



HOUSING HOPE AND SUBSIDIARIES

Consolidated Financial Statements

For the Year Ended June 30, 2016

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 42
Supplementary Information:	
Consolidating Statement of Financial Position	43 - 44
Consolidating Statement of Activities	45 - 46

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, 2016, 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 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, 2016, 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.



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Report on Summarized Comparative Information

We have previously audited the Agency's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 28, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 43 to 46 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 December 22, 2016 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



Certified Public Accountants
December 22, 2016

HOUSING HOPE AND SUBSIDIARIES

Consolidated Statement of Financial Position June 30, 2016 (With Comparative Totals for 2015)

	2016	2015
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,026,736	\$ 778,639
Short-term investments (Note 4)	233,246	228,879
Accounts receivable, net of an allowance for doubtful accounts of \$12,897 (\$17,744 - 2015)	118,215	120,931
Grants and contracts receivable	348,412	185,499
Due from affiliates (Note 16)	142,140	96,120
Current portion of notes receivable, accrued interest and developer fees due from affiliates (Note 16)	777,892	94,633
Current portion of notes receivable		7,678
Pledges receivable, current portion (Note 5)	71,244	100,632
Real estate inventory	816,548	1,903,305
Prepaid expenses and other current assets	191,471	45,356
Total Current Assets	3,725,904	3,561,672
Assets designated by board for long-term reserves and investment in long-term assets (Note 6)	1,672,822	1,970,818
Assets restricted by donors for the acquisition of long-term assets (Note 9)	301,264	230,380
Assets restricted by donors for endowments and long-term reserves (Note 9)	1,397,883	1,480,477
Pledges receivable, long-term portion (Note 5)	159,596	
Self-help family loans receivable	491,706	528,666
Restricted reserves and deposits (Note 3)	591,621	303,828
Funds held in trust	121,501	124,249
Land, buildings, and equipment, net (Note 10)	37,378,394	34,520,727
Deferred financing fees, net	42,386	
Notes receivable, accrued interest and deferred developer fees due from affiliates, net of current portion (Note 16)	2,907,805	1,459,015
Notes receivable, net of current portion		377,924
Project development costs (Note 11)	2,557,379	2,093,868
Investment in limited partnerships and limited liability companies	1,339,689	1,339,722
Total Assets	\$ 52,687,950	\$ 47,991,346
Liabilities and Net Assets		
Current Liabilities:		
Short-term borrowings (Note 12)	\$ 1,637,439	\$ 1,464,881
Accounts payable and accrued expenses	915,352	646,214
Construction payable	152,139	
Deferred revenue	57,730	20,513
Current portion of accrued interest	62,025	72,368
Current portion of long-term debt (Note 13)	1,337,741	493,237
Total Current Liabilities	4,162,426	2,697,213
Accrued long-term expenses	122,932	106,588
Accrued interest on long-term debt	910,361	810,583
Long-term debt, net of current portion (Note 13)	24,790,127	24,273,082
Total Liabilities	29,985,846	27,887,466
Net Assets:		
Unrestricted-		
Undesignated	11,052,788	9,856,645
Designated by the Board of Directors (Note 6)	2,178,331	2,492,850
Total unrestricted	13,231,119	12,349,495
Temporarily restricted (Note 7)	8,570,732	6,868,454
Permanently restricted (Note 8)	900,253	885,931
Total Net Assets	22,702,104	20,103,880
Total Liabilities and Net Assets	\$ 52,687,950	\$ 47,991,346

See accompanying notes.

HOUSING HOPE AND SUBSIDIARIES

Consolidated Statement of Activities For the Year Ended June 30, 2016 (With Comparative Totals for 2015)

	2016			Total	2015 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Operating Activities					
Support, Revenue and Gains:					
Contributions	\$ 646,454	\$ 1,402,368	\$ 14,322	\$ 2,063,144	\$ 2,003,853
In-kind contributions	309,650			309,650	263,407
United Way	144,500			144,500	144,500
Fees and grants from governmental agencies	1,675,436			1,675,436	1,518,634
Program service fees and rents	4,433,633			4,433,633	3,893,350
Management and development fees	1,560,263			1,560,263	60,679
Interest and other income	227,918	26,212		254,130	81,134
Total Operating Support, Revenue and Gains	8,997,854	1,428,580	14,322	10,440,756	7,965,557
Net assets released from restrictions	1,257,951	(1,257,951)			
Total Operating Support, Revenue and Gains	10,255,805	170,629	14,322	10,440,756	7,965,557
Expenses:					
Housing development	751,831			751,831	665,002
Property management	3,754,853			3,754,853	3,683,468
Social services	2,897,521			2,897,521	2,756,771
HopeWorks	1,538,485			1,538,485	940,766
Resource development	464,664			464,664	451,510
Administration	839,916			839,916	723,569
Total Operating Expenses					
(Including depreciation and amortization of \$1,321,478 and \$1,248,318 for 2016 and 2015, respectively)	10,247,270			10,247,270	9,221,086
Change in Net Assets From Operating Activities	8,535	170,629	14,322	193,486	(1,255,529)
Nonoperating Activities					
Forgivable loan proceeds		1,874,885		1,874,885	
Release of restricted assets - forgivable loan amortization	199,901	(199,901)			
Contributions for the acquisition of long-term assets		566,875		566,875	619,895
Net assets released from restriction for the acquisition of long-term assets	710,210	(710,210)			
Gain (loss) on the sale of real estate inventory and other assets	56,056			56,056	(299)
Impairment of fixed assets and real estate inventory	(118,178)			(118,178)	(247,477)
In-kind contribution of long-term assets	25,100			25,100	122,057
In-kind contribution of property and other assets					1,233,935
Change in Net Assets From Nonoperating Activities	873,089	1,531,649		2,404,738	1,728,111
Change in Net Assets	881,624	1,702,278	14,322	2,598,224	472,582
Net assets, beginning of year	12,349,495	6,868,454	885,931	20,103,880	19,631,298
Net Assets, End of Year	\$ 13,231,119	\$ 8,570,732	\$ 900,253	\$ 22,702,104	\$ 20,103,880

See accompanying notes.

