds held with its bank, F&M Bank, and a securities firm, Morgan Keegan (MK). The F&M Bank money market funds are held in connection with its housing programs to provide the required deposit for the California Debt Limit Allocation Committee tax-exempt bond allocation to CHF. The MK money-market funds are the accumulation of interest and principal from mortgage backed securities and proceeds from their sales. CHF's investment in money-market funds were rated at AAA by Standard and Poors.

Highly Liquid Investments

CHF places certain funds with the state of California's Local Agency Investment Fund ("LAIF"). CHF is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the state of California and the Pooled Money Investment Board. The state Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the CHF's investment in the pool is reported in the accompanying financial statements based upon CHF's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). Because CHF's deposits are maintained in a recognized Pooled Investment Fund under the care of a third party and CHF's share of the pool does not consist of specific, identifiable investment securities owned by CHF, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account within twenty-four hours notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by Federal agencies, government-sponsored enterprises and corporations. LAIF is administered by the state Treasurer.

LAIF investments are audited annually by the Pooled Money Investment Board and the state Controller's Office. Copies of this audit may be obtained from the state Treasurer's Office: 915 Capitol Mall; Sacramento, California 95814. Included in the Pooled Money Investment Account's investment portfolio are certain derivative securities or similar products in the form of structured notes and asset-backed securities which represent 1.87% of the portfolio.

The Local Investment Advisory Board (the "Board") has oversight responsibility for LAIF. The Board consists of five members as designated by state statute. The value of pool shares in LAIF that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of CHF's position in the pool. CHF's investment in LAIF is reported at fair value and is not rated by credit rating agencies.

CRHMFA HOMEBUYERS FUND

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 – SECOND MORTGAGE LOANS RECEIVABLE

Second mortgage loans consist of second mortgages funded as part of the ACCESS program and the loan activity is located throughout California. The CHF ACCESS program combines a 30 year fixed interest rate Federal Housing Administration ("FHA") first mortgage loan with down payment and/or closing cost assistance from CHF in the form of a fixed interest rate second mortgage, making combined financing of up to 99.5% of the purchase price possible. The second mortgages carry 15 year fully amortizing terms and may not exceed 3% of the sales price.

Second mortgage loans receivable as of December 31, 2012, are as follows:

Citi mortgage second mortgages	\$	1,243,028
FMC second mortgages		9,923,784
US Bank second mortgages		1,124,408
Essex second mortgages		261,096
Stocking energy loan		34,891
Allowance for loan losses		<u>(717,000)</u>
Total second mortgage loans receivable, net of allowance for loan losses	\$	<u>11,870,207</u>

Activity in the allowance for loan losses for the year ended December 31, 2012, was as follows:

Balance, beginning of year	\$	438,330
Charge-offs		(129,486)
Recoveries		27,521
Provision for loan losses		<u>380,635</u>
Balance, end of year	\$	<u>717,000</u>

NOTE 4 – RELATED PARTY TRANSACTIONS

For the year ended December 31, 2012, CHF entered into a support services agreement with RCRC, an affiliated entity, for a flat fee of \$243,000 a month to operate and administer CHF operations. As of December 31, 2012, CHF accrued a \$31,274 payable to RCRC for CHF's pro-rata portion of legal, insurance, rent, and miscellaneous costs that RCRC paid on behalf of CHF in 2012. Also for 2012, CHF entered into a service agreement with National Homebuyers Fund, Inc. ("NHF") to administer the Platinum program. Those services include lender training, customer service and support, servicing MIST loans, loan pipeline management, pooling, delivery management, and pricing. At December 31, 2012, CHF accrued a \$175,829 payable to NHF primarily for platinum administration fees and 2nd mortgage interest received by CHF on behalf of NHF. The support service agreements with both RCRC and NHF are annual agreements, expiring on December 31st of each year, with successive one year automatic renewals until terminated by either party.

