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Financial Statements and Report of Independent Certified Public Accountants

GSAF, LLC

June 30, 2014 and 2013

Contents

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Report of Independent Certified Public Accountants

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To the Members of
GSAF, LLC

Report on the financial statements

We have audited the accompanying financial statements of GSAF, LLC, a Delaware limited liability company (the "Company"), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of operations, changes in member equity, and cash flows for the year ended June 30, 2014 and for the period from inception to June 30, 2013, and the related notes to the financial statements.

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 the financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Company'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 Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GSAF, LLC, as June 30, 2014 and 2013, and the results of its operations and its cash flows for year ended June 30, 2014 and for the period from inception to June 30, 2013 in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

San Francisco, California
December 1, 2014

Statements of financial position

	June 30, 2014	June 30, 2013
Assets		
Current assets:		
Cash and cash equivalents (Note 6)	$ 3,208,608	$ 8,342,230
Interest receivable	74,680	10,873
Current portion of notes receivable (Notes 3 and 4)	14,779,568	3,087,500
Total current assets	18,062,856	11,440,603
Notes receivable, net of current portion (Notes 3 and 4)	5,123,492	-
Total assets	$ 23,186,348	$ 11,440,603
Liabilities and members' equity		
Current liabilities:		
Due to Low Income Investment Fund (Note 9)	$ 47,482	$ 11,207
Total current liabilities	47,482	11,207
Note payable (Note 5)	23,100,000	11,475,000
Total liabilities	23,147,482	11,486,207
Members' equity (deficit)	38,866	(45,604)
Total liabilities and members' equity	$ 23,186,348	$ 11,440,603

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

Statements of operations

	Year ended June 30, 2014	For the period from March 5, 2012 (Inception) through June 30, 2013
Revenues		
Interest and investment income	$ 208,450	$ 24,948
Contributions	-	150,000
Total revenues	208,450	174,948
Expenses		
Start up costs	-	150,000
Management fees	103,014	11,207
Insurance, license and fees	2,400	152
Consultants, legal and other operating	18,566	59,593
Total expenses	123,980	220,952
Net income (loss)	$ 84,470	$ (46,004)

Statements of members' equity (deficit)

	LIIF	ECLF	CHC	RCAC	Total
Balance, March 5, 2012 (inception)	$ -	$ -	$ -	$ -	$ -
Contributions	100	100	100	100	400
Net loss	(11,501)	(11,501)	(11,501)	(11,501)	(46,004)
Balance, June 30, 2013	$ (11,401)	$ (11,401)	$ (11,401)	$ (11,401)	$ (45,604)
Net income	21,118	21,118	21,117	21,117	84,470
Balance, June 30, 2014	$ 9,717	$ 9,717	$ 9,716	$ 9,716	$ 38,866

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

Statements of cash flows

	Year ended June 30, 2014	For the period from March 5, 2012 (Inception) through June 30, 2013
Cash flows from operating activities:		
Net income (loss)	$ 84,470	$ (46,004)
Adjustments to reconcile net income to net cash used in operating activities:		
Changes in operating assets and liabilities:		
Interest receivable	(63,807)	(10,873)
Due to Low Income Investment Fund	36,275	11,207
Net cash provided by (used in) operating activities	56,938	(45,670)
Cash flows used in investing activities:		
Notes receivable funded	(23,108,116)	(5,438,750)
Notes receivable repayments	6,292,556	2,351,250
Net cash used in investing activities	(16,815,560)	(3,087,500)
Cash flows provided by financing activities:		
Proceeds from note payable	11,625,000	11,475,000
Contributions from members	-	400
Net cash provided by financing activities	11,625,000	11,475,400
Net (decrease) increase in cash and cash equivalents	(5,133,622)	8,342,230
Cash and cash equivalents at beginning of year	8,342,230	-
Cash and cash equivalents at end of year	**$ 3,208,608**	**$ 8,342,230**

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

Notes to financial statements

Note 1 – Organization and nature of business

GSAF, LLC ("GSAF") was created to provide loans for acquisition financing to support the creation and preservation of affordable housing throughout the State of California. GSAF was organized in the State of California on March 5, 2012 ("Inception").

