

**The Lowcountry Housing Trust, Inc.**

**Audited Financial Statements**

**Year Ended December 31, 2009**

**McCay, Kiddy & Associates, LLC**  
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**THE LOWCOUNTRY HOUSING TRUST, INC.**  
**TABLE OF CONTENTS**  
**DECEMBER 31, 2009**

<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 14

***INDEPENDENT AUDITORS' REPORT***

To the Board of Directors  
The Lowcountry Housing Trust, Inc.  
North Charleston, South Carolina

We have audited the accompanying statement of financial position of The Lowcountry Housing Trust, Inc. (a 501(c)(3) nonprofit organization) as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Lowcountry Housing Trust, Inc. as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*McCay, Kiddy & Associates, LLC*  
June 15, 2010

**THE LOWCOUNTRY HOUSING TRUST, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2009**

**Assets**

Current Assets

Cash - unrestricted	\$ 790,980
Grants receivable	79,670
Prepaid expenses	575
Other current assets	280
Current assets limited to use:	
Notes receivable, net of unamortized discounts	338,180
<b>Total current assets</b>	<b>1,209,685</b>

Non-Current Assets

Property and equipment, net	12,820
Notes receivable, net of allowance	173,391
<b>Total non-current assets</b>	<b>186,211</b>

Non-current assets limited to use:

Cash - restricted	600,237
Notes receivable, net of unamortized discounts	5,847,676
<b>Total non-current assets limited to use</b>	<b>6,447,913</b>

<b>Total Assets</b>	<b>\$ 7,843,809</b>
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**Liabilities and Net Assets**

Current Liabilities

Accounts payable and accrued expenses	\$ 12,353
<b>Total current liabilities</b>	<b>12,353</b>

Other Liabilities

Agency liability	4,007,204
Program related investments	150,000
Equity equivalent investments	100,000
<b>Total other liabilities</b>	<b>4,257,204</b>
<b>Total Liabilities</b>	<b>4,269,557</b>

Net Assets

Unrestricted	795,363
Temporarily restricted	2,778,889
<b>Total net assets</b>	<b>3,574,252</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,843,809</b>

**THE LOWCOUNTRY HOUSING TRUST, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2009**

	Unrestricted Operations	Temporarily Restricted	Total
<b>Public Support and Revenue</b>			
Public Support			
Federal grants	\$ 699,738	\$ -	\$ 699,738
Local grants	22,080	294,000	316,080
Individual and business contributions	40,600	-	40,600
Business and foundation grants	163,500	100,000	263,500
Total public support	925,918	394,000	1,319,918
 Revenue			
Investment income	39,822	-	39,822
Special events, net of expenses	5,050	-	5,050
Program service revenue	73,278	-	73,278
Total revenue	118,150	-	118,150
Net assets released from restrictions	44,861	(44,861)	-
Total Public Support and Revenue	1,088,929	349,139	1,438,068
 <b>Expenses</b>			
Program services	332,398	-	332,398
Management and general	31,094	-	31,094
Fundraising	9,162	-	9,162
Total Expenses	372,654	-	372,654
Change in Net Assets	716,275	349,139	1,065,414
<b>Net Assets, Beginning of Year</b>	79,088	2,429,750	2,508,838
<b>Net Assets, End of Year</b>	\$ 795,363	\$ 2,778,889	\$ 3,574,252

See accompanying notes to financial statements and independent auditors' report.

**THE LOWCOUNTRY HOUSING TRUST, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2009**

<b>Functional Expenses</b>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 117,087	\$ 9,750	\$ 6,500	\$ 133,337
Payroll taxes and employee benefits	19,745	686	458	20,889
Professional fees and contracted services	74,788	9,136	2,204	86,128
Rent	8,347	2,783	-	11,130
Insurance	2,707	903	-	3,610
Supplies	5,096	1,699	-	6,795
Communications and utilities	6,884	2,294	-	9,178
Repairs and maintenance	1,003	335	-	1,338
Postage, shipping, and delivery	639	212	-	851
Program related	70,184	-	-	70,184
Staff development	760	-	-	760
Advertising	1,463	1,673	-	3,136
Dues and subscriptions	2,644	300	-	2,944
Travel	6,806	14	-	6,820
Conferences and meetings	9,965	1,041	-	11,006
Sponsorships	1,000	-	-	1,000
Miscellaneous	805	268	-	1,073
Depreciation	2,475	-	-	2,475
<b>Total Functional Expenses</b>	<u>\$ 332,398</u>	<u>\$ 31,094</u>	<u>\$ 9,162</u>	<u>\$ 372,654</u>

