



**HOUSING HOPE AND SUBSIDIARIES**

Consolidated Financial Statements

For the Year Ended June 30, 2019

## Table of Contents

---

	Page
<b>Independent Auditor's Report</b>	1 - 2
<b>Consolidated Financial Statements:</b>	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6 - 7
Notes to Consolidated Financial Statements	8 - 50
<b>Supplementary Information:</b>	
Consolidating Statement of Financial Position	51 - 52
Consolidating Statement of Activities	53 - 54

## Independent Auditor's Report

To the Board of Directors  
Housing Hope  
Everett, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Housing Hope and Subsidiaries (collectively, the Agency), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated 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 these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 entity'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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



T: 425-454-4919  
T: 800-504-8747  
F: 425-454-4620

10900 NE 4th St  
Suite 1400  
Bellevue WA  
98004

[clarknuber.com](http://clarknuber.com)

## **Effect of Adopting New Accounting Standard**

As discussed in Note 2, the Agency adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

## **Report on Summarized Comparative Information**

We have previously audited the Agency's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information, including comparative totals, shown on pages 51 to 54 is presented for purposes of additional analysis, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The information on the community served and donated hours included in Notes 1 and 2, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2020 on our consideration of the Agency'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 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 Agency's 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 the Agency's internal control over financial reporting and compliance.

*Clark Nuber P.S.*

Certified Public Accountants  
January 13, 2020

## HOUSING HOPE AND SUBSIDIARIES

### Consolidated Statement of Financial Position June 30, 2019 (With Comparative Totals for 2018)

	2019	2018
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,574,567	\$ 1,061,870
Short-term investments (Note 4)	124,800	124,000
Accounts receivable, net of an allowance for doubtful accounts of \$6,191 (\$9,427 - 2018)	262,853	241,586
Grants and contracts receivable	300,993	806,391
Due from affiliates (Note 15)	548,466	405,117
Current portion of notes receivable, accrued interest and developer fees due from affiliates (Note 15)	1,151,697	930,120
Pledges receivable, current portion (Note 5)	149,352	169,324
Real estate inventory	6,700	792,220
Prepaid expenses and other current assets	77,094	69,135
<b>Total Current Assets</b>	<b>4,196,522</b>	<b>4,599,763</b>
Assets designated by board for long-term reserves and investment in long-term assets (Note 6)	1,895,579	1,511,022
Assets restricted by donors for the acquisition of long-term assets (Note 8)	547,066	1,368,576
Assets restricted by donors for endowments and long-term reserves (Note 8)	6,479,638	1,565,698
Pledges receivable, long-term portion (Note 5)	39,628	56,441
Self-help family loans receivable	512,433	523,323
Restricted reserves and deposits (Note 3)	314,064	298,538
Funds held in trust	57,405	40,953
Land, buildings, and equipment, net (Note 9)	33,474,256	35,063,374
Notes receivable, accrued interest and deferred developer fees due from affiliates, net of current portion (Note 15)	17,106,207	12,163,358
Project development costs (Note 10)	1,388,981	1,093,094
Investment in limited partnerships and limited liability companies	1,339,770	1,339,791
<b>Total Assets</b>	<b>\$ 67,351,549</b>	<b>\$ 59,623,931</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Short-term borrowings (Note 11)	\$ 1,431,968	\$ 1,291,848
Accounts payable and accrued expenses	1,114,709	1,372,750
Construction payable		65,286
Deferred revenue	9,006	16,430
Current portion of accrued interest	99,228	68,112
Current portion of long-term debt (Note 12)	863,399	401,136
<b>Total Current Liabilities</b>	<b>3,518,310</b>	<b>3,215,562</b>
Accrued long-term expenses	215,300	193,468
Accrued interest on long-term debt	1,286,609	1,141,452
Long-term debt, net of current portion and unamortized financing fees (Note 12)	25,135,907	30,688,466
<b>Total Liabilities</b>	<b>30,156,126</b>	<b>35,238,948</b>
<b>Net Assets:</b>		
Without donor restriction-		
Undesignated	15,652,576	10,270,179
Designated by the Board of Directors (Note 6)	3,408,813	2,678,005
Total without donor restriction	19,061,389	12,948,184
With donor restriction-		
With donor restriction for time or purpose (Note 7)	12,229,932	10,530,404
With donor restriction in perpetuity (Note 7)	5,904,102	906,395
Total with donor restriction	18,134,034	11,436,799
<b>Total Net Assets</b>	<b>37,195,423</b>	<b>24,384,983</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 67,351,549</b>	<b>\$ 59,623,931</b>

See accompanying notes.

## HOUSING HOPE AND SUBSIDIARIES

### Consolidated Statement of Activities For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

	2019		Total	2018
	Without Donor Restriction	With Donor Restriction		
<b>Operating Activities</b>				
<b>Support, Revenue and Gains:</b>				
Contributions	\$ 209,987	\$ 1,537,875	\$ 1,747,862	\$ 2,130,852
In-kind contributions	288,704		288,704	927,814
United Way	337,500		337,500	238,230
Fees and grants from governmental agencies	3,746,161		3,746,161	2,699,054
Program service fees and rents	6,207,949		6,207,949	5,725,002
Management and development fees	237,650		237,650	1,556,740
Gain on sale of land, buildings and equipment				273,889
Interest and other income	990,316	32,156	1,022,472	470,057
<b>Total Operating Support, Revenue and Gains</b>	<b>12,018,267</b>	<b>1,570,031</b>	<b>13,588,298</b>	<b>14,021,638</b>
Net assets released from restrictions	1,662,292	(1,662,292)		
<b>Total Operating Support, Revenue and Gains</b>	<b>13,680,559</b>	<b>(92,261)</b>	<b>13,588,298</b>	<b>14,021,638</b>
<b>Expenses:</b>				
Housing development	732,499		732,499	922,532
Property management	4,364,011		4,364,011	4,324,407
Social services	4,296,473		4,296,473	3,794,970
HopeWorks	2,665,408		2,665,408	2,535,156
Resource development	526,591		526,591	546,181
Administration	1,268,877		1,268,877	1,202,686
<b>Total Operating Expenses</b>				
(Including depreciation of \$1,394,186 and \$1,409,830 for 2019 and 2018, respectively)	<b>13,853,859</b>		<b>13,853,859</b>	<b>13,325,932</b>
<b>Change in Net Assets From Operating Activities</b>	<b>(173,300)</b>	<b>(92,261)</b>	<b>(265,561)</b>	<b>695,706</b>
<b>Nonoperating Activities</b>				
Forgivable loan proceeds		390,000	390,000	
Release of restricted assets - forgivable loan amortization	563,605	(563,605)		
Contributions for the acquisition of long-term assets		2,576,246	2,576,246	1,401,623
Contributions for endowments		5,002,855	5,002,855	
Net assets released from restriction for the acquisition of long-term assets	616,000	(616,000)		
Gain (loss) on the sale of real estate inventory and other assets	2,229,972		2,229,972	(19,437)
Transfer of assets to affiliates and related party				(601,965)
In-kind contribution of long-term assets				2,435
In-kind contribution of long-term assets - Hope Village II	2,876,928		2,876,928	
<b>Change in Net Assets From Nonoperating Activities</b>	<b>6,286,505</b>	<b>6,789,496</b>	<b>13,076,001</b>	<b>782,656</b>
<b>Change in Net Assets</b>	<b>6,113,205</b>	<b>6,697,235</b>	<b>12,810,440</b>	<b>1,478,362</b>
Net assets, beginning of year	12,948,184	11,436,799	24,384,983	22,906,621
<b>Net Assets, End of Year</b>	<b>\$ 19,061,389</b>	<b>\$ 18,134,034</b>	<b>\$ 37,195,423</b>	<b>\$ 24,384,983</b>

See accompanying notes.

**HOUSING HOPE AND SUBSIDIARIES**

**Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2019  
(With Comparative Totals for 2018)**

	Program Services				Total Program Services	Supporting Services			2019 Total	2018 Total
	Housing Development	Property Management	Social Services	HopeWorks		Resource Development	Administration	Total Supporting Services		
<b>Personnel:</b>										
Salary and wages	\$ 538,244	\$ 777,028	\$ 2,821,484	\$ 1,208,097	\$ 5,344,853	\$ 364,455	\$ 889,890	\$ 1,254,345	\$ 6,599,198	\$ 6,120,634
Payroll taxes	53,188	91,880	265,989	139,087	550,144	31,550	72,410	103,960	654,104	605,730
Employee benefits	61,020	75,486	296,206	130,728	563,440	34,303	102,346	136,649	700,089	662,625
<b>Total Personnel</b>	<b>652,452</b>	<b>944,394</b>	<b>3,383,679</b>	<b>1,477,912</b>	<b>6,458,437</b>	<b>430,308</b>	<b>1,064,646</b>	<b>1,494,954</b>	<b>7,953,391</b>	<b>7,388,989</b>
Professional fees	7,281	38,374	175,068	91,641	312,364	6,548	28,539	35,087	347,451	255,622
Supplies	3,083	7,344	155,048	116,794	282,269	10,532	14,982	25,514	307,783	280,570
Printing and postage	5,835	4,218	13,684	731	24,468	19,522	9,268	28,790	53,258	57,469
Information technology		55,141	84,255	35,513	174,909	16,962	33,242	50,204	225,113	237,295
Occupancy	17,392	568,268	60,643	114,207	760,510	1,626	2,831	4,457	764,967	752,902
Maintenance and repairs	4,808	428,829	64,378	54,541	552,556	1,673	4,344	6,017	558,573	731,384
Equipment and furniture	11,040	120,528	363	41,254	173,185				173,185	204,384
Vehicles	5		10,765	48,905	59,675		10	10	59,685	43,224
Insurance	3,602	124,888	23,268	22,371	174,129	3,792	2,486	6,278	180,407	168,792
Education and training	12,159	4,668	12,710	14,092	43,629	1,250	14,917	16,167	59,796	48,657
Mileage and travel	7,374	17,417	44,115	9,721	78,627	1,316	2,029	3,345	81,972	80,834
Client assistance		4,552	151,769	475	156,796		78	78	156,874	122,784
Interest, taxes and fees	7,313	780,385	29,642	301,782	1,119,122	12,533	49,332	61,865	1,180,987	1,100,506
Marketing and advertising	155	4,500	12,079	16,851	33,585	5,590	699	6,289	39,874	57,154
Miscellaneous		57,669	16,811	198,840	273,320	14,939	28,098	43,037	316,357	385,536
<b>Total Expenses Before Depreciation</b>	<b>732,499</b>	<b>3,161,175</b>	<b>4,238,277</b>	<b>2,545,630</b>	<b>10,677,581</b>	<b>526,591</b>	<b>1,255,501</b>	<b>1,782,092</b>	<b>12,459,673</b>	<b>11,916,102</b>
Depreciation		1,202,836	58,196	119,778	1,380,810		13,376	13,376	1,394,186	1,409,830
	<b>\$ 732,499</b>	<b>\$ 4,364,011</b>	<b>\$ 4,296,473</b>	<b>\$ 2,665,408</b>	<b>\$ 12,058,391</b>	<b>\$ 526,591</b>	<b>\$ 1,268,877</b>	<b>\$ 1,795,468</b>	<b>\$ 13,853,859</b>	<b>\$ 13,325,932</b>

See accompanying notes.

## HOUSING HOPE AND SUBSIDIARIES

### Consolidated Statement of Cash Flows For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

	2019	2018
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 12,810,440	\$ 1,478,362
Adjustment to reconcile change in net assets to net cash provided by operating activities-		
Realized and unrealized gains	(206,860)	(171,533)
Contributions for long-term purposes	(2,576,246)	(1,401,623)
Contributions for endowments	(5,002,855)	
In-kind contribution for imputed interest	(102,380)	(643,467)
In-kind contribution of long-term assets	(2,876,928)	
Gain on long-term debt forgiveness		(50,000)
Forgivable loan proceeds transferred to debt	120,000	
Forgivable loan proceeds	(390,000)	
Gain on sale of real estate inventory and other assets	(2,229,972)	(254,452)
Depreciation	1,394,186	1,409,830
Financing cost amortization	1,420	1,420
Decrease (increase) in assets:		
Accounts receivable	(21,267)	8,101
Grants and contracts receivable	505,398	(539,000)
Pledges receivable	(19,656)	(94,762)
Prepaid expenses	(7,959)	4,494
Self-help family loans receivable	10,890	(23,042)
Funds held in trust	(16,452)	36,454
Due from affiliates	(86,908)	(69,021)
Increase (decrease) in liabilities:		
Accounts payable, other accrued expenses and deferred revenue	(42,640)	405,863
<b>Net Cash Provided by Operating Activities</b>	<b>1,262,211</b>	<b>97,624</b>
<b>Cash Flows From Investing Activities:</b>		
Purchase of property, equipment and rehabilitation of property	(362,722)	(80,127)
Acquisition of predevelopment costs	(909,241)	(1,318,555)
Investment in real estate inventory	(33,612)	(281,079)
Proceeds from sale of real estate inventory	929,630	
Repayment of notes receivable	668,090	138,624
Issuance of notes receivable	(1,278,585)	(7,126,866)
Investment in limited partnerships and limited liability companies	21	56
Proceeds from sale of short-term investments	(800)	144,000
Net withdrawal (deposits) to restricted reserves	(15,526)	61,943
Net change in assets whose use is limited or restricted-		
By board for long-term reserves and investment in long-term assets	(384,557)	(146,536)
By donors for reserves and investment in long-term assets	(3,885,570)	945,049
<b>Net Cash Used by Investing Activities</b>	<b>(5,272,872)</b>	<b>(7,663,491)</b>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from issuance of long-term debt	768,853	7,951,386
Repayment of long-term debt	(4,329,996)	(2,147,160)
Payments for capitalized loan fees		82,080
Proceeds from short-term borrowings	1,750,000	946,518
Repayment of short-term borrowings	(1,634,600)	(35,709)
Forgivable loan proceeds	390,000	
Contributions received for endowments	5,002,855	
Contributions received for long-term purposes	2,576,246	1,401,623
<b>Net Cash Provided by Financing Activities</b>	<b>4,523,358</b>	<b>8,198,738</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>512,697</b>	<b>632,871</b>
Cash and cash equivalents, beginning of year	1,061,870	428,999
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,574,567</b>	<b>\$ 1,061,870</b>

See accompanying notes.