HOUSING HOPE AND SUBSIDIARIES

Consolidated Statement of Functional Expenses For the Year Ended June 30, 2016 (With Comparative Totals for 2015)

	Program Services				Total Program Services	Supporting Services			2016 Total	2015 Total
	Housing Development	Property Management	Social Services	HopeWorks		Resource Development	Administration	Total Supporting Services		
Personnel:										
Salary and wages	\$ 479,442	\$ 123,513	\$ 1,881,801	\$ 701,838	\$ 3,186,594	\$ 325,808	\$ 602,591	\$ 928,399	\$ 4,114,993	\$ 3,579,719
Payroll taxes	54,717	12,146	183,580	75,417	325,860	26,713	50,832	77,545	403,405	341,711
Employee benefits	52,057	27,103	207,698	37,997	324,855	33,129	45,373	78,502	403,357	380,394
Total Personnel	586,216	162,762	2,273,079	815,252	3,837,309	385,650	698,796	1,084,446	4,921,755	4,301,824
Professional fees	6,255	623,280	53,683	65,291	748,509	2,653	4,214	6,867	755,376	630,901
Supplies	4,115	22,236	127,086	54,092	207,529	17,799	26,723	44,522	252,051	179,128
Printing and postage	4,339	3,733	11,159	917	20,148	19,557	4,818	24,375	44,523	48,489
Information technology	15,208	38,763	71,922	23,594	149,487	7,533	27,140	34,673	184,160	169,010
Occupancy	21,439	462,552	42,710	91,439	618,140	1,976	3,323	5,299	623,439	544,816
Maintenance and repairs	4,620	345,340	51,301	25,571	426,832	1,439	2,808	4,247	431,079	414,356
Equipment and furniture	47,323	72,166	4,045	24,060	147,594	34	180	214	147,808	185,853
Vehicles	13		7,989	18,372	26,374		661	661	27,035	32,198
Insurance	6,174	114,954	19,733	15,628	156,489	5,583	3,173	8,756	165,245	158,589
Education and training	10,978	2,352	5,757	2,451	21,538	2,586	6,292	8,878	30,416	33,900
Mileage and travel	12,872	18,368	41,584	3,699	76,523	2,546	1,499	4,045	80,568	81,587
Client assistance	752	1,558	98,909	50	101,269		24	24	101,293	114,065
Interest, taxes and fees	24,199	722,556	19,056	92,200	858,011	5,878	16,974	22,852	880,863	899,696
Marketing and advertising	4,547	409	5,659	64,197	74,812	4,054	1,346	5,400	80,212	44,428
Miscellaneous	2,781	21,626	15,361	137,946	177,714	7,376	14,879	22,255	199,969	133,928
Total Expenses Before Depreciation and Amortization	751,831	2,612,655	2,849,033	1,434,759	7,648,278	464,664	812,850	1,277,514	8,925,792	7,972,768
Depreciation and amortization		1,142,198	48,488	103,726	1,294,412		27,066	27,066	1,321,478	1,248,318
	\$ 751,831	\$ 3,754,853	\$ 2,897,521	\$ 1,538,485	\$ 8,942,690	\$ 464,664	\$ 839,916	\$ 1,304,580	\$ 10,247,270	\$ 9,221,086

See accompanying notes.

HOUSING HOPE AND SUBSIDIARIES

Consolidated Statement of Cash Flows For the Year Ended June 30, 2016 (With Comparative Totals for 2015)

	2016	2015
Cash Flows From Operating Activities:		
Change in net assets	\$ 2,598,224	\$ 472,582
Adjustment to reconcile change in net assets to net cash provided by operating activities-		
Realized and unrealized (gains) losses	(32,021)	72,227
Contributions for long-term purposes	(566,875)	(619,895)
In-kind contribution of long-term assets	(25,100)	(1,218,015)
Gain on long-term debt forgiveness	(50,000)	
Forgivable loan proceeds	(1,874,885)	
(Gain) loss on sale of real estate inventory and other assets	(56,056)	299
Depreciation and amortization	1,321,478	1,248,318
Impairment of fixed assets	118,178	247,477
Decrease (increase) in assets:		
Accounts receivable	2,716	(44,296)
Grants and contracts receivable	(162,913)	(31,562)
Pledges receivable	(130,208)	(22,668)
Prepaid expenses	(146,115)	121,112
Self-help family loans receivable	36,960	356
Funds held in trust	2,748	22,500
Due from affiliates	(46,020)	(17,955)
Increase (decrease) in liabilities:		
Accounts payable, other accrued expenses and deferred revenue	412,134	146,084
Construction payable		(57,303)
Net Cash Provided by Operating Activities	1,402,245	319,261
Cash Flows From Investing Activities:		
Purchase of property, equipment and rehabilitation of property	(3,614,804)	(295,884)
Acquisition of predevelopment costs	(850,613)	(612,041)
Investment in real estate inventory	(321,365)	(2,151,071)
Proceeds from sale of real estate inventory	1,346,000	585,000
Repayment of notes receivable	436,845	2,188,415
Issuance of notes receivable	(2,183,292)	(2,351,725)
Investment in limited partnerships and limited liability companies	33	25
Proceeds from sale of short-term investments	(4,367)	46
Net deposits to restricted reserves	(287,793)	(1,450)
Net change in assets whose use is limited or restricted-		
By board for long-term reserves and investment in long-term assets	297,996	108,270
By donors for reserves and investment in long-term assets	43,731	46,432
Net Cash Used by Investing Activities	(5,137,629)	(2,483,983)
Cash Flows From Financing Activities:		
Proceeds from issuance of long-term debt	2,182,000	845,192
Repayment of long-term debt	(770,451)	(747,597)
Payments for capitalized loan fees	(42,386)	
Proceeds from short-term borrowings	650,416	1,115,000
Repayment of short-term borrowings	(477,858)	(13,456)
Forgivable loan proceeds	1,874,885	
Contributions received for long-term purposes	566,875	619,895
Net Cash Provided by Financing Activities	3,983,481	1,819,034
Net Change in Cash and Cash Equivalents	248,097	(345,688)
Cash and cash equivalents, beginning of year	778,639	1,124,327
Cash and Cash Equivalents, End of Year	\$ 1,026,736	\$ 778,639
Supplementary Disclosures:		
Cash paid during the year for interest	\$ 791,408	\$ 739,835
Acquisition of property and equipment through assumption of forgivable loans	\$ 1,874,885	\$ -
Predevelopment costs acquired for which accounts payable existed at year end	\$ 152,139	\$ -