CRHMFA HOMEBUYERS FUND

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 – PLATINUM HOUSING PROGRAM

CHF implemented the Platinum down payment assistance housing program in October 2010 targeting low to moderate income homebuyers. The Platinum program provides a down payment grant. CHF has partnered with financial institutions to market the program to homebuyers. NHF manages the program for CHF.

As part of this program, CHF 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 MBS's into the secondary market, CHF enters into sales agreements of "to-be-announced" ("TBA") GNMA securities, in which CHF has committed to deliver the specified securities at contracted prices at a future date. As of December 31, 2012, CHF had outstanding \$21 million principal of TBA sales to be settled in January and February 2013. The entity has recorded a receivable of \$22.2 million for the estimated proceeds from the sale. As CHF did not hold any mortgage backed securities as of December 31, 2012, the entity has also recorded a liability to purchase the securities at prevailing prices at December 31, 2012 in order to fulfill the future obligation.

Revenue from this program, including \$9.95 million in gains realized through MBS program sales, net of transaction costs of the TBA sales, is included in loan program revenue on the statement of revenues, expenses, and change in net position. The down payment assistance grants and other program expenses totaling \$5.65 million are included in expense on the statement of revenue, expenses, and change in net position.

NOTE 6 – ENERGY GRANT

In September 2010, CHF was awarded a \$16.5 million grant from the California Energy Commission ("CEC"). The grant's purpose is to provide low interest loans and grants to low to moderate income homeowners to perform home energy retrofits. As of April 30, 2012, the CEC had amended the grant to award CHF an additional \$14.0 million. CEC had advanced \$26.7 million to CHF for the sole purpose of funding the loans. As of December 31, 2012, \$2.9 million of the advance had not been used for loans and is included in unearned revenue. Interest earned on the advances is due back to the CEC and is recorded as an account payable at December 31, 2012.

Under the original terms of the grant, CHF was allowed to recover its administrative costs to administer the program up to \$1.37 million. During 2012, CHF incurred legal, program, and staff expenses of \$695,264 to operate the program and develop the required documents; however, not all of these expenses are reimbursable under the terms of the grant. CHF also incurred grant and loan expenses of \$13,183,024 during 2012. CHF invoiced for \$13,892,215 reimbursement during the year for allowable expenses incurred.

CRHMFA HOMEBUYERS FUND

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 - CONDUIT DEBT

CHF has conduit debt issued and outstanding as of December 31, 2012, for tax-exempt mortgage revenue bonds of \$32,474,111. The tax-exempt mortgage revenue bonds are secured by AAA rated mortgage backed securities, guaranteed as to timely payment of interest and principal by the Government National Mortgage Association. The 2006 FH-1 bonds are secured by mortgages which are insured by Radian Guaranty, Inc. and CHF's maximum liability for the debt is \$75,000. These conduit debt financings are secured solely by the pledged assets, reserves, and insurance and do not constitute general obligations of CHF.

During 2012, CHF retired conduit debt of approximately \$4.5 million. The debt was retired through the optional redemption allowed by each bond's indenture. The retirement of the conduit debt resulted in approximately \$1.7 million of 2012 income for CHF.

Also in March 2012, CHF received \$408,509 in proceeds from a SEC security litigation resolution related to the 2004 bond Guaranteed Investment Contract.

NOTE 8 - RISK MANAGEMENT

CHF 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 who obtains the appropriate insurance coverage needed from insurance companies, which includes coverage for CHF. CHF reimbursed RCRC for its pro-rata portion of the insurance premiums. There have been no settlement amounts that have exceeded commercial insurance coverage for the last three years.

SUPPLEMENTARY INFORMATION

CRHMFA HOMEBUYERS FUND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED DECEMBER 31, 2012

<u>Federal Grantor/Program Title</u>	<u>Subrecipient Award Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Energy:			
Pass-through funds from California Energy Commission			
ARRA: State Energy Program Fund		81.041	<u>\$ 13,892,215</u>

CRHMFA HOMEBUYERS FUND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of CRHMFA Homebuyers Fund ("CHF") under programs of the federal government for the year ended December 31, 2012. Because the Schedule presents only a selected portion of the operations of CHF, it is not intended to and does not present the financial position, changes in net assets, or cash flows of CHF.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting.