**HOUSING HOPE AND SUBSIDIARIES**

**Consolidated Statement of Cash Flows (Continued)**  
**For the Year Ended June 30, 2019**  
**(With Comparative Totals for 2018)**

---

	<u>2019</u>	<u>2018</u>
<b>Supplementary Disclosures:</b>		
Cash paid during the year for interest	\$ 966,233	\$ 881,613
Sale of property and equipment with seller-financed note	\$ 4,553,931	\$ 2,748,030
Predevelopment costs acquired for which accounts payable existed at year end	\$ -	\$ 65,286

See accompanying notes.

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 1 - Organization and Purpose

The consolidated financial statements of Housing Hope and Subsidiaries (collectively, the Agency) include the activities of Housing Hope and its subsidiaries, Building Credits, Housing Hope Properties and HopeWorks Social Enterprises.

Housing Hope was incorporated on November 9, 1987 as a not-for-profit corporation in the State of Washington. Housing Hope's mission is to promote and provide affordable housing and tailored services to reduce homelessness and poverty for residents of Snohomish County and Camano Island. Housing Hope accomplishes this through cooperation with other service agencies and through the direct acquisition and subsequent management of real properties at various sites all located in the State of Washington.

Housing Hope Properties was incorporated on March 23, 1992 as a not-for-profit corporation in the State of Washington to acquire, lease, rehabilitate, construct and otherwise provide decent, safe, sanitary, and affordable housing for very low and low-income families and individuals residing in Snohomish County, Washington. Housing Hope Properties' other purposes include providing technical assistance and expanding the capacity of other nonprofit organizations interested in providing, developing, or managing decent, safe, sanitary and affordable housing for very low and low-income families and individuals in Snohomish County, Washington.

Building Credits was incorporated on June 27, 1994, as a not-for-profit corporation in the State of Washington to foster low-income housing through involvement directly or as the general partner/managing member in tax credit entities engaged in the acquisition, development and management of low-income housing.

HopeWorks Social Enterprises (HopeWorks) was incorporated in the State of Washington on January 11, 2011 as a Washington not-for profit corporation to help low-income, Snohomish County residents achieve self-sufficiency through social enterprises that provide training and pathways to living-wage jobs. HopeWorks acquired property in Everett on Broadway Avenue in March 2014 to be used as headquarters and operating space for its social enterprises. HopeWorks' first social enterprise, GroundWorks, provides landscaping services for 124 properties. ReNewWorks Home and Décor is a consignment store that sells quality furniture and accessory items to the public. CafeWorks is a café that shares space with ReNewWorks and offers beverages and meals for sale to the public. It is the intention of the Agency to create additional social enterprises that will have a "double bottom line" of financial viability and mission related training and employment opportunities for homeless and low-income adults. Construction of residential and commercial space commonly known as HopeWorks Station II was underway at the end of June 2019. When the project is completed it will house residents and provide administrative, meeting and training room spaces for Kindred Kitchen (formally CafeWorks) and the culinary training program. HopeWorks board members are elected by the Housing Hope Board of Directors.

The Agency provides the following service programs:

**Housing Development** - The development of new housing units is accomplished through securing land and properties for construction or rehabilitation. During the year ended June 30, 2019, HopeWorks Station II construction continued. Tax-Credit syndication was completed and rehabilitation started for the Beachwood Apartments, Lervick Family Village, and Oakes Commons. Housing Hope's ownership interest of Beachwood Apartments, Lervick Family Village, and Oakes Commons was transferred to Housing Hope Properties as Managing Member of Possession Sound Properties, LLC. Planning and predevelopment work commenced for a two new developments, Twin Lakes Landing II and 'Sequoia Upper Field', while planning continues for the refinance and rehabilitation for Maple Leaf Meadows, Aspenwood Apartments and New Century House.

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 1 - Continued

**Team HomeBuilding** - The Team HomeBuilding program is included in the Housing Development column on the consolidated statement of functional expenses. This home ownership program is funded through the United States Department of Agriculture Rural Development (USDA-RD) Sec. 523 Technical Assistance Grant. Additionally, the program participants receive a federally assisted USDA-RD direct Section 502 loan that enables families to use their own labor instead of a down payment to reach their goal of home ownership. Using a collective process of owner-builder home construction, Team HomeBuilding assists groups of 5 to 10 families as they work together to build homes. During the year ended June 30, 2019, 10 lots were sold to new Team HomeBuilding participants at the Siegal Site in Sultan, Washington.

**Property Management** - The Agency self performs property management services for all projects in its multifamily housing portfolio. The property management department is responsible for occupancy, compliance, fiscal management and maintenance at all sites. During the year ended June 30, 2019, households living in Housing Hope facilities (including tax credit properties) totaled 476 in 308 low-income, 162 homeless and 6 emergency shelter units.

**Social Services** - The Agency provides service enriched permanent affordable housing to help families stabilize, build skills and resources for a better future and ultimately escape poverty. Specific services provided include: family support services, College of Hope adult life skills education program, adult education and employment counseling. During the year ended June 30, 2019, the Agency provided emergency shelter to 87 individuals from 30 households and service enriched homeless housing to 713 individuals from 259 households. The College of Hope program provided 6,646 hours of adult life skills education to 863 individuals.

**ChildHope** - The ChildHope Initiative is comprised of four programs: Tomorrow's Hope Child Development Center, parenting education courses at the College of Hope, Housing Hope's Teen and Young Families Program, and in-home interventions provided by Child and Family Specialists. Each of these programs help homeless and very low-income children recover from early traumas, setting them on the path toward a lifetime of success. During the year ended June 30, 2019, Tomorrow's Hope Child Development Center served 150 children and 140 parents from 105 households. These programs are included in the Social Services column on the consolidated statement of functional expenses.

**HopeWorks** - HopeWorks provided job training services to 32 homeless or low-income interns in its three social enterprises: GroundWorks Landscaping Services, ReNewWorks Home and Decor, and CafeWorks. Upon completion, 71% of graduating HopeWorks interns were successful in achieving employment or continuing their education post-graduation and 86% of HopeWorks interns reported being employed or pursuing continuing education at six months after completing their internship.

Please note that the program statistics in Note 1 above are for informational purposes and are unaudited.

#### Note 2 - Summary of Significant Accounting Policies

The significant accounting policies of the Agency are described below:

**Principles of Consolidation** - The consolidated financial statements present the accounts of Housing Hope, Housing Hope Properties, Building Credits and HopeWorks. These accounts are consolidated as Housing Hope retains a controlling and economic interest in each of the entities. All significant intercompany transactions and balances have been eliminated.

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 2 - Continued

The Agency is the General Partner or Managing Member in a number of low-income housing tax credit entities. The Agency reviewed the applicable guidance under accounting principles generally accepted in the United States of America (U.S. GAAP) and concluded that the Limited Partner or Investing Member possesses substantive participating rights and the Agency retains a minority ownership interest both of which preclude consolidation. The Agency's investment in those limited partnerships and limited liability companies is therefore recorded on the equity method. See Note 15 for further description of the low income housing tax credit entities.

**Basis of Presentation** - The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. GAAP. Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Agency and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction - Net assets that are not subject to donor-imposed stipulations. All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Agency reports the support as without donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met either by actions of the Agency and/or the passage of time, or net assets subject to donor-imposed stipulations that will be maintained permanently by the Agency.

**Use of Estimates** - The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - For reporting purposes, the Agency considers all investments in highly liquid debt instruments with an original maturity of three months or less, to be cash equivalents, excluding those included in the investment portfolio.

**Receivables** - Accounts, grants and contracts, and pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts, grants and contracts or pledges receivable.

**Conditional Contributions and Grants** - Conditional contributions and grants are recognized as revenue in the period the conditions have been substantially satisfied. Conditional grants for which conditions had not yet been substantially met totaled approximately \$707,420 and \$1,074,064 at June 30, 2019 and 2018, respectively. The Agency expects to satisfy the conditions contained in these grants over the next two fiscal years.

**Self-Help Family Loans Receivable** - As of June 30, 2019 and 2018, \$512,433 and \$523,323 in self-help family loans, respectively, related to the Team Home Building program. If the related property is sold, the funds are repaid to the Agency at that time.

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 2 - Continued

**Investments** - Investments in marketable securities with readily determinable fair value are valued at their fair value in the consolidated statement of financial position. Unrealized gains and losses are included in the consolidated statement of activities.

**Impairment of Fixed Assets and Real Estate Inventory** - The Agency reviews its fixed assets and real estate inventory for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets.

**Nonoperating Versus Operating** - For purposes of the consolidated statement of activities, the Agency considers revenue related to the forgivable loan proceeds and amortization, contributions for acquisition of long-term assets and the related releases, contributions for endowments, the gain or loss on the sale of real estate inventory, impairment of real estate inventory, transfers and in-kind contributions of long term assets to be nonoperating activities.

**Land, Buildings and Equipment** - Land, buildings and equipment purchased by the Agency are recorded at cost. The Agency follows the practice of capitalizing all expenditures for land, buildings and equipment in excess of \$5,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is provided on the straight-line method based upon the estimated useful life of the assets as follows:

Buildings and improvements	27.5 - 40 years
Furniture and equipment	3 - 10 years
Vehicles	3 - 7 years

**Financing Costs** - Financing costs are recorded as a deduction to the related debt liability on the consolidated statement of financial position. Financing costs are amortized over the term of the applicable debt using the straight-line method. U.S. GAAP requires that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Amortization of financing costs is included as a component of interest expense on the consolidated statement of functional expenses.

**Real Estate Inventory** - As part of normal operations, the Agency purchases land that will be developed as part of the Team HomeBuilding program. This land is recorded at the lower of cost or fair market value. In accordance with U.S. GAAP, impairment losses of \$0 for the years ended June 30, 2019 and 2018, were recognized and reported in the consolidated statement of activities.

**Federal Income Taxes** - Housing Hope and its subsidiaries have been notified by the Internal Revenue Service that they are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax is reflected in these consolidated financial statements.

**Retirement Plan** - The Agency sponsors a 403(b) tax deferred annuity plan (the Plan). All employees may participate on a voluntary basis, there is no age or service requirement. Housing Hope's Board of Directors may authorize the Agency to match the employee's contribution, up to a given percentage based on years of service. During the years ended June 30, 2019 and 2018, the Agency contributed \$59,027 and \$50,387, respectively, to the Plan.

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 2 - Continued

**In-Kind Contributions** - Throughout the year, the Agency receives in-kind contributions from various sources, including supplies and services from construction contractors. During the year ended June 30, 2019, a substantial number of volunteers, including members of the Board of Directors, donated 4,128 hours (unaudited) to the Agency program services and fund-raising campaigns, with an additional 7,664 hours (unaudited) donated on behalf of the Team HomeBuilding building groups. However, only donated services that meet the criteria for recognition under U.S. GAAP are reflected in the accompanying consolidated financial statements and at the fair values at the time of donation. The estimated value of such services is recorded as donated service revenue and as a cost of services, provided either of the following qualifications is met:

- The services received create or enhance nonfinancial assets.
- The services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The following in-kind contributions were recognized in the consolidated financial statements during the year ended June 30:

	<u>2019</u>	<u>2018</u>
Donated goods and services - Tomorrow's Hope Childcare Center	\$ 2,302	\$ 6,812
Donated goods and services - Administration	2,052	15,779
Donated goods and services - College of Hope	419	
Donated goods and services - Fundraising	9,383	6,064
Donated goods and services - Housing/Property Management	250	800
Donated property - Hope Village II	2,876,928	
Donated goods, services and long-term assets - HopeWorks	5,600	39,890
Donated goods for resale - ReNewWorks	108,870	171,699
Donated software and hardware - Technology	8,668	
Donated goods and services - Social Services and Client Assistance	48,780	45,738
Donated social investor imputed interest	102,380	643,467
	<u>\$ 3,165,632</u>	<u>\$ 930,249</u>

**Methods Used for Allocation of Expenses Among Program and Supporting Services** - The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. Those expenses include, audit fees, depreciation, information technology, insurance, janitorial, office supplies, utilities. Audit fees, depreciation, janitorial, office supplies, and utilities, are allocated based on square footage basis. Information technology is based on a study of specific technology utilized.

**Vulnerability From Certain Concentrations** - The Agency receives fees and grants from federal, state, county, and municipal governments. Approximately 22% and 20% of total public support and revenue without donor restrictions (not including gains and losses generated by the sale of fixed assets and in-kind donations of long term assets or property) for the years ended June 30, 2019, and 2018, respectively, was received from these grantors. The receipt of governmental funding is subject to audit by various governmental agencies, the outcome of which is not known until the audits are completed. Management is aware of these risks and has contingency plans available.

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 2 - Continued

The Agency invests its excess cash and its endowment funds with financial institutions that, at times, may be in excess of the federally insured limits.

**Insurance Pool** - Housing Hope is a member of the Non-Profit Insurance Program (the Program) which is a property and liability risk and insurance pooling program for Washington nonprofit corporations authorized by the Revised Code of Washington Section 48.62. A board of directors, elected by membership, governs the Program. The Program contracts with a third party administrator to carry out the day-to-day administrative, claims and risk management services. Pursuant to the provisions of the Membership Agreement, each member of the Program shall be contingently liable for the liabilities of the Program in the event the assets or insurance of the Program are not sufficient to cover its liabilities. The Program acquires property, general and auto liability, boiler and machinery, management legal liability, and crime insurance coverage for its members.