See accompanying notes.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

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 a continuum of safe, decent, affordable housing and necessary, related services for very low and low-income 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 promote and provide employment and education services for individuals needing assistance, in order to obtain and maintain increased income. HopeWorks' first social enterprise, GroundWorks, provides landscaping services for 72 properties. WaterWorks Irrigation Services provides irrigation, design and maintenance services. ReNewWorks Home and Décor is a consignment store established during 2013 in temporary space and relocated to a newly renovated Broadway location in September 2014. 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. HopeWorks acquired property in March 2014 to be used as headquarters and operating space for its social enterprises. Adjacent land has also been purchased for future construction of residential and commercial space. All HopeWorks board members are appointed 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, 2016, Housing Hope's continued predevelopment on Twin Lakes Landing development project. Once project financing is secured for Twin Lakes Landing, Housing's Hope's ownership interest will be transferred to Housing Hope Properties as Managing Member of Twin Lakes Landing, LLC. Predevelopment work continued for the new construction project, HopeWorks Station, and planning began for rehabilitation at the Beachwood Apartments, Kennedy Court Apartments, Maple Leaf Meadows Apartments, and Oakes Apartments.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

Note 1 - Continued

Team HomeBuilding - The Team HomeBuilding Housing 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. 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, 2016, 9 lots were sold to new Team HomeBuilding participants at the Heggar Site, a development located in Monroe, Washington and 6 lots were sold to new Team HomeBuilding participants at the Parkwood Site, a development located in Arlington, Washington.

Property Management - The Agency contracts for property management services with Coast Real Estate Services (Coast). This regional firm is an experienced manager of properties around the State of Washington and oversees a substantial inventory of over 4,129 affordable housing units, many with requirements similar to the Agency's. Under this contract, Coast is responsible for occupancy, compliance, fiscal management and maintenance. During the year ended June 30, 2016, households living in Housing Hope facilities (including tax credit properties) totaled 429 in 294 low-income, 129 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 (formerly called case management), College of Hope adult life skills education program, adult education and employment counseling and the ChildHope child development program. During the year ended June 30, 2016, the Agency provided 5,697 emergency shelter bednights to 85 individuals in 28 households and 151,689 service enriched homeless housing bednights to 609 individuals in 207 households.

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, 2016, 167 children from 115 families received 125,226 hours of trauma-informed child development services at Tomorrow's Hope Child Development Center. These programs are included in the Social Services column on the consolidated statement of functional expenses.

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, 2016

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 16 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:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. All contributions are considered to be available for unrestricted 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 temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Agency reports the support as unrestricted.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Agency and/or the passage of time.

Permanently Restricted Net Assets - 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.

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.

Self-Help Family Loans Receivable - As of June 30, 2016 and 2015 \$491,706 and \$528,666 in self-help family loans, respectively, related to the Team Home Building program. The self-help family loans are forgiven by the Agency after 25 years, unless the related property is sold. If sold, the funds are repaid to the Agency at that time.

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.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

Note 2 - Continued

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, the gain or loss on the sale of real estate inventory and other assets, impairment of fixed assets and real estate inventory 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

Deferred Financing Fees - Deferred financing fees are amortized on a straight-line basis over the life of the related debt. Accumulated amortization was \$237 at June 30, 2016.

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 \$118,178 and \$247,477 for the years ended June 30, 2016 and 2015, respectively, were recognized and reported in the consolidated statement of activities.

Federal Income Taxes - The Agency has been notified by the Internal Revenue Service that it is 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, 2016 and 2015, the Agency contributed \$36,017 and \$35,285, respectively, to the Plan.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

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, 2016, a substantial number of volunteers, including members of the Board of Directors, donated 7,172 hours (unaudited) to the Agency program services and fund-raising campaigns, with an additional 26,744 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 operating contributions were recognized in the consolidated financial statements during the year ended June 30:

	<u>2016</u>	<u>2015</u>
Donated goods and services - Tomorrow's Hope Childcare Center	\$ 17,275	\$ 12,299
Donated goods and services - Administration	17,675	12,891
Donated goods and services - Fundraising	16,549	20,736
Donated goods and services - Property Management	20,843	104
Donated goods, services and long-term assets - HopeWorks	82,362	78,103
Donated goods for resale - ReNewWorks	59,457	53,025
Donated software and hardware - Technology		70,569
Donated goods and services - Social Services and Client Assistance	88,818	92,887
Donated property - Beachwood Apartments		1,233,935
Donated social investor imputed interest	31,771	44,850
	<u>\$ 334,750</u>	<u>\$ 1,619,399</u>

Allocation of Functional Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Vulnerability From Certain Concentrations - The Agency receives fees and grants from federal, state, county, and municipal governments. Approximately 13% and 15% of total unrestricted public support and revenue (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, 2016, and 2015, 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.

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.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

Note 2 - Continued

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.

Reclassifications - Certain accounts in the June 30, 2015 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, 2015.

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, 2015, from which the summarized information was derived.

Subsequent Events - The Agency has evaluated subsequent events through December 22, 2016, 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, 2016

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>2016</u>	<u>2015</u>
WCRA maintenance and operating reserves	\$ 155,163	\$ 162,217
Custodial agreement deposits	153,335	17,407
Fairview Apartments reserves	125,173	
Security deposits	92,374	95,838
Twin Lakes Landing reserves	41,517	
Mountain Pacific reserves for Fleming duplexes	13,029	13,023
Banner Bank reserves for Beachwood units	11,030	3,785
Parkwood Rural Community Assistance Corporation reserves		11,558
	<u>\$ 591,621</u>	<u>\$ 303,828</u>

Note 4 - Investments

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

	<u>2016</u>	<u>2015</u>
Short-term investments	\$ 233,246	\$ 228,879
Assets designated by board for long-term reserves and investment in long-term assets	1,359,142	1,247,387
Assets restricted by donors for endowments and long-term reserves	1,255,534	1,218,867
	<u>\$ 2,847,922</u>	<u>\$ 2,695,133</u>

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

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 62,654	\$ 150,117
Realized and unrealized gains (losses)	32,021	(72,227)
Investment management fees	(8,812)	(21,815)
	<u>\$ 85,863</u>	<u>\$ 56,075</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, 2016

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, 2016.