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

CRHMFA Homebuyers Fund

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 CRHMFA Homebuyers Fund ("CHF") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise CHF's basic financial statements, and have issued our report thereon dated May 7, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CHF's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CHF's internal control. Accordingly, we do not express an opinion on the effectiveness of CHF'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. We did identify a deficiency in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs as item number 2012-01 that we consider to be a significant deficiency.

**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**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CHF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Audit Findings and Questioned Costs as item number 2012-01.

CHF's Response to Findings

CHF's response to the finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. CHF's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

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

May 7, 2013

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors

CRHMFA Homebuyers Fund

Report on Compliance for Each Major Federal Program

We have audited CRHMFA Homebuyers Fund's ("CHF") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of CHF's major federal program for the year ended December 31, 2012. CHF's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for CHF's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CHF's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of CHF's compliance.

Opinion on Each Major Federal Program

In our opinion, CHF complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-01. Our opinion on the major federal program is not modified with respect to this matter.

CHF's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. CHF's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of CHF is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CHF's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CHF's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Audit Findings and Questioned Costs as item number 2012-01 that we consider to be a significant deficiency.

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

CHF's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Audit Findings and Questioned Costs. CHF's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of CHF as of and for the year ended December 31, 2012, and have issued our report thereon dated May 7, 2013, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Moss Adams LLP

Sacramento, California
May 7, 2013

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

CRHMFA HOMEBUYERS FUND
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2012

SECTION I – SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Noncompliance material to financial statements
noted

_____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

 X Yes _____ Noncompliance

Type of auditor's report issued on compliance for
major programs:

Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section 510(a)?

 X Yes _____ No

Identification of major program:

_____ CFDA Number(s)

81.041

_____ Name of Federal Program or Cluster

ARRA: State Energy Program Fund

Dollar threshold used to distinguish between Type A
and Type B programs:

\$ 416,766

Auditee qualified as low-risk auditee?

_____ Yes X No

**CRHMFA HOMEBUYERS FUND
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2012**

SECTION II – FINANCIAL STATEMENTS FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2012-01 – Data collection form for the December 31, 2011 audit of compliance with OMB Circular A-133 was not filed within the earlier of 30 days after the receipt of the auditor's report or nine months after the end of the audit period.

Federal Program: ARRA: State Energy Program Fund, CFDA Number 81.041.

Federal Agency: U.S. Department of Energy (Pass-through funds from the California Energy Commission).

Award Year: May 10, 2010 through March 31, 2012.

Criteria: Data collection form filing requirement in accordance with OMB Circular A-133.

Condition: The data collection form for the December 31, 2011 audit of compliance with OMB Circular A-133 was not filed until December 12, 2012.

Questioned Costs: None identified.

Context: During our testing of proper submission of the data collection form in accordance with the requirements of OMB Circular A-133, we noted that the filing related to the December 31, 2011 audit was made more than 30 days after the receipt of the auditor's report and more than nine months after the end of the audit period.

Effect: CHF is no longer considered to be a low risk auditee.

Cause: Inadequate process in managing timely submission of the data collection form.

Recommendation: We recommend that CHF design and implement appropriate controls to ensure the timely filing of the data collection form in accordance with the requirements of OMB Circular A-133.

Corrective actions: Management has implemented controls surrounding the timely submission of the data collection form.

CRHMFA Homebuyers Fund

Communication with
Those Charged with Governance
December 31, 2012

MOSS ADAMS LLP

300 North Zeeb Road, Suite 200, New York, New York 10017-1499
Tel: 212 647 5000 Fax: 212 647 5001

Accuracy. Agility. Answers.