The Program acquires excess insurance from its insurance broker, Public Risk Underwriters. Liability coverage is purchased to an overall limit of \$5,000,000 per-occurrence with a self-insured retention of \$50,000. Property insurance is subject to a per-occurrence deductible of \$50,000. Members are responsible for the first \$2,500 of the deductible amount of each claim, while the pool is responsible for the remaining \$47,500. Housing Hope is not insured for equipment, breakdown, earthquake and flood coverages. Any actual or projected deficits of the Program shall be financed through retroactive assessments levied against each regular member of the Program in accordance with a cost allocation methodology that is based on each regular member's contribution or assessments to the Program since inception as a proportion of the total of all contributions or assessments to the Program since inception. A member may withdraw from the Program at the end of the Program's fiscal year provided it has given the Program 90 days written notice of its intent to withdraw. Even after termination, a member is still responsible for contribution to the pool for any unresolved, unreported and in-process claims for the period it was a signatory to the Membership Agreement.

**Adoption of New Accounting Pronouncement** - For the year ended June 30, 2019, the Agency adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return amongst not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

**Reclassifications** - Certain accounts in the June 30, 2018 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the change in net assets for the year ended June 30, 2018.

**Comparative Totals** - The consolidated financial information includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Agency's consolidated financial statements for the year ended June 30, 2018, from which the summarized information was derived.

**Subsequent Events** - The Agency has evaluated subsequent events through January 13, 2020, the date on which the consolidated financial statements were available to be issued.

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 3 - Restricted Reserves and Deposits

The Agency is required to maintain cash in certain restricted deposits and funded reserves related to loans outstanding and security deposits held by the Agency's rental properties. All reserves are maintained in the custody of various banks. Restricted reserves and deposits was comprised of the following at June 30:

	<u>2019</u>	<u>2018</u>
WCRA maintenance and operating reserves	\$ 179,338	\$ 168,593
Custodial agreement deposits	34,369	
Security deposits	87,308	104,407
Mountain Pacific reserves for Fleming duplexes	13,049	13,042
Banner Bank reserves for Beachwood units		12,496
	<u><u>\$ 314,064</u></u>	<u><u>\$ 298,538</u></u>

#### Note 4 - Investments

Investments are presented in the consolidated statement of financial position as follows at June 30:

	<u>2019</u>	<u>2018</u>
Short-term investments	\$ 124,800	\$ 124,000
Assets designated by board for long-term reserves and investment in long-term assets	1,592,195	1,107,646
Assets restricted by donors for endowments and long-term reserves	6,433,023	1,461,017
	<u><u>\$ 8,150,018</u></u>	<u><u>\$ 2,692,663</u></u>

Interest and investment income consisted of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 99,442	\$ 65,477
Realized and unrealized gains	618,865	171,533
Investment management fees	(22,433)	(12,869)
	<u><u>\$ 695,874</u></u>	<u><u>\$ 224,141</u></u>

Interest and investment income is included in interest and other income in the consolidated statement of activities.



## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 4 - Continued

**Valuation Techniques** - U.S. GAAP requires management to measure the fair value of certain assets and liabilities based on observable and unobservable inputs which may fall into one of the three following categories:

Level 1 - Inputs are based on unadjusted quoted market prices for identical assets or liabilities within active markets;

Level 2 - Inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets; or

Level 3 - Inputs are primarily valued using management's assumptions.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used during the year ended June 30, 2019.

Money Market Funds - Money market funds are valued at cost plus accrued interest, which approximates fair value.

Mutual Funds - Valued at quoted market prices in active markets which represent the net asset value (NAV) of shares held by the Agency at year end.

Marketable Equity Securities - Valued at the closing price reported on the active market on which the securities are traded.

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

#### Note 4 - Continued

**Fair Values Measured on a Recurring Basis** - Fair values of assets measured on a recurring basis at June 30, 2019, and 2018, were as follows:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 430,051	\$ -	\$ -	\$ 430,051
Mutual funds-				
Large cap core	482,119			482,119
Large cap growth	332,164			332,164
Large cap value	604,532			604,532
Small/medium cap core	141,215			141,215
Small/medium cap growth	179,282			179,282
Small/medium cap value	206,646			206,646
International	846,362			846,362
Currency	86,741			86,741
Fixed income	1,066,613			1,066,613
Other	845,670			845,670
Total mutual funds	4,791,344			4,791,344
Marketable equity securities-				
Communication Services	385,664			385,664
Consumer Discretionary	446,318			446,318
Consumer Staples	244,916			244,916
Energy	15,099			15,099
Financial	609,961			609,961
Health Care	340,989			340,989
Information Technology	478,685			478,685
Industrials	326,524			326,524
Materials	5,823			5,823
Real Estate	65,220			65,220
Utilities	9,424			9,424
Total marketable equity securities	2,928,623			2,928,623
<b>Total June 30, 2019</b>	<b>\$ 8,150,018</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,150,018</b>
<b>Total June 30, 2018</b>	<b>\$ 2,692,663</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,692,663</b>

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 5 - Pledges Receivable

Pledges receivable at June 30, 2019, are as follows:

Receivable in less than one year	\$ 384,485
Receivable in one to five years	<u>88,529</u>
Total pledges receivable	473,014
Less discounts to net present value	(8,626)
Less allowance for uncollectible pledges receivable	<u>(7,402)</u>
<b>Net Pledges Receivable</b>	<b><u><u>\$ 456,986</u></u></b>

Pledges receivable due in more than one year are discounted at an annual rate of 4% for each additional year through the term of the pledge.

As of June 30, 2019, pledges receivable were reported in the consolidated statement of financial position as follows:

Pledges receivable, current portion	\$ 149,352
Pledges receivable, long-term portion	39,628
Assets restricted by donors for investment in long-term assets	<u>268,006</u>
	<b><u><u>\$ 456,986</u></u></b>

#### Note 6 - Board Designated Net Assets

In recognition of the need of working capital for growth, reserves and capital expansion, the Agency has made specific designations of its unrestricted net assets as of June 30, as follows:

	<u>2019</u>	<u>2018</u>
Working capital and other reserves	\$ 77,474	\$ 264,853
Reserve for the replacement or repair of long-term assets	225,908	249,607
Board designated quasi-endowment	<u>3,105,431</u>	<u>2,163,545</u>
	<b><u><u>\$ 3,408,813</u></u></b>	<b><u><u>\$ 2,678,005</u></u></b>

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 6 - Continued

Assets that were designated by the board for long-term reserves and investment in long-term assets consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 303,383	\$ 403,376
Investments	<u>1,592,195</u>	<u>1,107,646</u>
	<u><u>\$ 1,895,578</u></u>	<u><u>\$ 1,511,022</u></u>

#### Note 7 - Net Assets With Donor Restrictions

Temporarily restricted net assets as of June 30 are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Restricted for program services	\$ 524,670	\$ 686,095
Acquisition of long-term assets	4,494,482	2,534,236
Forgivable loans (Note 13)	6,701,847	6,755,452
Endowment accumulated earnings (Note 14)	508,933	554,621
Endowment corpus	<u>5,904,102</u>	<u>906,395</u>
	<u><u>\$ 18,134,034</u></u>	<u><u>\$ 11,436,799</u></u>

At June 30, 2019 and 2018, the Agency had \$5,904,102 and \$906,395, respectively of net assets with donor restrictions in perpetuity. The income from the investment of these assets may be used to fund operations. See Note 14 for further disclosure of the Agency's endowment funds.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Releases were for the following purposes for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Acquisition of long-term assets	\$ 616,000	\$ 931,133
Restricted for program expenses	1,662,292	1,544,607
Forgivable loan amortization	<u>563,605</u>	<u>387,537</u>
	<u><u>\$ 2,841,897</u></u>	<u><u>\$ 2,863,277</u></u>

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 8 - Assets Restricted by Donors

Assets that were restricted by donors for endowments and long-term reserves consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 46,615	\$ 104,681
Investments	<u>6,433,023</u>	<u>1,461,017</u>
	<u><u>\$ 6,479,638</u></u>	<u><u>\$ 1,565,698</u></u>

Assets that were restricted by donors for the acquisition of long-term assets consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Investments and cash	\$ 279,060	\$ 1,040,299
Pledges receivable	<u>268,006</u>	<u>328,277</u>
	<u><u>\$ 547,066</u></u>	<u><u>\$ 1,368,576</u></u>

#### Note 9 - Land, Buildings and Equipment

Land, buildings and equipment at June 30 consisted of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 8,209,543	\$ 7,817,743
Buildings and improvements	35,832,961	37,874,922
Furniture and equipment	1,342,069	1,370,991
Vehicles	<u>236,841</u>	<u>231,241</u>
	45,621,414	47,294,897
Less accumulated depreciation	<u>(12,147,158)</u>	<u>(12,231,523)</u>
<b>Land, Buildings, and Equipment, Net</b>	<u><u>\$ 33,474,256</u></u>	<u><u>\$ 35,063,374</u></u>

#### Note 10 - Project Development Costs

Predevelopment costs have been incurred for the Twin Lakes Landing II project in Marysville, Maple Leaf Meadows and New Century, multi-building projects located in Arlington and Everett, respectively and the Sequoia Project located in Everett. The accumulated development costs for the projects at June 30, 2019 were \$1,240,567, \$53,517, \$13,208 respectively, totaling \$1,307,292. Additionally, tenant improvement costs have been incurred for HopeWorks Station II. The accumulated tenant improvement costs at June 30, 2019 were \$81,689.

**HOUSING HOPE AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2019**

**Note 11 - Short-Term Borrowings**

**UBS Loan Management Account** - The Agency has a \$600,000 loan management account intended for operating needs renewed and available at a fixed rate of 3.600%, with a maturity date due upon demand. At June 30, 2019 and 2018, there was an outstanding balance of \$599,820 and \$598,450, respectively.

**Heritage Bank Business Loan** - The Agency has a \$1,000,000 business loan intended for operating needs. The business loan has a variable rate of .50 percentage points over the WSJ Prime Index resulting in a rate initially set at 5.25% (5.25% at June 30, 2019), with a maturity date of February 28, 2020 . At June 30, 2019, there was an outstanding balance of \$750,000.

**JP Morgan Chase Bank LOC** - During the year ended June 30, 2018, the Agency utilized the LOC for HopeWorks operating needs. The LOC has a variable interest rate of 2.300 percentage points over the Federal Prime Index (7.80% at June 30, 2019), with a maturity date due upon demand. At June 30, 2019 and 2018, there was an outstanding balance of \$82,148 and \$93,398, respectively.

**Note 12 - Long-Term Debt**

Long-term debt consisted of the following at June 30:

	2019	2018
<b><u>ACQUISITION AND PREDEVELOPMENT LOANS</u></b>		
<u>US Bank</u>		
<u>Community Development Investment/EQ2 Loan 0000000026</u>		
Community development equity-equivalent debt investment (EQ2) loan to fund the Housing Opportunity Fund (HOF). Initial unsecured 10-year loan (to 2018) at fixed interest rate of 4% paid quarterly with 5 additional 1-year extensions available on request. This has been extended to 2020. (2502)	\$ 150,000	\$ 150,000
<u>Community Frameworks HHP-11-2</u>		
Community Frameworks Self-Help Homeownership Opportunity Program loan to fund eligible expenses of the Hegger Project in Monroe, Washington. 10-year loan secured by deed of trust on real estate with interest at 0%. Loan is forgivable at maturity date of December 29, 2024. (2777T)	105,000	105,000
<u>Community Frameworks HHP-12-1</u>		
Community Frameworks Self-Help Homeownership Opportunity Program loan to fund eligible expenses of the Parkwood Estates Project in Arlington, Washington. 10-year loan secured by deed of trust on real estate with interest at 0%. Loan is forgivable at maturity date of April 1, 2025. (2777U)	210,000	210,000

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 12 - Continued

	<u>2019</u>	<u>2018</u>
<u>Community Frameworks HHP-15-1</u> Community Frameworks Self-Help Homeownership Opportunity Program loan to fund eligible expenses of the Siegel Properties Subdivision in Sultan, Washington. 10-year loan secured by deed of trust on real estate with interest at 0%. Loan is forgivable at maturity date of June 30, 2027. (2777V)	150,000	150,000
<u>HOME/ADDI HCD-10-42-5789-048</u> Mortgage payable secured by real property in original amount of \$88,200, and all payments deferred and principal and interest at 0% to be paid at the end of the program when determined, subject to rent restriction covenant agreement. (2778C)	88,200	88,200
<u>Northern Trust LOC</u> Long-Term Unsecured Investment Bond with interest at 1%, compounded annually, with interest paid semi-annually on June 30 and December 31 each year. Par Value is due and payable in full on March 9, 2023 along with any unpaid accrued interest. (2414)	1,000,000	1,000,000
<u>Impact Capital Pre-Development Loan - 2018202</u> Predevelopment loan for expenses associated with the predevelopment of the Possession Sound Properties project, a rehabilitation of 58 affordable rental units currently owned by Housing Hope. The maximum amount of the loan is \$85,000 with interest at 0% and outstanding balance due on April 1, 2021. Loan was assigned to Possession Sound Properties as part of an asset purchase during the year ended June 30, 2019. (2416)		38,212
<b>ARLINGTON</b>		
<u>State of Washington - HTF HAP 2-92-410-8A</u> Note payable secured by real property "Arlington" with original amount of \$120,000 and all payments deferred. Noninterest bearing note is due in full October 1, 2019. Note payable was determined to not be forgivable during the year ended June 30, 2019 and was transferred to debt. Subsequent to year end, debt was paid in full. (2710A)	120,000	
<b>AVANTI HOUSE</b>		
<u>State of Washington - OCD HAP 5-92-410-32B</u> Mortgage payable secured by real property "Avanti House" with principal and interest at 0% deferred until 2043 and payments based on cash flow schedule subject to a low-income housing agreement. (2720)	194,653	194,653