GSAF has four members, including:

- Low Income Investment Fund, a California nonprofit public benefit corporation ("LIIF")
- Enterprise Community Loan Fund, Inc. a Maryland non-stock corporation ("ECLF")
- Century Housing Corporation, a California nonprofit public benefit corporation ("CHC")
- Rural Community Assistance Corporation, a California nonprofit benefit corporation ("RCAC")

GSAF was formed in conjunction with the California Department of Housing and Community Development ("HCD") to provide subordinated capital for the preservation of affordable housing in California. HCD has committed to provide $23,250,000 in loan and related capital to GSAF.

The four members and three other Community Development Financial Institutions ("CDFI's") have entered into origination and participation agreements with GSAF to leverage their respective funds to assist developers in the production of affordable housing for low-income households in California. LIIF is the Administrative Agent and Master Servicer for GSAF.

Note 2 – Summary of significant accounting policies

Basis of accounting

GSAF's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

The financial statements of GSAF present the results of operations, changes in members' equity and cash flows for the period from March 5, 2012 (Inception) through June 30, 2013 and as of and for the year ended June 30, 2014. GSAF's statements of financial position are presented as of June 30, 2014 and 2013, respectively.

All events occurring from June 30, 2014 through December 1, 2014, the date the financial statements were available to be issued, have been reviewed, and no material subsequent events have occurred requiring accrual or disclosure.

Note 2 – Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates are negligible. These include investments with maturity dates within three months of their acquisition date.

Notes receivable, net

Notes receivable are presented net of an allowance for loan losses. GSAF provides funding in the form of notes receivable, or loans, to not-for-profit organizations, developers and other borrowers, in fulfillment of its mission. The ability of GSAF's debtors to honor their contracts is dependent upon many factors, including general economic conditions, government actions, and their ability to arrange for subsequent financing to repay GSAF. When making loans, GSAF obtains a collateral interest in the real estate projects.

Loans that GSAF has the intent and ability to hold for the foreseeable future or until maturity or pay-offs are generally reported at their outstanding unpaid principal balances adjusted for charge-offs and an allowance for loan losses. Interest income is accrued on the unpaid principal balance.

The accrual of interest on loans is discontinued at the time the loan is more than 90 days delinquent unless the loan is well secured and in process of collection. Loans are placed on nonaccrual or charged-off at an earlier date if collection of principal and interest is considered doubtful.

Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. As of June 30, 2014 and 2013, there were no loans on nonaccrual status.

Allowance for loan losses

The allowance for loan losses is an estimate of loan losses inherent in GSAF's notes receivable portfolio that have been incurred as of the statement of financial position date. The allowance is established through a provision for loan losses which is charged to expense. Additions to the allowance are expected to maintain the adequacy of the total allowance after loan losses and loan growth. Loan exposures determined to be uncollectible are charged against the allowance. Cash received on previously charged off amounts is recorded as a recovery to the allowance. The overall allowance consists of two primary components, specific reserves related to impaired loans and general reserves for inherent losses related to loans that are evaluated collectively for impairment.

Note 2 – Summary of significant accounting policies (continued)

Allowance for loan losses, continued

All or a portion of a loan is considered impaired when, based on current information and events, it is probable that GSAF will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the original agreement. Loans determined to be impaired are individually evaluated for impairment. Factors considered by management in determining likelihood of collectability include primary repayment source, payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays, insignificant loan extensions, or that do not reflect any deterioration in performance, are not classified as impaired. The significance of payment delays or payment shortfalls are determined on a case-by-case basis by management, and take into consideration all facts and circumstances surrounding the loan and borrower, including the length of the delay, reason for the delay, and the borrower's prior payment record.

Loans are not classified as impaired unless they are nonperforming or have been designated as a troubled debt restructuring ("TDR"). Once such a loan has been designated as a TDR, it is then individually assessed for impairment. When a loan is impaired, GSAF may measure impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. A loan is collateral dependent if the repayment of the loan is expected to be provided solely by the underlying collateral.

GSAF determines a separate allowance by portfolio segment. GSAF has one portfolio segment, which is Commercial Real Estate. The allowance for loan losses for this portfolio segment is included in the statements of financial position and is available for all loss exposures.