**THE LOWCOUNTRY HOUSING TRUST, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2009**

**Cash Flows from Operating Activities**

Change in net assets	\$ 1,065,414
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation	2,475
Amortization of discount on notes receivable	(25,019)
Provision for loan losses	70,000
Change in:	
Grants receivable	(79,670)
Other current assets	838
Accounts payable and accrued expenses	10,829
Agency liability	4,007,204
Net cash provided by operating activities	<u>5,052,071</u>

**Cash Flows from Investing Activities**

Purchase of property and equipment	(13,099)
Housing assistance loans made	(4,374,454)
Net proceeds from repayment of note receivable principal	49,879
Net cash used in investing activities	<u>(4,337,674)</u>

**Cash Flows from Financing Activities**

Proceeds from program related investments	150,000
Proceeds from equity equivalent investments	100,000
Net cash provided by financing activities	<u>250,000</u>

**Increase in Cash**

	964,397
Cash, beginning	<u>426,820</u>
Cash, ending	<u><u>\$ 1,391,217</u></u>

**Reconciliation of Cash to Statement of Financial Position**

Unrestricted cash	\$ 790,980
Restricted cash	<u>600,237</u>
<b>Total Cash per Statement of Financial Position</b>	<u><u>\$ 1,391,217</u></u>

**THE LOWCOUNTRY HOUSING TRUST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note A - Nature of Operations and Summary of Significant Accounting Policies**

The summary of significant accounting policies of The Lowcountry Housing Trust, Inc. (the Trust) is presented to assist in understanding the Trust's financial statements. The financial statements and notes are representations of the Trust's management who is responsible for the integrity and objectivity of the financial statement. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statement.

Nature of Activities

The Lowcountry Housing Trust, Inc. is a 501(c)(3) corporation created as a local source of funding to increase the inventory of affordable homeownership, rental and transitional housing in Berkeley, Charleston and Dorchester Counties. The mission of the Trust is to assist non profit and for profit developers to construct a full spectrum of housing that is truly affordable to the prospective occupants, to open up realistic opportunities for homeownership and to encourage new rental housing for families who are not ready for homeownership. To accomplish this mission, the Trust raises and pools funds from public and private sources and awards them to developers who are addressing recognized community needs and have the capacity to produce or rehabilitate affordable housing.

Programs

The Lowcountry Housing Trust actively promotes policies that reduce unnecessary regulatory barriers to such production; supports experienced affordable housing developers; and works to increase the capacity of newcomers. Financial and technical assistance is available to affordable housing developers and municipalities through a variety of loan, incentive, and development programs.

Gap Financing Loans

The Trust subsidizes the production of new affordable housing units, both for-sale and rental, through new construction, substantial rehabilitation of vacant units or conversion of non residential buildings to residential use. The Trust will provide project-specific loans to non profit and for profit developers up to \$30,000 per unit to construct new units or rehabilitate vacant housing units for sale or rent to low and moderate income households. Funds can be used for construction loans, bridge loans, lines of credit, and permanent financing. The Trust's funds often are combined with subsidy from other entities to reduce the cost of housing for low and very-low income families. Funds are awarded through a competitive application process.

Predevelopment Loans

The Trust will make loans up to \$10,000 for predevelopment expenses associated with the construction or rehabilitation of specific affordable housing projects. Non profit and for profit affordable housing developers may apply when other private or public funds cannot be acquired, to expedite project development, or to reduce cost of borrowing funds through a conventional lender. Applications are accepted continuously and reviewed promptly. Eligible uses include but are not limited to: land options, down payments, architectural and engineering fees, site surveys, soil test borings, market studies, appraisals, environmental engineering studies, archeological clearances, and legal expenses related to site acquisition, zoning or permitting.