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 12 - Continued

	<u>2019</u>	<u>2018</u>
<b>BEACHWOOD</b>		
<u>Banner Bank</u> Mortgage payable to Banner Bank in the original amount of \$460,000; secured by a first deed of trust on the real property, assignment of rents and security interest in personal property; payable in monthly installments of \$2,945, including interest at 6.625%; matures January 1, 2029. Mortgage was paid off at closing to Possession Sound Properties as part of an asset purchase during the year ended June 30, 2019. (2750A)		268,370
<u>State of Washington Department of Commerce</u> <u>From Housing Finance Unit funds</u> Note payable in the original amount of \$190,000; secured by deed of trust on real estate, subject to a low-income housing covenant. Annual payments of \$4,847 including interest at 1%, and due in full in 2048. Note payable was assigned to Possession Sound Properties as part of an asset purchase during the year ended June 30, 2019. (2762A)		128,662
<u>State of Washington Department of Commerce</u> <u>From HOME Program fund. Tier B</u> Note payable in the original amount of \$210,000 secured by a deed of trust on real estate subject to a low-income housing covenant. Interest at 1% accrued until December 31, 2004, balance then amortized over 45 years. Annual payments of \$6,115, including interest at 1%, through maturity at December 31, 2048. Note payable was assigned to Possession Sound Properties as part of an asset purchase during the year ended June 30, 2019. (2762B)		162,302
<u>Snohomish County</u> <u>From HOME Program fund 1997 #7</u> Note payable in the original amount of \$375,000, secured by deed of trust on real property; non-interest bearing and subject to a rent restriction covenant. Note was amended March 2011 to have the option to forgive principal and interest at maturity, January 2049, provided the agency remains in compliance with provisions of the note and HOME agreement. Note payable was assigned to Possession Sound Properties as part of an asset purchase during the year ended June 30, 2019. (2710E)		375,000



## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 12 - Continued

	<u>2019</u>	<u>2018</u>
<b>COMMERCE BUILDING</b>		
<u>Washington Community Reinvestment Association - (WCRA) 2-090323</u> Mortgage payable secured by real property "Commerce Building," original amount of \$880,000, 6.625% interest, monthly principal and interest payments of \$5,635 through May 1, 2035. (2725J)	764,354	780,738
<u>State of Washington Department of Commerce - HAP 5-93-491-9A</u> Mortgage payable secured by real property "Commerce Building," 0% interest, annual principal payments of \$11,900 through March 1, 2045 to be paid from available cash. (2725A)	321,300	333,200
<u>Snohomish County - OCHD AHTF 5-93-491-94</u> Mortgage payable secured by real property "Commerce Building," 0% interest, due and payable in full November, 2043. Subject to low-income housing covenant. (2725B)	75,000	75,000
<u>Snohomish County - HOME 1993 #3</u> Mortgage payable secured by real property "Commerce Building," 7.69% interest. Principal and interest due and payable in full October 4, 2035. Subject to HOME agreement. (2725G)	165,200	165,200
<u>City of Everett CDBG</u> Mortgage payable secured by real property "Commerce Building," 0% interest, due and payable in full November 14, 2044. (2725H)	50,000	50,000
<u>City of Everett CHIP</u> <u>Commerce Building Rehab - Windows</u> Note payable secured by real property "Commerce Building," with all payments deferred and principal and interest at 3% due and payable November 14, 2044. (2725C)	389,870	389,870
<u>City of Everett</u> <u>Energy EECBG/ARRA Commerce Building</u> Note payable secured by real property "Commerce Building," with all payments deferred and principal and interest at 3% due and payable November 14, 2044. (2725E)	90,000	90,000
<u>City of Everett CHIP</u> <u>Energy EECBG/ARRA Commerce Building - Loan 54167</u> Note payable secured by real property "Commerce Building," with all payments deferred and principal and interest at 3% due and payable November 14, 2044. (2726)	395,147	395,147

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 12 - Continued

	<u>2019</u>	<u>2018</u>
<b>CROSSROADS</b>		
<u>State of Washington Department of Commerce - AHP 5-92-492-02B</u> Note payable secured by real property "Crossroads" with all payments deferred and principal and interest at 0% due and payable in 2025 subject to low-income housing agreement. (2730B)	125,000	125,000
<b>FAIRVIEW APARTMENTS</b>		
<u>Peoples Bank: WSHFC #5042423-201 Nonprofit Housing Revenue Bond</u> Privately placed bond secured by real property "Fairview Apartments" with interest at 2.98% payable in 360 monthly payments of \$5,498 beginning June 30, 2016 through June 1, 2036, and then equal monthly payments with interest at the Adjusted Variable Note Rate through maturity date of June 1, 2046. (2789D)	1,216,408	1,245,154
<u>Peoples Bank Loan 5042423-202</u> Note payable secured by real property "Fairview Apartments" with interest at 4.18% payable in 60 monthly payments of \$556 beginning June 30, 2016 through May 30, 2021. (2789E)	12,257	18,267
<u>Housing Authority of Snohomish County</u> Note payable secured by real property "Fairview Apartments" with simple interest at 1% accruing until May 31, 2031. Then monthly payments of \$21,016 principal and interest through April 30, 2046 with balloon payment due May 31, 2046. (2789I)	542,370	542,370
<b>FLEMING DUPLEXES</b>		
<u>City of Everett CHIP</u> Note payable secured by real property "Hope Village Duplexes" with all payments deferred and principal and interest at 3% due and payable on August 10, 2027 subject to use as transitional housing. (2604D)	45,183	45,183
<u>Mountain Pacific Bank 129004711</u> Note payable secured by real property "Hope Village Duplexes" due in monthly payments of \$2,618 including principal and interest at 4.5% with a balloon payment of unpaid balance of principal and interest due on February 8, 2042. (2604M)	445,317	456,308

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 12 - Continued

	<u>2019</u>	<u>2018</u>
<b>HOPE VILLAGE</b>		
<u>Washington State Department of Commerce - HAP 96-493-201</u> Assigned note payable in the original amount of \$450,000, noninterest bearing, principal payments of \$15,000 due annually beginning December 31, 1998 for next 29 years, matures December 31, 2028, terms are in effect to December 31, 2047, collateralized by investment in real estate. (2745S)	135,000	150,000
<u>City of Everett CDBG</u> Assigned note payable under the Community Development Block Grant Program, noninterest bearing, principal due upon maturity at November 2027, collateralized by investment in real estate. (2745A)	133,000	133,000
<u>City of Everett CDBG</u> Assigned note payable under the Community Development Block Grant Program, noninterest bearing, principal due upon maturity at November 2027, collateralized by investment in real estate. (2745B)	100,200	100,200
<u>Snohomish County HUD</u> Assigned note payable under the HUD Supportive Housing Loan program, noninterest bearing, principal due upon maturity at November 2047, collateralized by investment in real estate. (2745E)	400,000	400,000
<u>Snohomish County OCHD HOME</u> Assigned note payable under the HUD HOME Investment Partnerships Program, noninterest bearing, principal due upon maturity at November 2047, collateralized by investment in real estate. (2745D)	289,000	289,000
<u>Snohomish County Housing Trust Fund</u> Assigned note payable, noninterest bearing, principal due upon maturity at November 2047, collateralized by investment in real estate. (2745F)	154,800	154,800
<b>HOPE VILLAGE II</b>		
<u>Opus Bank</u> Assigned note payable in the original amount of \$415,000, 5.75% interest with monthly payments including principal and interest of \$2,445 with a balloon payment of the entire unpaid balance of principal and interest due on April 1, 2024. The loan is secured by a deed of trust on real estate "Hope Village II". Note payable was transferred to the Agency with the assumption of Hope Village II during the year ended June 30, 2019. (2774)	290,877	

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 12 - Continued

	<u>2019</u>	<u>2018</u>
<u>Washington State Department of Commerce - DCTED 02-49300-129</u> Assigned note payable in the original amount of \$210,000, 1.00% interest compounded quarterly with quarterly payments including principal and interest of \$1,594 with the unpaid balance of principal and interest due on July 31, 2044. The loan is secured by a deed of trust on real estate "Hope Village II". Note payable was transferred to the Agency with the assumption of Hope Village II during the year ended June 30, 2019. (2774A)	142,123	
<u>Snohomish County HOME</u> Assigned note payable in the original amount of \$135,000, noninterest bearing with the unpaid balance of principal due on March 31, 2054. The loan is secured by a deed of trust on real estate "Hope Village II". Note payable was transferred to the Agency with the assumption of Hope Village II during the year ended June 30, 2019. (2774B)	135,000	
<b>HOPEWORKS SOCIAL INVESTORS</b>		
Collateral backed notes secured by real property "HopeWorks Station", interest only payments made annually at the rate of 2% for 3 years, increasing to 3% for the next 2 years, and increasing to 4% until the maturity date of July 1, 2025 when the principal balance, along with any unpaid interest, is due and payable. A present value discount of \$488,383 has been recognized and reported at June 30, 2019, on the social investor notes due to the below market interest rate loans. (2648)	2,544,000	2,544,000
Collateral backed notes secured by real property "HopeWorks Station", interest only payments made annually at the rate of 2% for 3 years, increasing to 3% for the next 2 years with maturities through date of June 2024, when the principal balance, along with any unpaid interest, is due and payable. A present value discount of \$88,537 has been recognized and reported at June 30, 2019, on the social investor notes due to the below market interest rate loans. (2648)	410,000	
<u>Hogarth Trust</u> Collateral backed note secured by real property "HopeWorks Station", interest only payments made annually at the rate of 2% for 3 years, increasing to 3% for the next 2 years, and increasing to 4% until the maturity date of July 1, 2025 when the principal balance, along with any unpaid interest, is due and payable. (2647)	200,000	200,000

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 12 - Continued

	<u>2019</u>	<u>2018</u>
<b>HOPEWORKS STATION</b>		
<u>Enterprise Community Loan Fund, Inc.</u> Note payable secured by Leasehold Deed of Trust in real property "3311 Broadway Ave, Everett, WA", in addition to an unconditional guaranty of payment by Housing Hope. Interest only payments at 5.85% payable monthly. Principal and interest due in full on May 31, 2020. (2789K)	340,135	4,207,983
<b>KENNEDY COURT</b>		
<u>CITY OF EVERETT/SNOHOMISH COUNTY HOME LOAN</u> Note payable secured by deed of trust on real property "Kennedy Court Apartments, Everett, WA" with all payments deferred and principal and interest at 3.0% to be paid at the completion of the term of the Amended HOME Loan Agreement on September 30, 2055. (2655B)	573,298	573,298
<b>LERVICK FAMILY VILLAGE</b>		
<u>Opus Bank - 50-0130628281</u> Note payable secured by real property "Lervick Family Village" due in monthly installments including principal and interest at a variable rate set annually, at 3% over the 12th District Savings Institutions Cost of Funds Index, and with a maturity date of February 1, 2026. The current monthly payment is \$475 at a rate of 4.25%. Note payable was paid off at closing to Possession Sound Properties as part of an asset purchase during the year ended June 30, 2019.		36,534
<u>State of Washington Department of Commerce - HAP 5-94-491-7A</u> Note payable secured by real property "Lervick Family Village" with annual principal payments of \$6,760 only and interest at 0% until 2047 subject to low-income housing agreement. Note payable was assigned to Possession Sound Properties as part of an asset purchase during the year ended June 30, 2019.		196,040
<b>LINCOLN HILL VILLAGE</b>		
<u>Snohomish County OCHD HOME</u> Note payable secured by real property "Lincoln Hill Village" with all payments deferred and principal and interest at 1% until 2030 then monthly payments of \$2,737 until December 2050. (2520D)	656,842	656,842
<u>State of Washington Department of Commerce - 07-47104-007</u> Note payable secured by real property "Lincoln Hill Village" with \$462,000 deferred until 2018 then annual payments of \$14,000 and \$1,393,654 deferred until 2041 then quarterly payments of \$34,841. All principal and interest at 0% due at December 2051. (2520S)	1,841,654	1,855,654

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 12 - Continued

	<u>2019</u>	<u>2018</u>
<u>Washington Community Reinvestment Association - (WCRA) 1-100337</u> Mortgage payable secured by real property "Lincoln Hill Village," original amount \$1,975,000, 7% interest, monthly principal and interest payments of \$13,140 through June 1, 2042. (2520A)	1,800,162	1,830,658
<b>MAPLE LEAF MEADOWS</b>		
<u>State of Washington Department of Commerce - 02-49300-074</u> Note payable secured by real property "Maple Leaf Meadows" with all payments deferred for 25 years with interest at 3% accruing during the deferral period, maturing November 1, 2047. The principal amount including accumulated interest to be amortized for 10 years with interest at 3% with annual payments of \$98,182 beginning 2027 and ending 2047 subject to a low-income housing agreement. (2602C)	400,000	400,000
<u>JP Morgan Chase Bank</u> <u>99-04291493-7 EHA Low-Income Housing Revenue Bond, 2011</u> Secured by Deed of Trust to JP Morgan Chase Bank on "Maple Leaf Meadows" property. Due in monthly installments of \$10,097 including principal and interest at 5.29%, with a balloon payment due July 2018. (2602E)	1,164,330	1,250,725
<b>MT. BAKER VIEW</b>		
<u>BBCN Bancorp</u> <u>WSHFC #504 STEP Bond - Series 2010</u> Bond secured by real property "Mt. Baker View" due in monthly installments including principal and interest at 4.5%, fiscal agent fees of \$500 per year, and bond issuer fees at .25% calculated annually on the principal balance at July 1st. Current monthly payment including fees is \$6,633. The fiscal agent is U.S. Bank and is privately placed. Maturity date October 1, 2040. (2540B)	1,041,230	1,069,689
<b>NEW CENTURY VILLAGE &amp; EXPANSION</b>		
<u>State of Washington Department of Commerce - 02-49300-075</u> Note payable secured by real property "New Century House" with all payments deferred for 25 years with interest at 3% accruing during the deferral period. The principal amount including deferred interest will be amortized for 10 years with annual payments of \$55,227 due and payable on June 1 beginning 2028 and ending 2037 subject to use as transitional and permanent affordable housing for homeless teen mothers. (2601C)	225,000	225,000