The determination of the general reserve for loans that are not considered to be individually impaired is based on estimates made by management, to include, but not limited to, consideration of historical losses by portfolio segment, internal asset classifications, and qualitative factors to include economic trends in GSAF's service areas, industry trends, geographic concentrations, estimated collateral values, GSAF's underwriting policies, the character of the loan portfolio, and probable losses inherent in the portfolio taken as a whole.

Loans whose contractual terms have been modified in a TDR and are current at the time of restructuring remain on accrual status if there is a demonstrated performance prior to the restructuring and payment in full under the restructured terms is expected. A restructuring of a debt constitutes a TDR if GSAF, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. Restructured workout loans typically present an elevated level of credit risk as the borrowers are not able to perform according to the original contractual terms. Loans that are reported as TDRs are considered impaired and measured for impairment as described above. As of June 30, 2014 and 2013, no loans were reported as TDRs.

Note 2 – Summary of significant accounting policies (continued)

Allowance for loan losses, continued

GSAF assigns a risk rating to all loans and periodically performs detailed reviews of all loans over a certain threshold to identify credit risks and to assess the overall collectability of that segment of the portfolio. This analysis is performed on a quarterly, semi-annual or annual basis based on the risk rating of the loan. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings for loans included in the portfolio segments can be grouped into five major categories, defined as follows:

Pass – A pass loan is performing consistent with or better than projections, and with no existing or known potential weaknesses deserving of management's close attention.

Below expectation – A below expectation loan has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in GSAF's loan position at some future date. Below expectation loans are not adversely classified and do not expose GSAF to sufficient risk to warrant adverse classification.

Substandard – A substandard loan is not adequately protected by the current financial position and paying capacity of the borrower or the value of the collateral pledged, if any. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Well-defined weaknesses include inadequate cash flow or collateral support, a project's lack of marketability, failure to complete construction on time or the project's failure to fulfill economic expectations. They are characterized by the distinct possibility that GSAF will sustain some loss if the deficiencies are not corrected.

Doubtful – Loans classified doubtful have all the weaknesses inherent in those classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.

Loss – Loans classified as loss are considered uncollectible and are charged-off.

The general reserve component of the allowance for loan losses also consists of reserve factors that are based on management's assessment of the following for each portfolio segment: (1) inherent credit risk, (2) historical losses and (3) other qualitative factors. These reserve factors are inherently subjective and are driven by the repayment risk associated with the portfolio as described below:

Commercial real estate – Commercial real estate represents lending, secured by real estate, to CDFI's that are making loans to affordable housing developers. The degree of risk in commercial real estate lending depends primarily on the loan amount in relation to collateral value, the interest rate and the borrower's ability to repay in an orderly fashion. These loans generally possess a lower inherent risk of loss than other portfolio segments. Economic trends determined by federal, state, and local governments and related subsidies; real estate values; interest rate environments; and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends may indicate that the borrowers' capacity to repay their obligations may be deteriorating.

Note 2 – Summary of significant accounting policies (continued)

Allowance for loan losses, continued

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

Interest and investment income

Interest and investment income are recognized as earned.

Income taxes

GSAF is a limited liability company that is treated as a partnership under federal and California income tax law. In lieu of corporate income taxes, the members of GSAF separately account for their pro-rata shares of GSAF's items of income, deductions, losses and credits. The financial statements of GSAF therefore do not include members' tax obligations or tax assets related to their distributive shares of net income.

GSAF has accounted for uncertainty in income taxes as required by the *Accounting for Uncertainty in Income Taxes* topic of the FASB Accounting Standards Codification ("ASC"). GSAF uses a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The effect of applying this model and the resulting identification of uncertain tax positions, if any, were not considered significant for financial reporting purposes.

During the years ended June 30, 2014 and 2013, GSAF recognized no interest or penalties associated with unrecognized tax benefits. GSAF is subject to the filing of U.S. federal and California income tax returns. Federal returns for the fiscal year ended June 30, 2012 through 2014, and California returns for fiscal years ended June 30, 2012 through 2014 are currently open for potential examination. GSAF does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months following June 30, 2014.

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 revenues and expenses. Accordingly, actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes in the near term relate to the determination of the allowance for loan losses.

Note 3 – Note receivable

Notes receivable at June 30, 2014 and 2013 consist of notes secured by real estate in the amount of $19,903,060 and $3,087,500, respectively, with a fixed interest rate of 2%, maturing from October 2014 to July 2017.