Bridge Loans

The Trust will make short-term loans to expedite completion of affordable housing projects in which loans or grants are committed but not disbursed. Applications are accepted continuously and reviewed promptly. Funds must be used for specific project related costs. Eligible uses include but are not limited to: acquisition, infrastructure, or construction costs.

**THE LOWCOUNTRY HOUSING TRUST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note A - Nature of Operations and Summary of Significant Accounting Policies (continued)**

Community Development Financial Institutions Program

The Community Development Financial Institutions (CDFI) program is established by the Reigle Community Development and Regulatory Improvement Act of 1994 to use federal resources to invest in and build the capacity of CDFI's to serve low-income people and communities lacking adequate access to affordable financial products and services. Since its inception, the Fund has made more than \$500 million in awards to loan funds, banks, credit unions, and community development venture capital funds. The Fund provides monetary awards for Financial Assistance (FA) and Technical Assistance (TA) through the CDFI Program. CDFI's use FA awards to further goals such as:

Economic development (job creation, business development, and commercial real estate development); Affordable housing (housing development and homeownership); and Community development financial services (provision of basic banking services to under served communities, financial literacy training, and predatory lending alternatives).

A certified Community Development Financial Institution (CDFI) is a specialized financial institution that works in market niches that are underserved by traditional financial institutions. CDFI's provide a unique range of financial products and services in economically distressed target markets, such as mortgage financing for low-income and first-time homebuyers and not-for-profit developers, flexible underwriting and risk capital for needed community facilities, and technical assistance, commercial loans and investments to small start-up or expanding businesses in low-income areas. CDFI's include regulated institutions such as community development banks and credit unions, and non-regulated institutions such as loan and venture capital funds.

CDFI certification is a designation conferred by the CDFI Fund (through the US Treasury Department) and indicates that a financial institution provides financial products and services in defined underserved and economically distressed target markets. CDFI certification enables non traditional financial institutions (like a loan fund) to raise capital from bank investors as well as from non-bank financial companies, foundations, religious institutions, individuals and government entities. CDFI Certification is a requirement for accessing financial and technical award assistance from the CDFI Fund through the CDFI Program to support an organization's established community development financing programs.

The Lowcountry Housing Trust received CDFI status in April of 2007.

Charleston Water Affordable Housing Incentive Program

Charleston Water, with technical assistance from the Trust, has devised a program of regulatory and financial incentives for private and public sector builders to produce affordable housing within the utility's service area. This program will lower barriers to affordable housing production by deferring and reducing the payment of water and wastewater impact fees. For each residential unit certified by the Trust as affordable to low income households, Charleston Water will: 1) reduce the engineering services portion of the water impact fee by \$500; 2) reduce the engineering services portion of the wastewater impact fee by \$500; and 3) defer payment of the water and/or wastewater impact fees until construction is complete.

Plant a Tree Program

When no other source of funds is available, the Trust will expend up to \$500 to plant at least one tree and some foundation shrubs at for-sale houses receiving the Trust Gap Financing for Housing Production Program subsidy. Upon occupancy, the Trust will engage a qualified individual to create a basic landscape plan, to select and install the plants and to advise the new homeowner about long-term maintenance. The purpose is to create a comfortable and attractive property that is a source of pride to the owner, an asset to the community and a catalyst for reinvestment in the neighborhood.

**THE LOWCOUNTRY HOUSING TRUST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note A - Nature of Operations and Summary of Significant Accounting Policies (continued)**

Neighborhood Stabilization Program

HUD's new Neighborhood Stabilization Program will provide emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities. The Neighborhood Stabilization Program (NSP) provides grants to every state and certain local communities to purchase foreclosed or abandoned homes and to rehabilitate, resell, or redevelop these homes in order to stabilize neighborhoods and stem the decline of house values of neighboring homes. The program is authorized under Title III of the Housing and Economic Recovery Act of 2008. The program is targeted to households with incomes at or below 120 percent (120%) of the area median income with a portion of the funds targeted to households at or below 50 percent (50%) of the area median income.