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 12 - Continued

	<u>2019</u>	<u>2018</u>
<u>JP Morgan Chase Bank</u> <u>99-04291494-5 - EHA Low-Income Housing Revenue Bond, 2011</u> Original amount of \$700,000 secured by Deed of Trust to JP Morgan Chase Bank on "New Century House" property. Due in monthly installments of \$3,884 including principal and interest at 5.29%, with a balloon payment due June 2022. (2601E)	452,696	483,548
<u>City of Everett - 2060 HTF Aspenwood</u> Note payable secured by real property "2503 Howard - Condo unit #2" with all payments deferred and principal and interest at 3% due September 27, 2031, subject to a very low-income use provision. (2600E)	200,000	200,000
<b>OAKES AVENUE COMMONS</b>		
<u>City of Everett - CDBG #1</u> Note payable secured by real property "3129 Oakes Avenue" with all payments deferred and principal and interest at 3% due December 31, 2028, subject to a very low-income use provision. Note payable was paid off at closing to Possession Sound Properties as part of an asset purchase during the year ended June 30, 2019. (2730)		38,918
<u>State of Washington Department of Commerce - 02-49300-075</u> Note payable secured by real property "Oakes Avenue Commons" with all payments deferred for 25 years with interest at 0% and a maturity date of June 30, 2050. Note payable was assigned to Possession Sound Properties as part of an asset purchase during the year ended June 30, 2019. (2745)		669,841
<b>PARK PLACE TOWNHOMES</b>		
<u>Mountain Pacific Bank</u> <u>WSHFC #504 STEP Bond - Series 2010</u> Note payable in the original amount of \$1,200,000 secured by real property "Park Place Townhomes" due in monthly payments of \$5,904 including principal and interest at 4%. Maturity date is September 1, 2041. (2789B)	1,013,541	1,041,043
<b>PILCHUCK PLACE AND WOODS CREEK VILLAGE</b>		
<u>State of Washington Department of Commerce - HTF 11-47104-005</u> Note payable secured by real property "Woods Creek Village" with all payments deferred until 2043 with interest at 1% compounding quarterly during the deferral period. The principal amount including deferred interest will be amortized for 10 years with quarterly payments of \$17,745 due and payable beginning June 30, 2043 and ending March 31, 2053. (2781B)	500,000	500,000

**HOUSING HOPE AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2019**

---

**Note 12 - Continued**

	<u>2019</u>	<u>2018</u>
<u>Snohomish County - HOME HCS 12-42-1201-251</u> Note payable in the original amount of \$600,000 secured by real property "Pilchuck Place Townhomes" with all payments deferred until 2043 with interest accruing during the deferral period at 1%. Monthly payments in an amount to be determined by September 1, 2043, when payments begin, until September 2052. (2782A)	600,000	600,000
<u>Snohomish County - HOME HCS 12-42-1104-251</u> Note payable in the original amount of \$532,141 secured by real property "Woods Creek Village" with all payments deferred until 2043 with interest accruing during the deferral period at 1%. Monthly payments in an amount to be determined by September 1, 2043, when payments begin, until September 2052. (2782B)	532,641	532,641
<u>Washington Community Reinvestment Association (WCRA) B-120364 Nonprofit Housing Revenue Bond, Series 2012</u> Note payable in the original amount of \$1,713,769 secured by real property "Pilchuck Place Townhomes" and "Woods Creek Village Apartments" due in monthly payments of \$9,331 including principal and interest at 5.125%. Maturity date is September 1, 2042. (2783A and 2783B)	1,519,542	1,552,713
<b>TOMORROW'S HOPE</b>		
<u>Bank of America</u> <u>#003140373 - WSHFC OID#02-01 STEP Bond</u> Original amount of \$860,000 secured by Deed of Trust to Bank of America on "Tomorrow's Hope Childcare Center" property. Due in monthly installments of \$4,496 including principal and interest at 2.708% maturing April 1, 2027. (2752C)	387,063	427,398
<u>CITY OF EVERETT CDBG</u> Note payable secured by real property "Tomorrow's Hope" with all payments deferred and principal and interest at 3% due at maturity date of January 14, 2041. The loan may be forgiven 100% on January 14, 2031 as long as the project continues to operate. (2789J)	45,432	45,432



## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

#### Note 12 - Continued

	<u>2019</u>	<u>2018</u>
<b>TWIN LAKES LANDING</b>		
<u>State of Washington Housing Finance Commission - LAP 2013-27</u> Note payable secured by real property "Twin Lakes Landing II" with all payments deferred and principal and interest at 1% due and payable at the maturity date of October 31, 2021. (2607)	708,525	708,525
<b>VISION HOUSE</b>		
<u>State of Washington Department of Commerce - HFU 98-49300-484</u> Note payable secured by real property "Vision House" with annual principal payments of \$169 only with interest at 0% until 2049 subject to a low-income housing agreement. (2575A)	5,059	5,227
<b>WINTER'S CREEK VILLAGE</b>		
<u>Opus Bank Loan 5305021083</u> Note payable secured by real property "Sultan 11." Repayment of principal and interest at 6% due in monthly installments of \$3,194 with a balloon payment of unpaid balance of principal and interest due on October 5, 2026. (2788B)	417,613	430,462
<u>Opus Bank Loan 5307032435</u> Note payable secured by real property "Sultan 11." Repayment of principal and interest at 6% due in monthly installments of \$1,560 with a balloon payment of unpaid balance of principal and interest due on October 5, 2026. (2788D)	203,915	210,197
<u>State of Washington Department of Commerce - HTF 05-49300-109</u> Note payable secured by real property "Sultan 11" with all payments deferred and principal and interest at 0% due and payable in 2045. (2788S)	275,000	275,000
<u>Opus Bank loan 5305021082</u> Note payable secured by real property "Sultan 5-plex" with interest at 5.81% payable in 239 monthly payments of \$1,584 beginning June 5, 2005 and a balloon payment of unpaid balance of principal and interest due on May 5, 2025. (2787A)	195,189	202,465
<b>Total</b>	<b>26,688,126</b>	<b>31,778,669</b>
Less current portion	(863,399)	(401,136)
Less present value discount	(576,920)	(567,445)
Less unamortized deferred financing fees	(111,900)	(121,622)
<b>Long-Term Debt, Net</b>	<b><u>\$ 25,135,907</u></b>	<b><u>\$ 30,688,466</u></b>

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 12 - Continued

Principal maturities are as follows:

For the Year Ending June 30,

2020	\$ 863,399
2021	421,896
2022	2,496,231
2023	1,507,122
2024	373,029
Thereafter	<u>21,026,449</u>
	<u><u>\$ 26,688,126</u></u>

The Agency has multiple very low interest or noninterest bearing notes held by governmental agencies. If reported, the in-kind contributions and mortgage interest expenses related to these notes would have been approximately \$330,000 and \$382,000 for the years ended June 30, 2019 and 2018, respectively. There is no impact on earnings or on ending net assets as a result of the use of this accounting method. The Agency has elected not to recognize the in-kind contribution on these notes as interest rates are set by the governmental agencies and are representative of the conditions placed on the related notes, resulting in the interests rates not being considered below market due to the additional conditions.

#### Note 13 - Forgivable Loans

The Agency received cumulative forgivable loan proceeds of \$10,096,999 through the year ended June 30, 2019, representing a contingent liability. Under terms of the agreements, the facilities funded by these proceeds must be used to continue the mission of the Agency and provide housing for low to very-low income individuals for periods of time expiring through 2066. The forgivable loans are secured by properties at those sites. As management believes the conditions related to entitlement to the funds and the restrictions related to these loans are being met and are likely to continue to be met, the proceeds from these forgivable loans have been recognized as contributions with donor restrictions (Note 7). The restricted balances are being released over the terms of the agreements. The full original proceeds are due on demand and in some cases the funders' prorated share of accumulated appreciation would also be due should the Agency sell the property or fall out of compliance with the specified use restriction. As of June 30, 2019, the Agency is in compliance with the restrictions. During the year ended June 30, 2015, the Agency was notified by Community Frameworks that while their loans are forgivable, their intent was to treat these forgivable loans as long-term debt and not as a contribution. Accordingly per agreement with Community Frameworks, the Agency is now reporting all new forgivable loans from Community Frameworks as long term debt and any previous forgivable loans recognized as contributions have ceased release of these restrictions until maturity date in accordance with donor wishes.

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 13 - Continued

Forgivable loans are as follows at June 30:

	<u>2019</u>	<u>2018</u>
<b>ARLINGTON</b>		
<u>State of Washington - HTF HAP 2-92-410-8A</u>		
Note payable secured by real property "Arlington," with original amount of \$120,000 and all payments deferred and principal and interest at 0% to be forgiven in 2019 subject to a low-income housing agreement. Note payable was determined to not be forgivable during the year ended June 30, 2019 and was transferred to debt. Subsequent to year end, debt was paid in full. (2710A)F	\$ -	\$ 1,788
<b>FAIRVIEW</b>		
<u>Snohomish County</u>		
<u>SCHSD HOME HCD-10-42-1003-113(1)</u>		
Note payable secured by real property "Fairview", the original amount of \$494,933 and all payments deferred and principal and interest at 0% to be forgiven in 2051 subject to the HOME agreement. (2789G)F	367,783	379,306
<u>State of Washington</u>		
<u>Department of Commerce 06-94100-055</u>		
Note payable secured by real property "Fairview", the original amount of \$850,000 and all payments deferred and principal and interest at 0% to be forgiven in 2047 subject to use restriction covenant agreement. (2789H)F	623,758	646,102
<u>State of Washington</u>		
<u>Department of Commerce 06-94100-055</u>		
Note payable secured by real property "Fairview", the original amount of \$950,000 and all payments deferred and principal and interest at 0% to be forgiven in 2061 subject to use restriction covenant agreement. (2789F)F	721,466	738,678

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 13 - Continued

	<u>2019</u>	<u>2018</u>
<b>HOMEOWNERSHIP ASSISTANCE</b>		
<u>State of Washington Department of Commerce</u> <u>Homeownership Assistance 08-94100-010</u> Total \$500,000 available, consisting of \$440,000 down payment assistance, \$10,000 administrative and monitoring fees, and 10% developer fee at each draw (\$50,000 maximum). Original amount (less applicable fees) was \$387,630. Agency will also earn 10% admin fee on repayments from the homeowners, with remaining repaid funds to be recycled. 0% interest. Forgivable January 31, 2035. (2778)F	266,800	283,896
<b>HOPE VILLAGE II</b>		
<u>State of Washington - OCD 02-49300-129 (HFT #2)</u> Note payable secured by real property "Hope Village II" with original amount of \$130,000 and all payments deferred and principal and interest at 0% to be forgiven in 2044 subject to a use restriction covenant agreement. (2604A)F	129,100	81,330
<b>HOPEWORKS STATION II</b>		
<u>City of Everett</u> Loan amount not to exceed \$400,000 at 3% simple interest. All payments will be deferred to be forgiven in 2043 subject to a use restriction stated in Loan Terms section of agreement (2789L)F	376,200	
<b>LERVICK FAMILY VILLAGE/STANWOOD HOUSE</b>		
<u>Snohomish County - OCHD CDBG H&amp;CD 1993#18</u> Mortgage payable secured by real property "Lervick Family Village" with original amount of \$90,000 and all payments deferred and principal and interest at 0% to be forgiven in 2045 subject to use as transitional housing. Mortgage was assigned to Possession Sound Properties as part of an asset purchase during the year ended June 30, 2019. (2770D)F		47,451
<u>Snohomish County - OCHD HOME 1992#9 1993#7 &amp; 1994#5</u> Mortgage payable secured by real property "Lervick Family Village" with original amount of \$285,196 and all payments deferred and principal and interest at 0% to be forgiven in 2045 subject to use as transitional housing. Mortgage was assigned to Possession Sound Properties as part of an asset purchase during the year ended June 30, 2019. (2770CG&H)F		157,022
<u>Snohomish County - OCHD CDBG H&amp;CD 1989#37</u> Mortgage payable secured by real property "Lervick Family Village" with original amount of \$85,000 and all payments deferred and principal and interest at 0% to be forgiven in 2045 subject to use as transitional housing. Mortgage was assigned to Possession Sound Properties as part of an asset purchase during the year ended June 30, 2019. (2770E)F		46,515

**HOUSING HOPE AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2019**

---

**Note 13 - Continued**

	<u>2019</u>	<u>2018</u>
<u>Snohomish County</u> <u>OCHD HOME 1997#12</u> Mortgage payable secured by real property "East Stanwood Pioneer Homes" with original amount of \$50,000 and all payments deferred and principal and interest at 0% to be forgiven in 2052 subject to HOME agreement. (2515A)F	33,219	34,022
<b>LINCOLN HILL VILLAGE</b>		
<u>Snohomish County</u> <u>OCHD AHTF HCD-08-11-0803-048</u> Note payable secured by real property "Lincoln Hill Village" all payments deferred and principal and interest at 0% to be forgiven 40 years after the project is placed in service (June 2011), subject to use as affordable housing for very low-income households. Original amount was \$695,928. (2520C)F	407,528	421,446
<b>MAPLE LEAF MEADOWS</b>		
<u>Snohomish County</u> <u>OCHD HOME 2001#4 and 2002#4</u> Note payable secured by real property "Maple Leaf Meadows" with original amount of \$460,000 and all payments deferred and principal and interest at 0% to be forgiven in 2051 subject to a use restriction covenant agreement. (2602D)F	298,987	308,187
<b>MT. BAKER VIEW</b>		
<u>Snohomish County</u> <u>Neighborhood Stabilization Program (NSP-1) Loan</u> Mortgage payable secured by real property "Mount Baker View" with original amount of \$1,084,314 and all payments deferred and principal and interest at 0% to be forgiven in 2050 subject to use as transitional and permanent housing. (2540C)F	847,844	874,952
<b>NEW CENTURY EXPANSION</b>		
<u>Snohomish County</u> <u>OCHD HOME 2000#6</u> Note payable secured by real property "New Century House" with original amount of \$238,000 and all payments deferred and principal and interest at 0% to be forgiven in 2051 subject to use as HOME assisted units. (2601D)F	154,420	159,180