Note 4 – Allowances for loan losses

GSAF considers the performance of the notes receivable portfolio and its impact on the allowance for loan losses. Management may evaluate credit qualities of individual loans based on payment activity and assign an individual internal risk rating.

As of June 30, 2014 and 2013, there were no notes receivable that were past due and no notes receivable that were evaluated as impaired.

GSAF had no nonaccrual loans at June 30, 2014 and 2013. Interest income on nonaccrual loans is generally recognized on a cash basis; however, there was no such interest income recognized, and no interest foregone on nonaccrual loans for the period from Inception through June 30, 2014.

GSAF received a loan of $23,100,000 from HCD to provide credit enhancements as fully subordinated debt for loans made to affordable housing developers in California. In the event that a loan is charged off by GSAF, subordinated debt equal to credit losses will be forgiven.

Note 5 – Note payable

Note payable at June 30, 2014 and 2013 totaled $23,100,000 and $11,475,000, respectively, and consists solely of debt to HCD which bears 0% interest and matures December 14, 2017.

In connection with the note payable, GSAF is required to meet certain covenants. The covenants include maintaining status as an LLC, and certain other requirements such as only lending funds consistent with the intended purpose of GSAF. As of June 30, 2014 and 2013, GSAF was in compliance with all covenants.

Note 6 – Commitments and contingencies

Commitments

GSAF has no commitments to fund additional loans as of June 30, 2014 and 2013.

Contingencies

From time to time, GSAF may be a party to certain legal proceedings arising out of ordinary course of business, the outcomes of which individually or in the aggregate, in the opinion of GSAF's management, would not have a material adverse effect on GSAF business, financial position, results of operations, or cash flows.

Note 6 – Commitments and contingencies (continued)

Cash and cash equivalents

Cash and cash equivalents are held with a federally insured financial institution under a corresponding banking agreement. At June 30, 2014 and 2013, cash and cash equivalents totaled $3,208,608 and $8,342,230, and the amount not insured totaled $2,458,608 and $7,592,230, respectively.

Note 7 – Concentration of credit risk

GSAF lending activities are with customers located in California. As of June 30, 2014, GSAF has fifteen loans to CDFI's in California, which collectively represent 100% of the notes receivable portfolio.

Note 8 – Fair value measurements

As of June 30, 2014 and 2013, financial instruments included in the statements of financial position include cash and notes receivable. As of June 30, 2014 and 2013, the carrying amounts of such instruments approximate fair value.

The fair value of the note payable is estimated by discounting the future cash flows using rates at each reporting date based on market rates at which the funds could be replaced for similar maturities. The carrying value and estimated fair value of the note payable as of June 30, 2014 were $23,100,000 and $21,827,505, respectively. The carrying value and estimated fair value of the note payable as of June 30, 2013 were $11,475,000, and $10,769,930, respectively.

Fair value hierarchy

GSAF groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. Valuations within these levels are based upon:

Level 1 – Quoted market prices for identical instruments traded in active exchange markets.

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3 – Model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect GSAF's estimates of assumptions that market participants would use on pricing the asset or liability. Valuation techniques include management judgment and estimation which may be significant.

GSAF has no assets or liabilities required to be valued on a recurring or non-recurring basis.

Note 9 – Related party transactions

LIIF, a member of GSAF and also the Administrative Agent, provides services under an operating agreement for administrative and support services for daily operations of GSAF and to satisfy reporting requirements related to the debt agreement with HCD (see Note 5). Under the agreement, LIIF is paid an administrative agent fee of 1% of the aggregate outstanding principle balance of project loans. As of June 30, 2014 and 2013, GSAF owed LIIF for services rendered under this agreement totaling $47,482 and $11,207, respectively.

According to the debt agreement with HCD up to $150,000 of loan funds from the first disbursement may be used to fund start-up costs approved by HCD. These funds are grants and not subject to repayment. During the period from Inception through June 30, 2013, all $150,000 in grant funds were used to reimburse members for expenses incurred and services rendered by them in connection with the formation of GSAF. LIIF received $75,000 as the managing member whereas RCAC, ECLF, and CHC each received $25,000.