Administered in South Carolina by the South Carolina State Housing Finance and Development Authority, funds are targeted to areas of the state demonstrating the highest need. In accordance with HUD standards, funds were available to the 20 counties in the state with the highest foreclosure rates and targeted areas with high levels of subprime mortgages, mortgage defaults and delinquencies. Funds will be used to purchase foreclosed homes at a discount and rehabilitate, redevelop or demolish them. Neighborhoods across the region negatively impacted by foreclosed properties will soon start to see stabilization of home values through a \$7.4 million dollar infusion from the U.S. Housing and Urban Development's Neighborhood Stabilization Program (NSP1). The Lowcountry Housing Trust acting as a lead entity for the tri-county will administer this program in partnership with the South Carolina State Housing Finance and Development Authority. The tri-county's NSP1 award is the result of collaboration between the Lowcountry Housing Trust, BCDCOG, Berkeley, Charleston, and Dorchester counties, the cities of Charleston and North Charleston, the Town of Mount Pleasant, and the Town of James Island. Proposals for the implementation of the program are evaluated and selected from non profit and for profit developers and government entities who demonstrated the capacity to meet NSP guidelines and comply with federal CDBG requirements in a timely and effective manner.

Technical and Development Services

With the goal of expanding the production of high quality affordable housing in the tri-county region, the Trust provides consulting and technical services to for profit and non profit developers. The Trust also encourages and assists municipalities to plan and zone to accommodate quality affordable housing that meets the needs of a diverse workforce.

Management and General

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Trust's program strategy; secure proper administrative functioning of the Board of Directors; maintain competent legal services for the program administration of the Trust; and manage the financial and budgetary responsibilities of the Trust.

Fundraising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

Budgets

The budget for the Trust is prepared in October for the following calendar year, based on estimated revenues and expenses for the various fiscal year grants and management operations.

Budgetary control is also achieved through the grant contracts which run on various fiscal years.

**THE LOWCOUNTRY HOUSING TRUST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note A - Nature of Operations and Summary of Significant Accounting Policies (continued)**

Use of Estimates and Assumptions

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

The Trust is carrying a notes receivable with payment terms based on the developer's expected closing dates for properties within the development. Actual closing dates may vary from the estimated dates.

Cash and Cash Equivalents

For purposes of the financial statements, the Trust considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. NSP requires that all funds granted to the Trust must be deposited in a non interest bearing account. Additionally it stipulates that any income generated from an activity associated with NSP must be deposited in an interest bearing account. As of December 31, 2009 both account balances were \$0.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures* (ASC 820) defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. FASB ASC 820 is effective for the Trust's financial assets and liabilities for the year ended December 31, 2009.

Notes Receivable

The Trust enters into various lending agreements with independent entity's that provide affordable housing assistance to the area being served. The notes held by the Trust are 1) forgivable, 2) interest free, or 3) below market rate interest. The effective interest method is utilized by the Trust in amortizing the discount on notes receivable. Accordingly, the Trust accounts for the notes on the following basis:

Forgivable - The Trust makes loans which have terms of twenty years and are only repayable if the sub-recipient violates the terms of the agreement. These notes are recorded at face value (no discount) as the Trust does not intend to receive repayment of the loan at the time the loan is made. The notes are fully recoverable in years one through five, and then are written off through straight-line amortization in years six through twenty at a rate of one fifteenth (1/15) per year. None of the loans thus far are old enough to have begun amortization.

Interest Free and Below Market Rate Interest - These notes have repayment terms varying from monthly payments to annual payments. Due to the Trust receiving repayment of the notes, the notes are recorded at face value less the discount the borrower received due to the below market rate of interest. The discount is being amortized through the effective interest method over the terms of the agreement. The amortization of the discount is recorded as loan interest income on the Statement of Activities.

Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged-off against the allowance when management determines that the loan is uncollectible. Subsequent recoveries of amounts previously charged-off are credited to the allowance. The allowance for loan losses is maintained at a level believed adequate by management to absorb estimated losses after considering various factors, including prevailing and anticipated economic conditions, diversification and size of the loan portfolio, current financial status and credit standing of the borrowers, the status and level of nonperforming assets, past and expected loan loss experience, adequacy of collateral, and specific impaired loans.