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 13 - Continued

	<u>2019</u>	<u>2018</u>
<u>City of Everett</u> <u>CDBG New Century</u> Note payable secured by real property "New Century House" with original amount of \$160,000 and all principal and interest of 3% simple to be forgiven in 2026 subject to use as transitional housing. (2601G)F	46,080	52,480
<u>City of Everett</u> <u>HOME New Century Expansion</u> Note payable secured by real property "6529 Broadway" with original amount of \$100,000 and all payments deferred and principal and interest at 3% to be forgiven in 2028 subject to HOME rent restriction covenant agreement. (2581)F	35,726	39,726
<u>City of Everett</u> <u>CDBG New Century Village</u> Note payable secured by "New Century Village" at 3% with original amount of \$174,367 and all principal and interest to be forgiven on January 18, 2031 subject to use as housing for low and moderate income households. (2586E)F	80,677	87,652
<u>Snohomish County</u> <u>AHTF Aspenwood</u> Note payable secured by real property "2503 Howard" with original amount of \$278,100 and all payments deferred and principal and interest at 0% to be forgiven in 2047 subject to a use restriction covenant agreement. (2600C)F	189,851	196,803
<b>OAKES AVENUE COMMONS</b>		
<u>Snohomish County</u> <u>OCHD HOME 99-03</u> Mortgage payable secured by real property "Oakes Avenue Commons" with original amount of \$230,000 and all payments deferred and principal and interest at 0% to be forgiven in 2020 subject to rent restriction covenant agreement. Mortgage was assigned to Possession Sound Properties as part of an asset purchase during the year ended June 30, 2019. (2780A)F		20,259
<b>PARK PLACE TOWNHOMES</b>		
<u>Snohomish County</u> <u>Neighborhood Stabilization Program (NSP-1) Loan</u> Mortgage payable secured by real property "Park Place Townhomes" with original amount of \$1,050,000 and all payments deferred and principal and interest at 0% to be forgiven in 2051 subject to rent restriction covenant agreement. (2789C)F	844,243	870,493

**HOUSING HOPE AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2019**

**Note 13 - Continued**

	2019	2018
<u>Community Frameworks SHOP</u>		
<u>Self-Help Homeownership Project HHP-07-1</u>		
Note payable with loan agreement at 0% interest secured by 9 lots of real property "Copper Station" with original amount of \$135,000. Funds were repaid with the sale of the Copper Station lots to Team HomeBuilding families and deposited in a designated Housing Hope revolving fund account for re-use on eligible activities. One-third of the loan may be forgiven at the end of the applicable HUD funding cycle. The balance may be forgiven in 2019 contingent on compliance with eligible purposes in the homeownership program. (2777D)F	72,789	72,789
<u>Community Frameworks SHOP</u>		
<u>Self-Help Homeownership Project HHP-08-01</u>		
Note payable with loan agreement at 0% interest secured by 14 lots of real property "Marvin Gardens" with original amount of \$210,000. Funds to be repaid with the sale of the Marvin Gardens lots to Team HomeBuilding families and deposited in a designated Housing Hope revolving fund account for re-use on eligible activities. One-third of the loan may be forgiven at the end of the applicable HUD funding cycle. The balance may be forgiven in 2020 contingent on compliance with eligible purposes in the homeownership program. (2777P)F	134,227	134,227
<u>Community Frameworks SHOP</u>		
<u>Self-Help Homeownership Project HHP-08-02</u>		
Note payable with loan agreement at 0% interest secured by 10 lots of real property "Rose Park" with original amount of \$150,000. Funds to be repaid with the sale of the Rose Park lots to the Team HomeBuilding families and deposited in a designated Housing Hope revolving fund account for re-use on eligible activities. One-third of the loan may be forgiven at the end of the applicable HUD funding cycle. The balance may be forgiven in 2021 contingent on compliance with eligible purposes in the homeownership program. (2777R)F	102,781	102,781
<u>Community Frameworks SHOP</u>		
<u>Self-Help Homeownership Project HHP-09</u>		
Note payable with loan agreement at 0% interest secured by 10 lots of real property "French Creek" with original amount of \$150,000. Funds to be repaid with the sale of the French Creek lots to the Team HomeBuilding families and deposited in a designated Housing Hope revolving fund account for re-use on eligible activities. One-third of the loan may be forgiven at the end of the applicable HUD funding cycle. The balance may be forgiven in 2022 contingent on compliance with eligible purposes in the homeownership program. (2777F)F	95,836	95,836

**HOUSING HOPE AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2019**

---

**Note 13 - Continued**

	<u>2019</u>	<u>2018</u>
<u>Community Frameworks SHOP</u> <u>Self-Help Homeownership Project HHP-10-1</u> Note payable with loan agreement at 0% interest secured by 13 lots of real property "Monroe Main Street" with original amount of \$195,000. Funds to be repaid with the sale of the Monroe Main Street lots to the Team HomeBuilding families and deposited in a designated Housing Hope revolving fund account for re-use on eligible activities. One-third of the loan may be forgiven at the end of the applicable HUD funding cycle. The balance may be forgiven in 2023 contingent on compliance with eligible purposes in the homeownership program. (2777S)F	175,500	175,500
<b>TOMORROW'S HOPE</b>		
<u>City of Everett</u> <u>CDBG Tomorrow's Hope</u> Promissory note secured by real property "Tomorrow's Hope" with original amount of \$55,900 and all payments deferred and principal and interest at 3% simple to be forgiven in 2026 subject to use as childcare facility for low and moderate income families. (2752A)F	16,099	18,335
<u>Snohomish County</u> <u>OCHD CDBG-F 2001#33</u> Mortgage payable secured by real property "Tomorrow's Hope" with original amount of \$100,000 and all payments deferred and principal and interest at 0% to be forgiven in 2021 subject to use as childcare facility to benefit low-income families. (2752B)F	10,890	15,890
<b>VISION HOUSE</b>		
<u>Snohomish County</u> <u>OCHD HOME 1994#8</u> Mortgage payable secured by real property "Vision House" with original amount of \$108,773 and all payments deferred and principal and interest at 0% to be forgiven in 2046 subject to use as permanent affordable rental housing. (2570A)F	59,524	61,700



**HOUSING HOPE AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2019**

**Note 13 - Continued**

	<u>2019</u>	<u>2018</u>
<u>Snohomish County</u>		
<u>OCHD CDBG H&amp;CD 1994#14</u>		
Mortgage payable secured by real property "Vision House" with original amount of \$30,000 and all payments deferred and principal and interest at 0% to be forgiven in 2039 subject to use as permanent affordable rental housing. (2572A)F	13,888	14,565
<b>WINTER'S CREEK VILLAGE</b>		
<u>Snohomish County</u>		
<u>AHTF 2003#3 Sultan New Construction</u>		
Notes payable secured by real property "Sultan 11", with original amount of \$254,281 and all payments deferred and principal and interest at 0% to be forgiven in 2046 subject to use as affordable housing for very low income households. (2788C)F	168,731	175,088
<u>Snohomish County</u>		
<u>OHCD AHTF 2003#3</u>		
Note payable secured by real property "Sultan 5-plex" with original amount of \$76,875 and all payments deferred and principal and interest at 0% to be forgiven in 2045 subject to use as low-income housing. (2787C)F	49,716	51,638
<u>State of Washington</u>		
<u>Department of Commerce HTF 05-49300-110</u>		
Note payable secured by real property "Sultan 5-plex" with original amount of \$75,000 and all payments deferred and principal and interest at 0% to be forgiven on May 31, 2045 subject to use as 2 units of permanent rental housing and 3 units of transitional housing for low-income homeless families with children. (2787B)F	48,642	50,517
<u>State of Washington</u>		
<u>Department of Commerce HTF 11-47104-005</u>		
Note payable secured by real property "Woods Creek Village" with original amount of \$400,000 and all payments deferred and principal and interest at 0% to be forgiven on March 31, 2053 subject to use as low-income housing. (2781A)F	329,542	339,298
<b>Total Forgivable Loans Balance</b>	<b><u>\$ 6,701,847</u></b>	<b><u>\$ 6,755,452</u></b>

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 14 - Endowments

The Agency's endowments consist of funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments (quasi-endowments). Net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law** - The Board of Directors of the Agency has interpreted the Washington State Prudent Management of Institutional Funds Act (PMIFA) as making it advisable for the Agency to track the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Agency classifies as net assets with donor-restrictions - endowment corpus (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions - endowment corpus is classified as net assets with donor restrictions - endowment accumulated earnings until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Agency; and
- The investment policies of the Agency.

As of June 30, endowment net assets consisted of the following:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 6,413,035	\$ 6,413,035
Board designated quasi-endowment funds	<u>3,105,431</u>		<u>3,105,431</u>
<b>Endowment Net Assets, June 30, 2019</b>	<b><u>\$ 3,105,431</u></b>	<b><u>\$ 6,413,035</u></b>	<b><u>\$ 9,518,466</u></b>
<b>Endowment Net Assets, June 30, 2018</b>	<b><u>\$ 2,163,545</u></b>	<b><u>\$ 1,461,016</u></b>	<b><u>\$ 3,624,561</u></b>

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

#### Note 14 - Continued

Changes to endowment net assets for the year ended June 30, 2019, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, June 30, 2018	\$ 2,163,545	\$ 1,461,016	\$ 3,624,561
Endowment investment return	712,528	32,046	744,574
New contributions	18,795	5,006,118	5,024,913
Repayment of internal loans	231,297		231,297
Appropriation of endowment for expenditure/internal loans	(20,734)	(86,145)	(106,879)
<b>Endowment Net Assets, June 30, 2019</b>	<b>3,105,431</b>	<b>6,413,035</b>	<b>9,518,466</b>
Loans for internal projects	(1,292,060)		(1,292,060)
<b>Net Invested Endowment Net Assets, June 30, 2019</b>	<b>\$ 1,813,371</b>	<b>\$ 6,413,035</b>	<b>\$ 8,226,406</b>

**Funds With Deficiencies** - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or PMIFA suggests the Agency to retain as a fund of perpetual duration. As of June 30, 2019 and 2018, no such deficiencies existed. However, for the year ended June 30, 2017, the Agency's Board approved a resolution to fund internal loans totaling \$1,249,638 of the board designated quasi-endowment. The loans will be repaid according to the Board approved payment plans for each individual loan. As of June 30, 2019, the balance on the loan was \$1,292,060.

**Return Objectives and Risk Parameters** - The Agency has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Agency must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Agency expects its endowment funds, over time, to provide an average rate of return of approximately 5% over the spending policy. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives** - To satisfy its long-term rate-of-return objectives, the Agency relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Agency targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy** - The Agency has a policy of appropriating for distribution each year an amount that is determined by the Board of Directors. Over the long term, the Agency expects the current spending policy to allow its endowment to continue to maintain the value of the original gifts to the endowment. This is consistent with the Agency's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 15 - Affiliations and Related Party

**Hope Village II Limited Liability Company** - The Agency is affiliated with Hope Village II Limited Liability Company (Hope Village II LLC).

Hope Village II LLC was formed on May 8, 2002, to construct and operate a low-income housing complex in Everett, Washington. The initial members were Building Credits, as the managing member, and Housing Hope Properties as a member. The Hope Village II LLC was amended on April 28, 2003, when National Equity Fund (NEF) an Illinois investing member replaced Housing Hope Properties as a member. Building Credits has a .01% interest, and NEF has a 99.99% interest.

During fiscal year 2019, the Project completed its 15-year low-income housing tax credit compliance period. As the Project ended its compliance period, Building Credits and NEF agreed to dissolve the Hope Village II LLC. As part of the dissolution, Housing Hope exercised its option to purchase the Project's assets. The purchase option price was equal to the assumption of all Project liabilities including any liabilities for taxes owed as a part of the dissolution. The fair value of the property and Project assets acquired exceeded the amount of Project liabilities assumed by \$2,876,928. This amount is reported as an in-kind contribution in the consolidated statement of activities.

**Avondale Housing Limited Partnership** - The Agency is affiliated with Avondale Housing Limited Partnership (Avondale LP).

Avondale LP was formed on August 23, 2005, to construct and operate a low-income housing complex in Everett, Washington. The initial partners were Building Credits, as the general partner, and Housing Hope as a limited partner.

Avondale LP was amended on November 1, 2005, when National Equity Fund (NEF) an Illinois investing member replaced Housing Hope as a limited partner. Building Credits has a .01% interest, and NEF has a 99.99% interest.

According to the terms of the Avondale LP agreement, Building Credits and Housing Hope are to receive the following:

- To Building Credits, a partnership management fee of \$7,000, increasing by 3% each year. For the year ended June 30, 2019, \$9,980 of partnership management fees were reflected in the consolidated financial statements.
- To Building Credits, a property management fee of \$8,400, which is \$45 per unit per month for six months and \$55 per unit for the additional six months for the 14 unit complex.
- To Housing Hope for reimbursable administrative expenses related to property management salaries, insurance expense, and other miscellaneous expenses. For the year ending June 30, 2019, \$48,613 of reimbursable expenses were reflected in the consolidated financial statements.

These fees are contingent upon the availability of cash. Each of these entities has guaranteed to fully and faithfully perform all of their obligations under the Avondale LP agreement.

The Avondale LP has granted Housing Hope an option to purchase the Project after the 15-year compliance period for the low-income housing tax credit. If such option is not exercised, the Project may be sold to third parties. Consistent with Housing Hope's mission, loan covenants and grant requirements, it is Housing Hope's intention to exercise this option.

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 15 - Continued

**New Century Village Limited Liability Company** - The Agency is affiliated with New Century Village Limited Liability Company (New Century Village LLC).

New Century Village LLC was formed on January 13, 2005, to construct and operate a low-income housing complex in Everett, Washington. The initial members were Building Credits, as the managing member, and Housing Hope as a member.

The New Century Village LLC was amended on June 28, 2006, when National Equity Fund (NEF) an Illinois investing member replaced Housing Hope as a member. Building Credits has a .01% interest, and NEF has a 99.99% interest.