Money Market - 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, 2016

Note 4 - Continued

Fair Values Measured on a Recurring Basis - Fair values of assets measured on a recurring basis at June 30, 2016 and 2015, were as follows:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 185,290	\$ -	\$ -	\$ 185,290
Mutual funds-				
Large cap core	175,946			175,946
Large cap growth	105,105			105,105
Large cap value	138,626			138,626
Small / medium cap core	73,269			73,269
Small / medium cap growth	52,722			52,722
Small / medium cap value	73,036			73,036
International	208,747			208,747
Currency	62,457			62,457
Fixed income	432,419			432,419
Other	153,706			153,706
Total mutual funds	1,476,033			1,476,033
Marketable equity securities-				
Information technology	210,468			210,468
Commodity	32,022			32,022
Industrial	195,817			195,817
Healthcare	190,675			190,675
Financial	200,900			200,900
Consumer discretionary	292,836			292,836
Consumer staples	63,881			63,881
Total marketable equity securities	1,186,599			1,186,599
Total June 30, 2016	\$ 2,847,922	\$ -	\$ -	\$ 2,847,922
Total June 30, 2015	\$ 2,695,133	\$ -	\$ -	\$ 2,695,133

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

Note 5 - Pledges Receivable

Pledges receivable at June 30, 2016, are as follows:

Receivable in less than one year	\$ 71,244
Receivable in one to five years	<u>395,022</u>
Total pledges receivable	466,266
Less discounts to net present value	(17,254)
Less allowance for uncollectible pledges receivable	<u>(10,064)</u>
Net Pledges Receivable	<u><u>\$ 438,948</u></u>

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, 2016, pledges receivable were reported in the consolidated statement of financial position as follows:

Pledges receivable, current portion	\$ 71,244
Pledges receivable, long-term portion	159,596
Assets restricted by donors for investment in long-term assets	196,310
Assets restricted by donors for endowments and long-term reserves	<u>11,798</u>
	<u><u>\$ 438,948</u></u>

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>2016</u>	<u>2015</u>
Working capital and other reserves	\$ 103,129	\$ 320,960
Reserve for the replacement or repair of long-term assets	210,551	402,517
Board designated quasi-endowment	<u>1,864,651</u>	<u>1,769,373</u>
	<u><u>\$ 2,178,331</u></u>	<u><u>\$ 2,492,850</u></u>

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

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>2016</u>	<u>2015</u>
Investments and cash	\$ 1,672,822	\$ 1,968,364
Pledges receivable		<u>2,454</u>
	<u><u>\$ 1,672,822</u></u>	<u><u>\$ 1,970,818</u></u>

Note 7 - Temporarily Restricted Net Assets

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

	<u>2016</u>	<u>2015</u>
Reserves for program services	\$ 533,429	\$ 599,364
Acquisition of long-term assets	301,264	230,380
Endowment earnings (Note 15)	355,280	332,935
Forgivable loans	<u>7,380,759</u>	<u>5,705,775</u>
	<u><u>\$ 8,570,732</u></u>	<u><u>\$ 6,868,454</u></u>

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>2016</u>	<u>2015</u>
Acquisition of long-term assets	\$ 710,210	\$ 747,975
Reserves for program expenses	1,257,951	652,815
Forgivable loan amortization	<u>199,901</u>	<u>185,756</u>
	<u><u>\$ 2,168,062</u></u>	<u><u>\$ 1,586,546</u></u>

Note 8 - Permanently Restricted Net Assets

At June 30, 2016 and 2015, the Agency had \$900,253 and \$885,931, respectively of permanently restricted net assets. The income from the investment of these assets may be used to fund operations. See Note 15 for further disclosure of the Agency's permanently restricted endowment funds.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

Note 9 - Assets Restricted by Donors

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

	<u>2016</u>	<u>2015</u>
Investments and cash	\$ 1,386,085	\$ 1,308,832
Pledges receivable	11,798	171,645
	<u><u>\$ 1,397,883</u></u>	<u><u>\$ 1,480,477</u></u>

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

	<u>2016</u>	<u>2015</u>
Investments and cash	\$ 104,954	\$ 215,927
Pledges receivable	196,310	14,453
	<u><u>\$ 301,264</u></u>	<u><u>\$ 230,380</u></u>

Note 10 - Land, Buildings, and Equipment

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

	<u>2016</u>	<u>2015</u>
Land	\$ 8,443,855	\$ 7,423,971
Buildings and improvements	37,322,123	34,392,526
Furniture and equipment	1,312,698	1,088,432
Vehicles	202,464	202,464
	47,281,140	43,107,393
Less accumulated depreciation	<u>(9,902,746)</u>	<u>(8,586,666)</u>
Land, Buildings, and Equipment, Net	<u><u>\$ 37,378,394</u></u>	<u><u>\$ 34,520,727</u></u>

Note 11 - Project Development Costs

Predevelopment costs have been incurred for the Twin Lakes Landing project in Marysville, HopeWorks Station II, and the Kennedy Court Apartments Rehabilitation. The accumulated development costs for the Twin Lakes Landing, HopeWorks Station II, and Kennedy Court Apartments projects at June 30, 2016 were \$2,505,195, \$46,431 and \$5,753, respectively, totaling \$2,557,379. The Agency has a construction contract commitment for Twin Lakes Landing for an estimated \$8 million. This project will be financed by conventional financing, low income tax credits, public awards, and private funding.

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2016**

Note 12 - 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 variable interest of LIBOR plus 3.63%, resulting in a rate initially set at 4.43% (3.86% at June 30, 2016), with a maturity date due upon demand. At June 30, 2016 and 2015, there was an outstanding balance of \$353,059.

Impact Capital - During the year ended June 30, 2016, the Agency obtained a predevelopment loan with maximum draws of \$881,584 for the development of the Twin Lakes Landing project, with 6.0% interest payable monthly and all principal and accrued interest due payable April 30, 2017. As of June 30, 2016, the loan balance was \$647,238. Subsequent to year end this loan was paid in full on December 20, 2016.

Rural Community Assistance Corporation Loan 0826-HH-01 - During the year ended June 30, 2015, the Agency obtained a loan in the amount of \$1,115,000 for the purchase of 14 finished lots in the Parkwood Estates project, with 4.75% interest payable monthly and all principal and all accrued interest due and payable January 1, 2017. Secured by deed of trust on real estate. As of June 30, 2016, the loan balance was \$637,142 for the remaining lots that will be sold during fiscal year 2017. Subsequent to year end, this loan was paid in full on November 30, 2016 for \$637,142.