**THE LOWCOUNTRY HOUSING TRUST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note A - Nature of Operations and Summary of Significant Accounting Policies (continued)**

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. The Trust capitalizes all expenditures for property and equipment in excess of \$500, unless required to do otherwise under grant conditions. The depreciation method is designed to amortize the cost of the assets over their estimated lives as follows:

Leashold improvements	15	Years
Furniture and equipment	3 - 5	Years
Software	5	Years

Assets Limited to Use

Assets limited to use are assets that have a specific use or purpose as stated by a donor or grantor.

Donated Assets

Non-cash donations are recorded as contributions at their estimated fair values at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Trust reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Trust reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Grants Receivable and Allowance for Doubtful Accounts

Grants receivable consist mainly of amounts owed from governmental agencies. The Trust has not experienced any uncollectible receivables in past years. The Trust uses the allowance method to determine uncollectible grants receivable when deemed necessary. The allowance is based on prior years' experience and management's analysis of specific accounts. It is the Trust's policy to write off grants receivable when the receivable has been deemed uncollectible. At December 31, 2009 the allowance for the doubtful accounts is \$0.

Basis of Presentation

The Trust adopted FASB ASC Topic 958, "Not-For-Profit Entities". Under FASB ASC Topic 958, the Trust is required to report information regarding its financial position and activities according to the three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Accordingly, net assets of the Trust and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to explicit or implicit donor-imposed stipulations that may or will be met either by actions of the Trust and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the assets be maintained permanently by the Trust. Generally, the donors of these assets permit the Trust to use all or part of the income earned on related investments for general or specific purposes.

**THE LOWCOUNTRY HOUSING TRUST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note A - Nature of Operations and Summary of Significant Accounting Policies (continued)**

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Sources of Revenue

The Trust receives over 92% of its revenue through various Federal, State, and Local grants.

Functional Allocations of Expenses

The cost of providing the various programs and other activities has been summarized on a program basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Lowcountry Housing Trust, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Service Code and is also exempt from South Carolina income tax. Accordingly, no provision for income taxes has been provided for. The Trust is not a private foundation.

On January 1, 2009, the Trust adopted the uncertain tax positions provisions of FASB ASC 740, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FASB ASC 740-10-25, the Trust may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. FASB ASC 740 also provides guidance on de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

**Note B - Fair Value of Financial Assets and Liabilities**

The Trust has adopted the provisions of FASB ASC 820 in 2009 for its financial assets and liabilities. The Trust is now required to provide additional disclosures. FASB ASC 820 clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Trust utilizes market data or assumptions that market participants would use in pricing the asset or liability. FASB ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Prices for certain cash equivalents, such as money market mutual funds and investment securities are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1.

**THE LOWCOUNTRY HOUSING TRUST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note B - Fair Value of Financial Assets and Liabilities (continued)**

The Trust does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 3 during the years ended December 31, 2009.

There were no changes during the years ended December 31, 2009 to the Trust's valuation techniques used to measure asset and liability fair values on a recurring basis.

The Trust has \$1,391,217 of cash as of December 31, 2009, which is not classified as a Level as prescribed within FASB ASC 820.

The determination of the fair value above incorporates various factors required under FASB ASC 820. These factors include not only the credit standing of the counterparties involved and the impact of credit enhancements, but also the impact of the Trust's nonperformance risk on its liabilities.

**Note C - Property and Equipment**

Property and equipment is comprised of the following at December 31, 2009:

Leasehold improvements	\$ 2,493
Furniture and equipment	6,515
Software	<u>8,620</u>
Total	17,628
Less: accumulated depreciation and amortization	<u>(4,808)</u>
Property and equipment, net	<u><u>\$ 12,820</u></u>

Depreciation expense at December 31, 2009 is \$2,475.