According to the terms of the New Century Village LLC agreement, Building Credits and Housing Hope are to receive the following:

- To Building Credits, a company management fee of \$10,000, increasing by 3% each year. For the year ended June 30, 2019, \$13,842 of partnership management fees were reflected in the consolidated financial statements.
- To Building Credits, a property management fee of \$15,000, which is \$45 per unit per month for six months and \$55 per unit for the additional six months for the 25 unit complex.
- To Housing Hope for reimbursable administrative expenses related to property management salaries, insurance expense, and other miscellaneous expenses. For the year ending June 30, 2019, \$64,500 of reimbursable expenses were reflected in the consolidated financial statements.
- To Housing Hope repayment of loans it has made to the LLC.

These fees are contingent upon the availability of cash. Each of these entities has guaranteed to fully and faithfully perform all of their obligations under the New Century Village LLC agreement.

The New Century Village LLC has granted Housing Hope an option to purchase the Project after the 15-year compliance period for the low-income housing tax credit. If such option is not exercised, the Project may be sold to third parties. Consistent with Housing Hope's mission, loan covenants and grant requirements, it is Housing Hope's intention to exercise this option.

**Monroe Family Village Limited Liability Company** - The Agency is affiliated with Monroe Family Village Limited Liability Company (Monroe Family Village LLC).

Monroe Family Village LLC was formed on January 8, 2013, to construct and operate a low-income housing complex in Monroe, Washington. Housing Hope was the Sole Member at incorporation.

The Monroe Family Village LLC was amended on May 23, 2014 with Housing Hope Properties becoming the Managing Member with 0.01% interest and NEF Assignment Corporation becoming the Investor Member with a 99.99% interest in the LLC.

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 15 - Continued

According to the terms of the Monroe Family Village LLC agreement, Housing Hope Properties and Housing Hope are to receive the following:

- To Housing Hope repayment of Developer Fee. For the year ending June 30, 2019, \$450,116 of developer fees were reflected in the consolidated financial statements.
- To Housing Hope Loan Funds made to the LLC. For the year ending June 30, 2019, \$1,320,000 of loan funds were reflected in the consolidated financial statements.
- To Housing Hope Properties, a company management fee of \$21,855, increasing by 3% each year. For the year ended June 30, 2019, \$21,218 of partnership management fees were reflected in the consolidated financial statements.
- To Housing Hope Properties, a property management fee of \$28,200, which is \$45 per unit per month for six months and \$55 per unit for the additional six months for the 47 unit complex.
- To Housing Hope for reimbursable administrative expenses related to property management salaries, insurance expense, and other miscellaneous expenses. For the year ending June 30, 2019, \$105,871 of reimbursable expenses were reflected in the consolidated financial statements.

These payments are contingent upon the availability of cash. Each of these entities has guaranteed to fully and faithfully perform all of their obligations under the Monroe Family Village LLC agreement.

The Monroe Family Village LLC has granted to Housing Hope an option to either purchase the assets of the project or to purchase the Investor Members interest in the LLC after expiration of the 15-year compliance period for the low income housing tax credits. If such option is not exercised, the project may be sold to third parties. Consistent with Housing Hope's mission, loan covenants and grant requirements, it is Housing Hope's intention to exercise this option.

**Twin Lakes Landing Limited Liability Company** - The Agency is affiliated with Twin Lakes Landing Limited Liability Company (Twin Lakes Landing LLC).

Twin Lakes Landing LLC was formed on January 22, 2015, to construct and operate a low-income housing complex in, Washington. Housing Hope Properties was the Sole Member at incorporation.

The Twin Lakes Landing LLC was amended on December 29, 2016 with Housing Hope Properties becoming the Managing Member with 0.01% interest and NEF Assignment Corporation becoming the Investor Member with a 99.99% interest in the LLC.

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 15 - Continued

According to the terms of the Twin Lakes Landing LLC agreement, Housing Hope Properties and Housing Hope are to receive the following:

- To Housing Hope Properties payment of a portion of the Developer Fee. For the year ending June 30, 2019, \$1,148,041 of developer fees were reflected in the consolidated financial statements.
- To Housing Hope Loan Funds made to the LLC. For the year ending June 30, 2019, \$624,546 of loan funds were reflected in the consolidated financial statements.
- To Housing Hope for reimbursable administrative expenses related to property management salaries, insurance expense, and other miscellaneous expenses. For the year ending June 30, 2019, \$105,302 of reimbursable expenses were reflected in the consolidated financial statements.
- To Housing Hope Properties, a property management fee of \$30,000, which is \$45 per unit per month for six months and \$55 per unit for the additional six months for the 50 unit complex.

These payments are contingent upon the availability of cash. Each of these entities has guaranteed to fully and faithfully perform all of their obligations under the Twin Lakes Landing LLC agreement.

The Twin Lakes Landing LLC has granted to Housing Hope an option to either purchase the assets of the project or to purchase the Investor Members interest in the LLC after expiration of the 15-year compliance period for the low income housing tax credits. If such option is not exercised, the Project may be sold to third parties. Consistent with Housing Hope's mission, loan covenants and grant requirements, it is Housing Hope's intension to exercise this option.

**HopeWorks Station Residential Limited Liability Limited Partnership** - The Agency is affiliated with HopeWorks Station Residential Limited Liability Limited Partnership (HopeWorks Station Residential LLLP).

HopeWorks Station Residential LLLP was formed on January 1, 2017, to construct and operate a low-income 65 unit residential project in a condominium unit located in a portion of one building located in, Washington. HopeWorks Station Residential GP LLC was the general partner and Housing Hope Properties was the Initial Limited Partner at incorporation.

The HopeWorks Station Residential LLLP was amended on May 7, 2018 with the withdrawal of Housing Hope Properties and the admission of Wincopin Circle LLLP as the Limited Partner who assigned their Limited Partnership interest to Enterprise Housing Equity Fund I, LLLP with 99.99% interest. HopeWorks Station Residential GP LLC remained the General Partner with a 0.01% interest in the LLLP.

According to the terms of the HopeWorks Station Residential LLLP agreement, Housing Hope Properties and HopeWorks Social Enterprises are to receive the following:

- To HopeWorks Social Enterprise Loan Funds made to the LLLP for the year ending June 30, 2019, \$1,092,319 of loan funds were reflected in the consolidated financial statements.
- To HopeWorks Social Enterprises for funds advanced during the development of HopeWorks Station II. For the year ending June 30, 2019, \$185,975 were reflected in the consolidated financial statements. Subsequent to year end the LLP reimbursed HopeWorks Social Enterprises back for \$185,975 on December 6, 2019.

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 15 - Continued

These payments are contingent upon the availability of cash. Each of these entities has guaranteed to fully and faithfully perform all of their obligations under HopeWorks Station Residential LLLP the agreement.

The HopeWorks Station Residential LLLP has granted to HopeWorks Station Residential GP LLC, an option to purchase the Limited Partner's interest in the LLC after expiration of the 15-year compliance period for the low income housing tax credits and beginning after the first calendar year following the Credit Period. Additionally, Housing Hope Properties, has first right of refusal to purchase the Project. If such option is not exercised, the Project may be sold to third parties. Consistent with Housing Hope's mission, loan covenants and grant requirements, it is Housing Hope's intension to exercise this option.

**HopeWorks Station Enterprises** - HopeWorks Station Enterprises is a related party to the Agency.

HopeWorks Station Enterprises was formed on August 4, 2016, to construct and operate a commercial project in a condominium unit located in a portion of one building located in, Washington commonly known as HopeWorks Station II. HopeWorks Station Enterprises is a non-for-profit corporation in the State of Washington.

On May 7, 2018, HopeWorks Station Enterprises closed on the financing of HopeWorks Station II utilizing New Market Tax Credits (NMTC). As the result of this closing, HopeWorks Social Enterprises loaned funds (\$8,517,000) and The Northern Trust Company contributed a net capital contribution of NMTC Equity (\$4,563,000) to TNT - HopeWorks NMTC Fund, LLC (Investment Fund). According to the terms of the loan agreement with TNT - HopeWorks NMTC Fund, LLC, annual interest payments of \$82,410 (prorated for the first year) will be paid on the 10th day of each December with the first payment beginning December 2018 and the last payment at maturity December 2047.

**Possession Sound Properties Limited Liability Company** - The Agency is affiliated with Possession Sound Properties Landing Limited Liability Company (Possession Sound Properties LLC).

Possession Sound Properties LLC was formed on March 21, 2018, to construct and operate a low-income housing complex in, Washington. Housing Hope Properties was the Sole Member at incorporation.

Possession Sound Properties LLC was amended on December 12, 2018 with Housing Hope Properties withdrawing as the Sole Member and PSP Manager LLC entering as the Sole Member. PSP Manager LLC was amended on April 19, 2019 with Housing Hope Properties becoming the Managing Member with 79% interest and the Archdiocesan Housing Authority becoming a member with 21% interest. Possession Sound Properties LLC was amended on April 19, 2019 with PSP Manager LLC becoming the Managing Member with 0.01% interest and NEF Assignment Corporation becoming the Investor Member with a 99.99% interest in the LLC.



## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 15 - Continued

According to the terms of the Possession Sound Properties LLC agreement, Housing Hope Properties and Housing Hope are to receive the following:

- To Housing Hope Loans Funds made to the LLC. For the year ending June 30, 2019, \$4,435,573 and \$187,566 of loan funds were reflected in the consolidated financial statements.
- To Housing Hope Properties, a property management fee of \$5,220, which is \$45 per unit per month for the 50 unit complex. During 2019, scattered sites incurred management fees for two months.
- To Housing Hope for reimbursable administrative expenses related to property management salaries, insurance expense, and other miscellaneous expenses. For the year ending June 30, 2019, \$40,459 of reimbursable expenses were reflected in the consolidated financial statements.

These payments are contingent upon the availability of cash. Each of these entities has guaranteed to fully and faithfully perform all of their obligations under the Twin Lakes Landing LLC agreement.

The Possession Sound Properties LLC has granted to Housing Hope an option to either purchase the assets of the project or to purchase the Investor Members interest in the LLC after expiration of the 15-year compliance period for the low income housing tax credits. If such option is not exercised, the Project may be sold to third parties. Consistent with Housing Hope's mission, loan covenants and grant requirements, it is Housing Hope's intension to exercise this option.

Notes receivable, deferred developer fees and accrued interest due from affiliates and related party are as follows at June 30:

	<u>Notes Receivable</u>	<u>Accrued Interest</u>	<u>Less Current Portion</u>	<u>Total Long- Term Portion</u>
New Century Village	\$ 96,907	\$ 95	\$ (76,580)	\$ 20,422
Monroe Family Village	1,770,116	305,349	(135,000)	1,940,465
Twin Lakes Landing	1,772,587	83,113	(262,550)	1,593,150
HopeWorks Station Residential	1,092,319		(107,733)	984,586
HopeWorks Station Enterprises	8,517,000	41,205		8,558,205
Possession Sound Properties	<u>4,553,931</u>	<u>25,282</u>	<u>(569,834)</u>	<u>4,009,379</u>
<b>June 30, 2019 Total</b>	<b><u>\$ 17,802,860</u></b>	<b><u>\$ 455,044</u></b>	<b><u>\$ (1,151,697)</u></b>	<b><u>\$ 17,106,207</u></b>
<b>June 30, 2018 Total</b>	<b><u>\$ 12,807,051</u></b>	<b><u>\$ 286,427</u></b>	<b><u>\$ (930,120)</u></b>	<b><u>\$ 12,163,358</u></b>

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

#### Note 15 - Continued

Other amounts due (to) from affiliates consists of the following at June 30:

	<u>Direct Cost</u>	<u>Partnership Mgmt Fees</u>	<u>June 30, 2019 Total</u>	<u>June 30, 2018 Total</u>
Avondale	\$ 326	\$ -	\$ 326	\$ 3,232
Hope Village II LLC				2,548
New Century Village	(1,372)	141,920	140,548	132,131
Monroe Family Village	(4,114)	67,006	62,892	50,313
Twin Lakes Landing	181,230	10,656	191,886	216,893
HopeWorks Station Residential	206,165		206,165	
Possession Sound Properties	<u>(53,351)</u>		<u>(53,351)</u>	
<b>June 30, 2019 Total</b>	<b><u>\$ 328,884</u></b>	<b><u>\$ 219,582</u></b>	<b><u>\$ 548,466</u></b>	<b><u>\$ -</u></b>
<b>June 30, 2018 Total</b>	<b><u>\$ 231,532</u></b>	<b><u>\$ 173,585</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 405,117</u></b>

#### Note 16 - Self Insurance

The Agency is a member of the 501(c) Agencies Trust (the Trust). The Trust facilitates the utilization by member agencies of the Reimbursement Financing Method of meeting obligations under State unemployment insurance statutes. As of June 30, 2019, the Agency had deposits with the Trust of \$57,405 which are reported in the consolidated statement of financial position as funds held in trust. As of June 30, 2019, the Agency estimated a liability for incurred-but-not-reported unemployment claims of \$16,184, which is included in accounts payable and accrued expenses in the consolidated statement of financial position.

#### Note 17 - Property Lease Commitments

The Agency is the lessor to four commercial leases located at the Agency's commerce building. Lease terms range from three to five years with options for an additional five years. Monthly lease payments range from \$884 to \$5,250 per lease, and will be adjusted annually for certain operating costs.

Future minimum lease payments to be received are as follows:

For the Year Ending June 30,

2020	\$ 94,957
2021	35,337
2022	21,600
2023	<u>21,600</u>
	<b><u>\$ 173,494</u></b>

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

---

#### Note 17 - Continued

The Agency is a lessee of the commercial space being developed by the lessor for a building commonly known as HopeWorks Station II. The Agency will be entitled to occupy the property when the Project has been substantially completed by the Lessor. The Project was completed subsequent to year end in September 2019. Annual lease payments are due every December and the lease term expires December 31, 2043.