Note 13 - Long-Term Debt

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

	2016	2015
<u>ACQUISITION AND PREDEVELOPMENT LOANS</u>		
<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. (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, 2016**

Note 13 - Continued

	<u>2016</u>	<u>2015</u>
<u>HOME/ADDI HCD-10-42-5789-048</u> Mortgage payable secured by real property an 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
AVANTI HOUSE <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
BEACHWOOD <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. (2750A)	301,189	316,042
<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. (2762A)	135,678	139,134
<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. (2762B)	171,152	175,512
<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. (2710E)	375,000	375,000

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

Note 13 - Continued

	<u>2016</u>	<u>2015</u>
CROSSROADS		
<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
FAIRVIEW APARTMENTS		
<u>Peoples Bank: WSHFC #5042423-201 Nonprofit Housing Revenue Bond</u> 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)	1,297,838	
<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)	29,549	
<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)	537,000	
FLEMING DUPLEXES		
<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)	477,520	487,081
HOPE VILLAGE		
<u>Opus Bank 5303050211</u> Assigned mortgage payable in the original amount of \$800,000, interest of 6.7%, monthly installments of principal and interest in the amount of \$6,267 are payable through November 2017, secured by deed of trust on the real property. (2745C)	100,298	166,311

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

Note 13 - Continued

	<u>2016</u>	<u>2015</u>
<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)	180,000	195,000
<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
HOPEWORKS SOCIAL INVESTORS		
Collateral backed notes secured by real property "HopeWorks Station", quarterly interest only payments at an annual rate of 2% for 3 years and increasing to 3% thereafter until the maturity date, principal payable in full at maturity through April 2021, five years after the due date of the first interest payment. (2617)		
A present value discount of \$80,678 and \$80,186 has been recognized and reported at June 30, 2016 and 2015, respectively, on the social investor notes due to the below market interest rate loans.	1,465,000	1,200,000

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

Note 13 - Continued

	<u>2016</u>	<u>2015</u>
MAPLE LEAF MEADOWS		
<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)	1,353,010	1,399,996
MT. BAKER VIEW		
<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)	1,122,919	1,147,789
NEW CENTURY VILLAGE & EXPANSION		
<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
<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 February 2018. (2601E)	515,391	534,178
<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

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

Note 13 - Continued

	<u>2016</u>	<u>2015</u>
OAKES AVENUE COMMONS		
<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. (2730)	38,918	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. (2745)	669,841	669,841
PARK PLACE TOWNHOMES		
<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)	1,093,265	1,117,751
PILCHUCK PLACE AND WOODS CREEK VILLAGE		
<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
<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 payment 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

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

Note 13 - Continued

	<u>2016</u>	<u>2015</u>
<u>Washington Community Reinvestment Association</u> <u>(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)	1,614,175	1,642,628
TOMORROW'S HOPE		
<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)	506,112	545,780
TWIN LAKES LANDING		
<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
<u>Impact Capital Pre-Development Loan - 2013202</u> Note payable secured by real property "Twin Lakes Landing I" with monthly interest only payments due at 6.5%, for 36 months, maturity date September 30, 2016, with a single 3-month extension granted to December 31, 2016. (2608)	567,000	567,000
<u>Impact Capital Pre-Development Loan - 2014206</u> Note payable secured by real property "Twin Lakes Landing I" with interest at 0.0%, with maximum draws of \$85,000. Principal payments deferred until maturity date of March 1, 2018. Note was paid in full during the year ended June 30, 2016. (2608A)		74,416
VISION HOUSE		
<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)	5,564	5,733

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2016**

Note 13 - Continued

	<u>2016</u>	<u>2015</u>
WINTER'S CREEK VILLAGE		
<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)	453,958	464,625
<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)	221,688	226,903
<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)	215,794	221,861
Total	26,208,546	24,846,505
Less current portion	(1,337,741)	(493,237)
Less present value discount	(80,678)	(80,186)
Long-Term Debt, Net	<u>\$ 24,790,127</u>	<u>\$ 24,273,082</u>

Principal maturities are as follows:

For the Year Ending June 30,

2017	\$ 1,337,741
2018	406,139
2019	1,192,240
2020	909,539
2021	787,951
Thereafter	21,574,936
	<u>\$ 26,208,546</u>

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

Note 13 - Continued

Subsequent to year end, the Chase Loan (Hopeworks) was paid in full on November 16, 2016 for \$291,587. The Impact Capital Pre-Development loan was paid in full on December 20, 2016 for \$567,000.

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 \$207,305 and \$318,742 for the years ended June 30, 2016 and 2015, 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 14 - Forgivable Loans

The Agency received cumulative forgivable loan proceeds of \$10,997,195 and \$8,702,262 through the years ended June 30, 2016 and 2015, respectively. 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 these loans are being met and are likely to continue to be met, the proceeds from these forgivable loans have been recognized as temporarily restricted contributions (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, 2016, 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 donor 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, 2016

Note 14 - Continued

Forgivable loans are as follows at June 30:

	<u>2016</u>	<u>2015</u>
ARLINGTON		
<u>State of Washington Department of Commerce</u> <u>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 2018 subject to a low-income housing agreement. (2710A)F	\$ 11,388	\$ 16,188
<u>Snohomish County</u> <u>OHCD AHTF 9203260150</u> Mortgage payable secured by real property "Arlington," with original amount of \$57,000 and all payments deferred and principal and interest at 0% to be forgiven in 2017 subject to a low-income housing agreement. (2710D)F	1,680	3,960
FAIRVIEW		
<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. (2789)G	403,313	
<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. (2789)H	692,651	
<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. (2789)F	774,536	
HOMEOWNERSHIP ASSISTANCE		
<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	319,754	335,224

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

Note 14 - Continued

	<u>2016</u>	<u>2015</u>
HOPE VILLAGE II		
<u>State of Washington</u> <u>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 2043 subject to a use restriction covenant agreement. (2604A)F		
	87,830	91,080
LERVICK FAMILY VILLAGE		
<u>Snohomish County</u> <u>OCHD CDBG H&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. (2770D)F		
	51,051	52,851
<u>Snohomish County</u> <u>OCHD HOME 1992#9 1993#7 & 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. (2770CG&H)F		
	168,430	174,134
<u>Snohomish County</u> <u>OCHD CDBG H&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. (2770E)F		
	49,915	51,615
<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		
	36,022	37,022