**To the Board of Directors of
CRHMFA Homebuyers Fund**

We have audited the financial statements of CRHMFA Homebuyers Fund (CHF) as of and for the year ended December 31, 2012, and have issued our report thereon dated May 7, 2013. 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

As stated in our engagement letter dated October 31, 2012, 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 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 the CHF's internal control over financial reporting. Accordingly, we considered CHF'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 January 16, 2013.

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 CHF 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 2012. We noted no transactions entered into by CHF 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 transaction occurred.

MOSS ADAMS LLP

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. The allowance for loan loss is based on estimates of historical loss trends and current exposure in the loan pools. We evaluated the key 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 mortgage backed securities and forward sales of To-Be-Announced (TBA) securities. Mortgage backed securities sold, not yet purchased, represent obligations of CHF to deliver the specified security at a contract price, thereby creating a liability to purchase the security at quoted market prices. CHF 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 Platinum loan 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. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

MOSS ADAMS LLP

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 May 7, 2013.

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 CHF'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 CHF'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 CHF and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Sacramento, California
May 7, 2013

EXHIBIT 1 - Signed Management Representation Letter



CRHMFA Homebuyers Fund
1215 K Street, Suite 1650 · Sacramento, California 95814
Phone: (855) 740-8422 · Fax: (916) 444-3551 · www.chffund.org

May 7, 2013

Moss Adams LLP
3100 Zinfandel Drive, 5th Floor
Rancho Cordova, CA 95670

We are providing this letter in connection with your audit of the financial statements of CRHMFA Homebuyers Fund ("CHF"), which comprise the statement of net assets as of December 31, 2012, and the related statement of revenues, expenses and change in net assets, and cash flows for the year then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the specified financial statements in conformity with generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit.

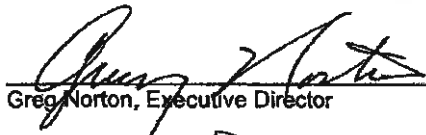
1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America, and include all assets and liabilities under CHF's control.
2. We have made available to you all—
 - a. Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Minutes of the meetings of directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared, of which there were none.
3. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements and the schedule of expenditures of federal awards.
5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the entity involving—
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, grantors, regulators, short sellers, or others.
8. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented, of which there were none.
9. CHF has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

10. The following have been properly recorded or disclosed in the financial statements:
 - a. Related-party transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which CHF is contingently liable, of which there were none.
 - c. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with accounting standards generally accepted in the United States of America [Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.]
11. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
12. CHF is a joint powers authority, an exempt organization. Any activities of which we are aware that would jeopardize CHF's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
13. There are no—
 - a. Violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements, as a basis for recording a loss contingency, or for reporting on noncompliance.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting standards generally accepted in the United States of America.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with accounting standards generally accepted in the United States of America.
 - d. Designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.
14. As part of your audit, you assisted with the preparation of the financial statement and related notes and the schedule of expenditures of federal awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and the schedule of expenditures of federal awards.
15. CHF has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed to you and reported in the financial statements.
16. We believe that we have properly recorded the proceeds receivable for the forward sale of To-be-announced (TBA) securities and a corresponding liability at fair market value as of December 31, 2012 for our obligation to fulfill the forward sale commitment.
17. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance.
18. We acknowledge our responsibility for presenting the Management's Discussion and Analysis and the Schedule on Expenditure of Federal Awards in accordance with accounting principles generally accepted in the United States of America and we believe Management's Discussion and Analysis and the Schedule on Expenditure of Federal Awards, including its form and content, is fairly presented in accordance with U.S. generally accepted accounting principles. The methods of measurement and presentation of Management's Discussion and Analysis and the Schedule on Expenditure of Federal Awards have not changed from those used in the prior periods, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
19. With respect to federal award programs:

- a. We are responsible for understanding and complying with, and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to the preparation of the schedule of expenditures of federal awards.
- b. We have prepared the schedule of expenditures of federal awards in accordance with OMB Circular A-133 and have identified and disclosed in the schedule of expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- c. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards ("SEFA") in accordance with the requirements of OMB Circular A-133 Section 310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Circular. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.
- d. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- e. We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133.
- f. We are responsible for understanding and complying with, and have complied with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- g. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- h. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- i. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- j. We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the OMB Circular A-133 *Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal awards, of which there were none.
- k. We have disclosed to you any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report, of which there were none.
- l. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report, of which there were none.
- m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

- n. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
 - o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
 - p. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
 - q. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.
 - r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
 - s. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency, or pass-through entity (in the case of subrecipient), as applicable.
 - t. We have charged costs to federal awards in accordance with applicable cost principles.
 - u. We are responsible for and will accurately prepare the auditee section of the Data Collection Form as required by OMB Circular A-133.
 - v. We are responsible for taking corrective action on each audit finding.
 - w. We have disclosed to you all contracts or other agreements with service organizations and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.
 - x. We have separately identified the funds received and expended under the American Recovery and Reinvestment Act ("ARRA") and have properly reported those funds in Schedule of Expenditures of Federal Awards. We have also complied with the specific federal requirements associated with those funds.
20. In accordance with GASB 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, we believe that the net asset balance is appropriately categorized as unrestricted.
21. CHF has transactions with its affiliates (RCRC, NHF, and ESJPA), however the governing bodies of each affiliated entity do not have the ability or authority to appoint or remove board members from the other affiliates. We have concluded that none of the affiliated entities constitutes a component unit of the other affiliated entities that should be combined for financial reporting purposes.
22. Revenues and expenses have properly been classified between operating and non-operating.
23. Net position has been properly classified as unrestricted in the financial statements.

To the best of our knowledge, no events, including instances of noncompliance, have occurred subsequent to the statement of net assets date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.


 Greg Norton, Executive Director


 Karl Dolk, Chief Financial Officer



CRHMFA Homebuyers Fund
1215 K Street, Suite 1650 • Sacramento, California 95814
Phone: (855) 740-8422 • Fax: (916) 444-3551 • www.chfloan.org

To: CRHMFA Homebuyers Fund Board of Directors
From: Greg Norton, Executive Director
Date: June 11, 2013
Re: Approval and Acceptance of Mendocino County– **Action**

Summary

On March 26, 2013, following a presentation by Rural County Representatives of California (RCRC) staff, the Mendocino County Board of Supervisors unanimously approved joining RCRC. The RCRC Board formally voted to accept Mendocino County as a Member on April 18, 2013.

As membership in CRHMFA Homebuyers Fund (CHF) is conditioned upon membership in RCRC, the Mendocino County Board of Supervisors voted to join CHF on April 9, 2013 (minute order attached). Mendocino County has previously been an Associate Member of CHF (revised membership list attached).

The addition of Mendocino County to CHF would place the organization's membership at thirty-two of RCRC's thirty-three Member Counties.

Staff Recommendation:

Staff recommends that the CHF Board of Directors approve acceptance of Mendocino County as a CHF Member County.

Attachments

- CHF Membership List
- Mendocino Summary of Minute Order



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CHF MEMBERS

Alpine County
Amador County
Butte County
Calaveras County
Colusa County
Del Norte County
El Dorado County
Glenn County
Imperial County
Inyo County
Lake County

Lassen County
Madera County
Mariposa County
Mendocino County
Merced County
Modoc County
Mono County
Napa County
Nevada County
Placer County
Plumas County

San Benito County
Shasta County
Sierra County
Siskiyou County
Sutter County
Tehama County
Trinity County
Tuolumne County
Yolo County
Yuba County

CHF ASSOCIATE MEMBERS

Alameda County
Contra Costa County
Fresno County
Humboldt County
Kern County
Kings County
Monterey County

Riverside County
Sacramento County
San Bernardino County
San Diego County
San Francisco County
San Joaquin County
San Luis Obispo County

San Mateo County
Santa Cruz County
Solano County
Sonoma County
Stanislaus County
Tulare County
Ventura County