Future minimum lease payments to be paid are as follows:

For the Year Ending June 30,

2020	\$ 105,000
2021	105,000
2022	105,000
2023	105,000
2024	105,000
Thereafter	<u>12,939,000</u>
	<u><b>\$ 13,464,000</b></u>

#### Note 18 - Liquidity and Availability of Financial Assets

The Agency regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Agency has various sources of liquidity at its disposal, including cash and cash equivalents, marketable equity securities, and lines of credit. In addition to financial assets available to meet general expenditures over the next 12 months, the Agency operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources.

The following reflects the Agency's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for long-term investing in the quasi-endowment and board reserves that could be drawn upon if the governing board approves that action.

## HOUSING HOPE AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended June 30, 2019

#### Note 18 - Continued

Financial assets available for general expenditure within one year of the date of the statements of financial position are as follows at June 30:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,574,567	\$ 1,061,870
Short-term investments	124,800	124,000
Accounts, grants and contracts, and pledges receivable	752,826	1,273,742
Due from affiliates	548,466	405,117
Notes receivable, accrued interest and developer fees due from affiliates	18,257,904	13,093,478
Assets designated by board for long-term reserves and investment in long-term assets	1,895,578	1,511,022
Assets restricted by donors for the acquisition of long-term assets	547,066	1,368,576
Assets restricted by donors for endowments and long-term reserves	6,479,639	1,565,698
Self-help family loans receivable	512,433	523,323
Restricted reserves and deposits	<u>314,064</u>	<u>298,538</u>
Total financial assets	31,007,343	21,225,364
Receivables scheduled to be collected in more than one year	(17,658,268)	(12,743,122)
Assets restricted by donors for the acquisition of long-term assets	(547,066)	(1,368,576)
Contractually restricted reserves and deposits	(314,064)	(298,538)
Board reserves	(303,382)	(514,460)
Donor endowment funds	(6,413,035)	(1,461,016)
Quasi-endowment	<u>(3,105,431)</u>	<u>(2,163,545)</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b><u>\$ 2,666,097</u></b>	<b><u>\$ 2,676,107</u></b>

#### Note 19 - Subsequent Events

During the year ending June 30, 2019, the Agency received a partial distribution of \$5,000,000 residual interest in a bequest. There is expected to be a final distribution in 2020 of an unknown amount.

Subsequent to year end the Agency sold the Fairmount vacant land located in Everett, Washington on September 17, 2019 and sold the Arlington Triplex located in Arlington, Washington on Oct 1, 2019. The net proceeds from the sales were \$22,767 and \$374,065 respectively.

Subsequent to year end, Housing Hope purchased 17 lots for the next Team Home Building site for a sales price of \$2,108,000. The Lake Martha Ridge Lots are located in Arlington, WA.

**SUPPLEMENTARY INFORMATION**

**HOUSING HOPE AND SUBSIDIARIES**

**Consolidating Statement of Financial Position - Assets**  
**June 30, 2019**  
**(With Comparative Totals for 2018)**

	Housing Hope	Building Credits	Housing Hope Properties	HopeWorks	Subtotal	Eliminations	2019 Consolidated Total	2018 Consolidated Total
<b>Assets</b>								
<b>Current Assets:</b>								
Cash and cash equivalents	\$ 1,166,357	\$ 71,328	\$ 77,784	\$ 259,098	\$ 1,574,567	\$ -	\$ 1,574,567	\$ 1,061,870
Short-term investments	124,800				124,800		124,800	124,000
Accounts receivable, net	45,408			217,445	262,853		262,853	241,586
Grants and contracts receivable	183,256		40,639	77,098	300,993		300,993	806,391
Due from affiliates	122,719	141,920	77,662	206,165	548,466		548,466	405,117
Current portion of notes receivable, accrued interest and deferred developer fees due from affiliates	847,992		262,500	41,205	1,151,697		1,151,697	932,779
Pledges receivable, current portion	121,255			28,097	149,352		149,352	169,324
Real estate inventory			6,700		6,700		6,700	792,220
Prepaid expenses and other current assets	45,842			31,252	77,094		77,094	69,135
<b>Total Current Assets</b>	<b>2,657,629</b>	<b>213,248</b>	<b>465,285</b>	<b>860,360</b>	<b>4,196,522</b>		<b>4,196,522</b>	<b>4,602,422</b>
<b>Assets Whose Use is Limited or Restricted:</b>								
Assets designated by board for long-term reserves and investment in long-term assets	1,506,566			389,013	1,895,579		1,895,579	1,511,022
Assets restricted by donors for the acquisition of long-term assets	294,120			252,946	547,066		547,066	1,368,576
Assets restricted by donors for endowments and long-term reserves	1,479,638			5,000,000	6,479,638		6,479,638	1,565,698
Restricted reserves and deposits	314,064				314,064		314,064	298,538
<b>Other Assets:</b>								
Pledges receivable, long-term portion	27,586			12,042	39,628		39,628	56,441
Self-help family loans receivable			512,433		512,433		512,433	523,323
Funds held in trust	57,405				57,405		57,405	40,953
Land, building, and equipment, net	31,269,005		155,939	2,049,312	33,474,256		33,474,256	35,063,374
Notes receivable, accrued interest and deferred developer fees due from affiliates, net of current portion	6,530,352		966,536	9,609,319	17,106,207		17,106,207	12,160,699
Project development costs	1,307,292			81,689	1,388,981		1,388,981	1,093,094
Investment in limited partnerships and limited liability companies	1	1,339,582	187		1,339,770		1,339,770	1,339,791
<b>Total Assets</b>	<b>\$ 45,443,658</b>	<b>\$ 1,552,830</b>	<b>\$ 2,100,380</b>	<b>\$ 18,254,681</b>	<b>\$ 67,351,549</b>	<b>\$ -</b>	<b>\$ 67,351,549</b>	<b>\$ 59,623,931</b>

See independent auditor's report.

**HOUSING HOPE AND SUBSIDIARIES**

**Consolidating Statement of Financial Position - Liabilities and Net Assets  
June 30, 2019  
(With Comparative Totals for 2018)**

	Housing Hope	Building Credits	Housing Hope Properties	Housing HopeWorks	Subtotal	Eliminations	2019 Consolidated Total	2018 Consolidated Total
<b>Liabilities and Net Assets</b>								
<b>Current Liabilities:</b>								
Short-term borrowings	\$ 1,349,714	\$ -	\$ -	\$ 82,254	\$ 1,431,968	\$ -	\$ 1,431,968	\$ 1,291,848
Accounts payable and accrued expenses	982,899		72,836	58,974	1,114,709		1,114,709	1,372,750
Construction payable								65,286
Deferred revenue	7,249			1,757	9,006		9,006	16,430
Current portion of accrued interest	44,357			54,871	99,228		99,228	68,112
Current portion of long-term debt	523,264			340,135	863,399		863,399	401,136
<b>Total Current Liabilities</b>	<b>2,907,483</b>		<b>72,836</b>	<b>537,991</b>	<b>3,518,310</b>		<b>3,518,310</b>	<b>3,215,562</b>
Accrued long-term expenses	215,300				215,300		215,300	193,468
Accrued interest on long-term debt	1,286,609				1,286,609		1,286,609	1,141,452
Long-term debt, net of current portion and unamortized financing fees	21,662,698		590,763	2,882,446	25,135,907		25,135,907	30,688,466
<b>Total Liabilities</b>	<b>26,072,090</b>		<b>663,599</b>	<b>3,420,437</b>	<b>30,156,126</b>		<b>30,156,126</b>	<b>35,238,948</b>
<b>Net Assets:</b>								
Without donor restriction-								
Undesignated	8,460,705	1,552,830	788,292	4,850,749	15,652,576		15,652,576	10,270,179
Designated by the Board of Directors	2,919,800			489,013	3,408,813		3,408,813	2,678,005
Total without donor restriction	11,380,505	1,552,830	788,292	5,339,762	19,061,389		19,061,389	12,948,184
With donor restriction for time or purpose	7,086,961		648,489	4,494,482	12,229,932		12,229,932	10,530,404
With donor restriction in perpetuity	904,102			5,000,000	5,904,102		5,904,102	906,395
<b>Total Net Assets</b>	<b>19,371,568</b>	<b>1,552,830</b>	<b>1,436,781</b>	<b>14,834,244</b>	<b>37,195,423</b>		<b>37,195,423</b>	<b>24,384,983</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 45,443,658</b>	<b>\$ 1,552,830</b>	<b>\$ 2,100,380</b>	<b>\$ 18,254,681</b>	<b>\$ 67,351,549</b>	<b>\$ -</b>	<b>\$ 67,351,549</b>	<b>\$ 59,623,931</b>

See independent auditor's report.

**HOUSING HOPE AND SUBSIDIARIES**

**Consolidating Statement of Activities  
For the Year Ended June 30, 2019  
(With Comparative Totals for 2018)**

	Housing Hope	Building Credits	Housing Hope Properties	HopeWorks	Subtotal	Eliminations	2019 Consolidated Total	2018 Consolidated Total
<b>Public Support, Revenues and Gains:</b>								
Public support-								
Contributions	\$ 1,600,898	\$ -	\$ 1,000	\$ 7,725,065	\$ 9,326,963	\$ -	\$ 9,326,963	\$ 3,532,475
In-kind contributions	71,854			216,850	288,704		288,704	927,814
In-kind contribution of long-term assets	2,876,928				2,876,928		2,876,928	2,435
Forgivable loan proceeds	10,000			380,000	390,000		390,000	
United Way	337,500				337,500		337,500	238,230
<b>Total public support</b>	<b>4,897,180</b>		<b>1,000</b>	<b>8,321,915</b>	<b>13,220,095</b>		<b>13,220,095</b>	<b>4,700,954</b>
Fees and grants from governmental agencies	1,312,455		408,181	2,025,525	3,746,161		3,746,161	2,699,054
Other revenue, gains and (losses)-								
Program service fees and rents	4,996,182			1,211,767	6,207,949		6,207,949	5,725,002
Management and development fees	161,354	44,141	32,155		237,650		237,650	1,556,740
Gain on sale of land, buildings and equipment								273,889
Interest and other income	396,971	(15)	33,252	592,264	1,022,472		1,022,472	470,057
Transfer of assets to Affiliates								(601,965)
Gain (loss) on sale of real estate inventory and other assets	2,119,074		110,498	400	2,229,972		2,229,972	(19,437)
<b>Total other revenue</b>	<b>7,673,581</b>	<b>44,126</b>	<b>175,905</b>	<b>1,804,431</b>	<b>9,698,043</b>		<b>9,698,043</b>	<b>7,404,286</b>
<b>Total Public Support, Revenue and Gains</b>	<b>\$ 13,883,216</b>	<b>\$ 44,126</b>	<b>\$ 585,086</b>	<b>\$ 12,151,871</b>	<b>\$ 26,664,299</b>	<b>\$ -</b>	<b>\$ 26,664,299</b>	<b>\$ 14,804,294</b>

See independent auditor's report.



**HOUSING HOPE AND SUBSIDIARIES**

**Consolidating Statement of Activities (Continued)  
For the Year Ended June 30, 2019  
(With Comparative Totals for 2018)**

	Housing Hope	Building Credits	Housing Hope Properties	HopeWorks	Subtotal	Eliminations	2019 Consolidated Total	2018 Consolidated Total
<b>Expenses:</b>								
Salary and wages	\$ 4,911,969	\$ 355	\$ 481,114	\$ 1,205,760	\$ 6,599,198	\$ -	\$ 6,599,198	\$ 6,120,634
Payroll taxes	471,063	31	44,147	138,863	654,104		654,104	605,730
Employee benefits	515,913		54,360	129,816	700,089		700,089	662,625
<b>Total payroll costs</b>	<b>5,898,945</b>	<b>386</b>	<b>579,621</b>	<b>1,474,439</b>	<b>7,953,391</b>		<b>7,953,391</b>	<b>7,388,989</b>
Professional fees	243,531		12,279	91,641	347,451		347,451	255,622
Supplies	188,106		3,020	116,657	307,783		307,783	280,570
Printing and postage	46,897		5,630	731	53,258		53,258	57,469
Information technology	186,900		2,867	35,346	225,113		225,113	237,295
Occupancy	613,417		17,154	134,396	764,967		764,967	752,902
Maintenance and repairs	442,042		61,990	54,541	558,573		558,573	731,384
Equipment and furniture	120,891		11,040	41,254	173,185		173,185	204,384
Vehicles	10,775		5	48,905	59,685		59,685	43,224
Insurance	154,623		3,413	22,371	180,407		180,407	168,792
Education and training	33,445		12,259	14,092	59,796		59,796	48,657
Mileage and travel	65,764		6,487	9,721	81,972		81,972	80,834
Client assistance	156,399			475	156,874		156,874	122,784
Interest, taxes and fees	872,005		7,200	301,782	1,180,987		1,180,987	1,100,506
Marketing and advertising	22,769		254	16,851	39,874		39,874	57,154
Miscellaneous	117,429		104	198,824	316,357		316,357	385,536
<b>Total expenses before depreciation</b>	<b>9,173,938</b>	<b>386</b>	<b>723,323</b>	<b>2,562,026</b>	<b>12,459,673</b>		<b>12,459,673</b>	<b>11,916,102</b>
Depreciation	1,269,701		4,707	119,778	1,394,186		1,394,186	1,409,830
<b>Total Expenses</b>	<b>10,443,639</b>	<b>386</b>	<b>728,030</b>	<b>2,681,804</b>	<b>13,853,859</b>		<b>13,853,859</b>	<b>13,325,932</b>
Net change in net assets	3,439,577	43,740	(142,944)	9,470,067	12,810,440		12,810,440	1,478,362
Net assets beginning of year	15,295,716	1,514,343	2,478,940	5,095,984	24,384,983		24,384,983	22,906,621
Transfer to (from)	636,275	(5,253)	(899,215)	268,193				
<b>Net Assets, End of Year</b>	<b>\$ 19,371,568</b>	<b>\$ 1,552,830</b>	<b>\$ 1,436,781</b>	<b>\$ 14,834,244</b>	<b>\$ 37,195,423</b>	<b>\$ -</b>	<b>\$ 37,195,423</b>	<b>\$ 24,384,983</b>

See independent auditor's report.