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

Note 14 - Continued

	<u>2016</u>	<u>2015</u>
LINCOLN HILL VILLAGE		
<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	449,283	463,202
MAPLE LEAF MEADOWS		
<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	326,587	335,787
MT. BAKER VIEW		
<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	929,168	956,276
NEW CENTURY EXPANSION		
<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	168,700	173,460
<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	65,280	71,680

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

Note 14 - Continued

	<u>2016</u>	<u>2015</u>
<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	47,726	51,726
<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	101,601	108,576
<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	210,708	217,661
OAKES AVENUE COMMONS		
<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. (2780A)F	43,259	54,759
PARK PLACE TOWNHOMES		
<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	922,993	949,243

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2016**

Note 14 - Continued

	<u>2016</u>	<u>2015</u>
SHOP LOANS		
<u>Community Frameworks SHOP</u> <u>Self-Help Homeownership Project HHP-03-02</u> Note payable with loan agreement at 0% interest originally secured by real property "Self-Help Monroe" with original amount of \$80,000. Funds were repaid with the sale of the Sky Meadow 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 was forgiven in fiscal year 2011. The remaining balance was forgiven in 2016 contingent on compliance with eligible purposes in the homeownership program. (2777M)F		12,449
<u>Community Frameworks SHOP</u> <u>Self-Help Homeownership Project HHP-05</u> Note payable with loan agreement at 0% interest secured by 26 lots of real property "Self-Help Copper Station" with original amount of \$150,000. Funds were repaid with the sale of the Copper Station 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 was forgiven in fiscal year 2011. The balance may be forgiven in 2018 contingent on compliance with eligible purposes in the homeownership program. (2777C)F	57,616	57,616
<u>Community Frameworks SHOP</u> <u>Self-Help Homeownership Project HHP-06</u> Note payable with loan agreement at 0% interest secured by 26 lots of real property "Self-Help Copper Station" with original amount of \$240,000 (HHP-06-01) and \$75,000 (HHP-07-01). 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 2018 contingent on compliance with eligible purposes in the homeownership program. (2777C)F	93,107	93,107

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2016**

Note 14 - Continued

	2016	2015
<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 2020 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, 2016**

Note 14 - Continued

	<u>2016</u>	<u>2015</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
TOMORROW'S HOPE		
<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	22,807	25,043
<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	25,890	30,890
VISION HOUSE		
<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	66,051	68,226

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2016**

Note 14 - Continued

	<u>2016</u>	<u>2015</u>
<u>Snohomish County</u> <u>OCHD CDBG H&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	15,918	16,595
WINTER'S CREEK VILLAGE		
<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	187,802	194,159
<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	55,482	57,404
<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	54,267	56,142
<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	<u>358,811</u>	<u>368,567</u>
Total Forgivable Loans Temporarily Restricted Balance	<u>\$ 7,380,759</u>	<u>\$ 5,705,775</u>

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

Note 15 - 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 permanently restricted net assets (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 permanently restricted net assets is classified as temporarily restricted net assets 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>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 355,280	\$ 900,253	\$ 1,255,533
Board designated quasi-endowment funds	1,864,651			1,864,651
Endowment Net Assets, June 30, 2016	<u>\$ 1,864,651</u>	<u>\$ 355,280</u>	<u>\$ 900,253</u>	<u>\$ 3,120,184</u>
Endowment Net Assets, June 30, 2015	<u>\$ 1,769,373</u>	<u>\$ 332,935</u>	<u>\$ 885,931</u>	<u>\$ 2,988,239</u>

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2016**

Note 15 - Continued

Changes to endowment net assets for the year ended June 30, 2016, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2015	\$ 1,769,373	\$ 332,935	\$ 885,931	\$ 2,988,239
Endowment investment return-				
Interest and dividends	42,350	20,093		62,443
Realized and unrealized gains	<u>24,827</u>	<u>5,962</u>		<u>30,789</u>
Total endowment investment return	67,177	26,055		93,232
New contributions	135,067		14,322	149,389
Appropriation of endowment for expenditure	<u>(106,966)</u>	<u>(3,710)</u>		<u>(110,676)</u>
Endowment Net Assets, June 30, 2016	<u>\$ 1,864,651</u>	<u>\$ 355,280</u>	<u>\$ 900,253</u>	<u>\$ 3,120,184</u>

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, 2016 and 2015, no such deficiencies existed.

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, 2016

Note 16 - Affiliations

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.

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

- To Building Credits, a LLC management fee of \$10,000, increasing by 3% each year. For the year ended June 30, 2016, \$13,842 of partnership management fees were reflected in the financial statements.
- To Housing Hope, a property management fee of \$12,000 each full year after the property has been placed in service, increasing by 3% per year. Property Management was outsourced to Coast in November of 2005. Fees are paid directly to Coast by Hope Village II LLC.
- 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 Hope Village II LLC agreement.

- Housing Hope entered into a 15-year lease with Hope Village II LLC for the commercial space in one of the LLC's buildings for a learning center and a before/after school area. During the year ended June 30, 2016, \$9,732 was paid to Hope Village II LLC under this lease.

The Hope Village II 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.

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.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

Note 16 - Continued

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, 2016, \$9,134 of partnership management fees were reflected in the consolidated financial statements.
- To Housing Hope, a property management fee of \$10,500 each full year after the property has been placed in service, increasing by 3% each year. Property Management was outsourced to Coast in November of 2005. Fees are paid directly to Coast by the Partnership.

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.

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, 2016, \$12,668 of partnership management fees were reflected in the consolidated financial statements.
- To Housing Hope, a property management fee of \$14,321 each full year after the property has been placed in service, increasing by 3% each year. Property Management was outsourced to Coast Real Estate Services in November of 2005. Fees are paid directly to Coast by New Century Village LLC.
- 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.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

Note 16 - Continued

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.

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, 2016, \$1,490,456 of developer fees were reflected in the consolidated financial statements.
- To Housing Hope repayment of a loan it has made to the LLC. For the year ending June 30, 2016, \$1,320,000 of loan funds were reflected in the consolidated financial statements.
- To Housing Hope Properties, a company management fee of \$20,000, increasing by 3% each year. For the year ended June 30, 2016, \$3,333 of partnership management fees 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 intension to exercise this option.