ASSOCIATE MEMBERS CITIES

Palmdale (Los Angeles County)

San Jose (Santa Clara County)



MINUTE ORDER
BOARD OF SUPERVISORS
COUNTY OF MENDOCINO, STATE OF CALIFORNIA

MEETING DATE: April 9, 2013

SUPERVISORS PRESENT: Supervisors Brown, McCowen, Pinches, Gjerde, and Hamburg

SUPERVISORS ABSENT: None

AGENDA ITEM NO. 5C – DISCUSSION AND POSSIBLE ACTION REGARDING MENDOCINO COUNTY'S MEMBERSHIP IN RCRC, INCLUDING: 1) APPROVAL OF THE COUNTY BECOMING A MEMBER OF RCRC'S AFFILIATE ASSOCIATION CHF, A JOINT POWERS AUTHORITY, THE CRHMFA HOMEBUYERS FUND; AND 2) APPOINTMENT OF A BOARD MEMBER DELEGATE AND ALTERNATE TO REPRESENT THE COUNTY ON THE RCRC AND CHF BOARD OF DIRECTORS – SPONSORING DEPARTMENT: EXECUTIVE OFFICE

Presenter/s: Ms. Kristi Furman, Deputy Chief Executive Officer.

Public Comment: None.

Board Action: Upon motion by Supervisor Pinches, seconded by Supervisor Gjerde, and carried unanimously; IT IS ORDERED that the Board of Supervisors approves the County's membership in CHF; appoints Supervisor Brown as the Board's Representative (Delegate) and Supervisor Pinches as the Alternate Representative, on the RCRC Board of Directors and CHF Board of Directors; and further adopts a Resolution consistent with the Board's action, authorizing the Chair to sign same.

RESOLUTION NO. 13-040

RESOLUTION OF THE MENDOCINO COUNTY BOARD OF SUPERVISORS PETITIONING FOR MEMBERSHIP IN CRHMFA HOMEBUYERS FUND, (CHF), A DULY CONSTITUTED PUBLIC ENTITY AND AGENCY OF THE STATE OF CALIFORNIA FORMED AS A JOINT POWERS AUTHORITY BY RCRC MEMBER COUNTIES

STATE OF CALIFORNIA)
) ss.
COUNTY OF MENDOCINO)

I, CARMEL J. ANGELO, Clerk of the Board of Supervisors, in and for the County of Mendocino, State of California, do hereby certify the foregoing to be a full, true and correct copy of an order made by the Board of Supervisors, as the same appears upon their minute book.

WITNESS my hand and the seal of said Board of Supervisors, affixed this 1st day of May, 2013.

CARMEL J. ANGELO
Clerk of the Board of Supervisors

By: 
Deputy



CRHMFA Homebuyers Fund
1215 K Street, Suite 1650 • Sacramento, California 95814
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To: CRHMFA Homebuyers Fund Board of Directors
From: Greg Norton, Executive Director
Craig Ferguson, Vice President
Date: June 11, 2013
Re: CHF to NHF Revolving Debt Obligation Update— Information Only

Summary

This memo is for informational purposes to provide the CHF Board with an update on the status of the previously approved debt obligation.

On August 24, 2011, the CHF Board approved Resolution 11-03 (attached for reference) which authorized CHF to enter into a Revolving Debt Obligation of up to \$10 million with National Homebuyers Fund, Inc. (NHF). The debt obligation will be utilized by NHF to support the purchase of Mortgage Backed Securities (MBS) and/or other associated program activities to implement a multistate program.

As approved and previously discussed, the debt obligation will be at market rate terms, utilized solely for the NHF multistate MBS program, and be secured by associated/purchased MBS, deposits and NHF MBS program revenues. Additionally, staff has obtained counsel opinion that the debt obligation from CHF to NHF is an acceptable use of public funds.

Staff's intent to move forward with utilization of the debt obligation was discussed with the RCRC Executive Committee at their meeting of February 20, 2013.

Staff Recommendation

This item is for information only. No action is necessary.