**Note D - Notes Receivable**

Notes receivable is comprised of the following at December 31, 2009:

Forgiveable loans	\$ 5,874,027
Interest free installment loans from grants	167,692
Below market rate installment loans from grants	<u>599,885</u>
Subtotal	6,641,604
Less: allowance for loan loss	(50,000)
Less: unamortized discount on interest free and below market rate installment loans	<u>(232,357)</u>
Notes receivable, net of unamortized discount	<u><u>\$ 6,359,247</u></u>

**THE LOWCOUNTRY HOUSING TRUST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note E - Assets Limited to Use**

Assets limited to use consist of the following for the year ended December 31, 2009:

Cash to provide additional housing assistance loans	\$ 600,237
Notes receivable (net of unamortized discount) on housing assistance loans previously made	<u>6,185,856</u>
Total	<u><u>\$ 6,786,093</u></u>

**Note F - Other Liabilities – Program Related Investments**

The Trust has outstanding amounts under program related subordinated promissory note agreements. These notes are subordinated to all other debt. At December 31, 2009 the notes consisted of the following:

Mary Reynolds Babcock, 2% interest only payments, payable quarterly. Initial five year term; unsecured; subordinated with rolling maturity.	\$ 150,000
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**Note G- Other Liabilities - Equity Equivalent Investments**

The Trust has outstanding amounts under equity equivalent subordinated promissory note agreements. These notes are subordinated to all other debt. At December 31, 2009 the notes consisted of the following:

Heritage Trust, 2% interest only payments, payable quarterly. Initial ten year term; unsecured; subordinated with rolling maturity.	\$ 100,000
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**Note H - Operating Leases**

The Trust conducts its administrative activities from facilities that are leased under a year to year lease agreement. The lease agreement expires in 2010, with future minimum lease payments of \$14,010.

**Note I - Obligations of Future Funding**

The Trust will use its temporarily restricted net assets as of December 31, 2009 in conjunction with additional funding in 2010 to distribute affordable housing loans to sub-recipients. The Trust has obligated \$3,872,374 to sub-recipients in the year ended December 31, 2009.

**Note J - Concentrations**

The Trust received approximately 92% of its revenue for the year ended December 31, 2009 from federal and local grants. These revenues are utilized to provide affordable housing loans to qualified consumers and developers.

**THE LOWCOUNTRY HOUSING TRUST, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note K - Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at December 31, 2009:

Affordable housing loans	<u>\$ 2,778,889</u>
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**Note L - Releases from Restrictions**

Releases from restrictions for the year ended December 31, 2009:

Principal repayment on loans	\$ 49,880
Current discount amortized	(25,019)
Amortization/write off of forgivable loans	<u>20,000</u>
Total	<u>\$ 44,861</u>

**Note M - Income Taxes**

The Trust adopted the uncertain tax positions provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification (ASC) 740 on January 1, 2009. The Trust analyzed filing positions in all of the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. The periods subject to examination for the Trust's federal and state returns are the 2006, 2007, 2008, and 2009 tax years. The Trust did not have any uncertain tax benefits and there is no effect on the Trust's financial condition or results of operations as a result of implementing the uncertain tax positions provisions of FASB ASC 740. As of December 31, 2009 the Trust did not have any uncertain tax benefits.

It is the Trust's policy to recognize interest and penalties accrued on any uncertain tax benefits as a component of income tax expense. As of the date of adoption of the uncertain tax positions provisions of FASB ASC 740 and as of December 31, 2009, the Trust did not have accrued interest or penalties associated with any uncertain tax benefits, nor is any interest expense recognized during the year ended December 31, 2009.

**Note N - Credit Risk**

The Trust maintains its cash accounts at one financial institution. The Trust has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash which may, at times, exceed federally insured limits. The aggregate cash risk of loss is \$1,142,247 at December 31, 2009.

The Trust does have a security interest in the notes receivable described in Note D. The Trust's interest is typically subordinate to any borrowings made by the sub-recipient to secure construction or purchase funding.

**Note O - Subsequent Events**

Tammie Hoy, Executive Director, tendered her resignation in May 2010 to take an appointment with the Federal Reserve Bank. There were no other subsequent events through June 15, 2010, which is the date the financial statements were available to be issued (or "were issued" based on clients facts and circumstances) for events requiring recording or disclosure in the financial statements for the year ended December 31, 2009.