Oakes Limited Partnership - The Agency is affiliated with Oakes Limited Partnership (Oakes).

Oakes Limited Partnership was formed on April 22, 1998, 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 Properties as the limited partner. The Oakes Limited Partnership was amended on February 17, 2000, when two Illinois limited partnerships of National Equity Fund (NEF) replaced Housing Hope Properties as limited partner. Building Credits has a .01% interest and NEF has a 99.99% total interest.

During fiscal year 2015, 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 Oakes Limited Partnership. 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 \$1,233,935. This amount is reported as an in-kind contribution in the consolidated statement of activities for the year ended June 30, 2015.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2016

Note 16 - Continued

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

	Notes Receivable	Accrued Interest	Less Current Portion	Total Long- Term Portion
Hope Village II LLC	\$ 465,732	\$ 3,667	\$ (27,004)	\$ 442,395
New Century Village	342,337	5,656	(60,861)	287,132
Monroe Family Village	<u>2,810,456</u>	<u>57,849</u>	<u>(690,027)</u>	<u>2,178,278</u>
June 30, 2016 Total	<u>\$ 3,618,525</u>	<u>\$ 67,172</u>	<u>\$ (777,892)</u>	<u>\$ 2,907,805</u>
June 30, 2015 Total	<u>\$ 1,546,176</u>	<u>\$ 7,472</u>	<u>\$ (94,633)</u>	<u>\$ 1,459,015</u>

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

	Direct Cost	Partnership Mgmt Fees	June 30, 2016 Total	June 30, 2015 Total
Avondale	\$ 5,340	\$ -	\$ 5,340	\$ (260)
Hope Village II LLC	4,561		4,561	7,137
Monroe Family Village	17,929	3,333	21,262	286
New Century Village	<u>9,385</u>	<u>101,592</u>	<u>110,977</u>	<u>88,957</u>
June 30, 2016 Total	<u>\$ 37,215</u>	<u>\$ 104,925</u>	<u>\$ 142,140</u>	<u>\$ -</u>
June 30, 2015 Total	<u>\$ 7,196</u>	<u>\$ 88,924</u>	<u>\$ -</u>	<u>\$ 96,120</u>

Note 17 - 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, 2016, the Agency had deposits with the Trust of \$104,483 which are reported in the consolidated statement of financial position as funds held in trust. As of June 30, 2016, the Agency estimated a liability for incurred-but-not-reported unemployment claims of \$61,467, which is included in accounts payable and accrued expenses in the consolidated statement of financial position.

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2016**

Note 18 - 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 \$876 to \$1,011 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,

2017	\$	41,057
2018		37,971
2019		22,076
2020		13,402
2021		13,737
		<u>13,737</u>
	\$	<u>128,243</u>

Note 19 - Subsequent Events

During the year ended June 30, 2016, the Agency entered into a purchase and sale agreement for 10 vacant lots for \$500,000. The sale closed subsequent to year end in September 2017. It was financed with Community Frameworks SHOP funding.

SUPPLEMENTARY INFORMATION

HOUSING HOPE AND SUBSIDIARIES

Consolidating Statement of Financial Position - Assets June 30, 2016 (With Comparative Totals for 2015)

	Housing Hope	Building Credits	Housing Hope Properties	HopeWorks	Subtotal	Eliminations	2016 Consolidated Total	2015 Consolidated Total
Assets								
Current Assets:								
Cash and cash equivalents	\$ 236,408	\$ 667	\$ 612,655	\$ 177,006	\$ 1,026,736	\$ -	\$ 1,026,736	\$ 778,639
Short-term investments	233,246				233,246		233,246	228,879
Accounts receivable, net	51,528			66,687	118,215		118,215	120,931
Grants and contracts receivable	292,655		55,757		348,412		348,412	185,499
Due from affiliates	18,373	123,767			142,140		142,140	96,120
Current portion of notes receivable, accrued interest and deferred developer fees due from affiliates	777,892				777,892		777,892	94,633
Current portion of notes receivable								7,678
Pledges receivable, current portion	33,744			37,500	71,244		71,244	100,632
Real estate inventory			816,548		816,548		816,548	1,903,305
Prepaid expenses and other current assets	139,245		6,094	46,132	191,471		191,471	45,356
Total Current Assets	1,783,091	124,434	1,491,054	327,325	3,725,904		3,725,904	3,561,672
Assets Whose Use is Limited or Restricted:								
Assets designated by board for long-term reserves and investment in long-term assets	1,672,822				1,672,822		1,672,822	1,970,818
Assets restricted by donors for the acquisition of long-term assets	301,264				301,264		301,264	230,380
Assets restricted by donors for endowments and long-term reserves	1,397,883				1,397,883		1,397,883	1,480,477
Restricted reserves and deposits	591,621				591,621		591,621	303,828
Other Assets:								
Pledges receivable, long-term portion	159,596				159,596		159,596	
Self-help family loans receivable			491,706		491,706		491,706	528,666
Funds held in trust	121,501				121,501		121,501	124,249
Land, building, and equipment, net	34,394,199		115,055	2,869,140	37,378,394		37,378,394	34,520,727
Deferred financing fees, net	42,386				42,386		42,386	
Notes receivable, accrued interest and deferred developer fees due from affiliates, net of current portion	1,417,349		1,490,456		2,907,805		2,907,805	1,459,015
Notes receivable, net of current portion								377,924
Project development costs	2,510,948			46,431	2,557,379		2,557,379	2,093,868
Investment in limited partnerships and limited liability companies		1,339,689			1,339,689		1,339,689	1,339,722
Total Assets	\$ 44,392,660	\$ 1,464,123	\$ 3,588,271	\$ 3,242,896	\$ 52,687,950	\$ -	\$ 52,687,950	\$ 47,991,346

See independent auditor's report.

HOUSING HOPE AND SUBSIDIARIES

Consolidating Statement of Financial Position - Liabilities and Net Assets June 30, 2016 (With Comparative Totals for 2015)

	Housing Hope	Building Credits	Housing Hope Properties	HopeWorks	Subtotal	Eliminations	2016 Consolidated Total	2015 Consolidated Total
Liabilities and Net Assets								
Current Liabilities:								
Short-term borrowings	\$ 1,637,439	\$ -	\$ -	\$ -	\$ 1,637,439	\$ -	\$ 1,637,439	\$ 1,464,881
Accounts payable and accrued expenses	402,468		223,485	289,399	915,352		915,352	646,214
Construction payable	133,667			18,472	152,139		152,139	
Deferred revenue	57,730				57,730		57,730	20,513
Current portion of accrued interest	50,037			11,988	62,025		62,025	72,368
Current portion of long-term debt	998,184			339,557	1,337,741		1,337,741	493,237
Total Current Liabilities	3,279,525		223,485	659,416	4,162,426		4,162,426	2,697,213
Accrued long-term expenses	122,932				122,932		122,932	106,588
Accrued interest on long-term debt	910,361				910,361		910,361	810,583
Long-term debt, net of current portion	22,365,463		1,040,342	1,384,322	24,790,127		24,790,127	24,273,082
Total Liabilities	26,678,281		1,263,827	2,043,738	29,985,846		29,985,846	27,887,466
Net Assets:								
Unrestricted-								
Undesignated	7,358,229	1,420,864	1,262,833	1,010,862	11,052,788		11,052,788	9,856,645
Designated by the Board of Directors	2,178,331				2,178,331		2,178,331	2,492,850
Total unrestricted	9,536,560	1,420,864	1,262,833	1,010,862	13,231,119		13,231,119	12,349,495
Temporarily restricted	7,277,566	43,259	1,061,611	188,296	8,570,732		8,570,732	6,868,454
Permanently restricted	900,253				900,253		900,253	885,931
Total Net Assets	17,714,379	1,464,123	2,324,444	1,199,158	22,702,104		22,702,104	20,103,880
Total Liabilities and Net Assets	\$ 44,392,660	\$ 1,464,123	\$ 3,588,271	\$ 3,242,896	\$ 52,687,950	\$ -	\$ 52,687,950	\$ 47,991,346

See independent auditor's report.

HOUSING HOPE AND SUBSIDIARIES

Consolidating Statement of Activities For the Year Ended June 30, 2016 (With Comparative Totals for 2015)

	Housing Hope	Building Credits	Housing Hope Properties	HopeWorks	Subtotal	Eliminations	2016 Consolidated Total	2015 Consolidated Total
Public Support, Revenues and Gains:								
Public support-								
Contributions	\$ 1,940,994	\$ -	\$ -	\$ 689,025	\$ 2,630,019	\$ -	\$ 2,630,019	\$ 2,623,748
In-kind contributions	195,517			114,133	309,650		309,650	263,407
In-kind contribution of property								1,233,935
In-kind contribution of long-term assets	25,100				25,100		25,100	122,057
Forgivable loan proceeds	1,874,885				1,874,885		1,874,885	
United Way	144,500				144,500		144,500	144,500
Total public support	4,180,996			803,158	4,984,154		4,984,154	4,387,647
Fees and grants from governmental agencies	1,068,269		569,608	37,559	1,675,436		1,675,436	1,518,634
Other revenue, gains and (losses)-								
Program service fees and rents	3,751,965	30,830	600	650,238	4,433,633		4,433,633	3,893,350
Management and development fees	30,830	38,977	1,490,456		1,560,263		1,560,263	60,679
Interest and other income (loss)	199,836	(33)	45,426	8,901	254,130		254,130	81,134
Impairment of fixed assets			(118,178)		(118,178)		(118,178)	(247,477)
Gain (loss) on sale of real estate inventory and other assets	56,056				56,056		56,056	(299)
Total other revenue	4,038,687	69,774	1,418,304	659,139	6,185,904		6,185,904	3,787,387
Total Public Support, Revenue and Gains	\$ 9,287,952	\$ 69,774	\$ 1,987,912	\$ 1,499,856	\$ 12,845,494	\$ -	\$ 12,845,494	\$ 9,693,668

See independent auditor's report.

HOUSING HOPE AND SUBSIDIARIES

Consolidating Statement of Activities (Continued) For the Year Ended June 30, 2016 (With Comparative Totals for 2015)

	Housing Hope	Building Credits	Housing Hope Properties	HopeWorks	Subtotal	Eliminations	2016 Consolidated Total	2015 Consolidated Total
Expenses:								
Salary and wages	\$ 2,963,254	\$ 422	\$ 449,479	\$ 701,838	\$ 4,114,993	\$ -	\$ 4,114,993	\$ 3,579,719
Payroll taxes	276,679	36	52,223	74,467	403,405		403,405	341,711
Employee benefits	316,826		48,534	37,997	403,357		403,357	380,394
Total payroll costs	3,556,759	458	550,236	814,302	4,921,755		4,921,755	4,301,824
Professional fees	684,040		6,045	65,291	755,376		755,376	630,901
Supplies	193,948		4,011	54,092	252,051		252,051	179,128
Printing and postage	39,423	7	4,176	917	44,523		44,523	48,489
Information technology	145,856		14,710	23,594	184,160		184,160	169,010
Occupancy	497,255		34,745	91,439	623,439		623,439	544,816
Maintenance and repairs	335,372		70,136	25,571	431,079		431,079	414,356
Equipment and furniture	76,425		47,323	24,060	147,808		147,808	185,853
Vehicles	8,650		13	18,372	27,035		27,035	32,198
Insurance	143,627		5,990	15,628	165,245		165,245	158,589
Education and training	18,707		9,258	2,451	30,416		30,416	33,900
Mileage and travel	65,237		11,645	3,686	80,568		80,568	81,587
Client assistance	101,293				101,293		101,293	114,065
Interest, taxes and fees	780,133	1,918	6,564	92,248	880,863		880,863	899,696
Marketing and advertising	12,080		3,935	64,197	80,212		80,212	44,428
Miscellaneous	59,257		2,766	137,946	199,969		199,969	133,928
Total expenses before depreciation and amortization	6,718,062	2,383	771,553	1,433,794	8,925,792		8,925,792	7,972,768
Depreciation and amortization	1,215,547		2,205	103,726	1,321,478		1,321,478	1,248,318
Total Expenses	7,933,609	2,383	773,758	1,537,520	10,247,270		10,247,270	9,221,086
Net change in net assets	1,354,343	67,391	1,214,154	(37,664)	2,598,224		2,598,224	472,582
Net assets beginning of year	15,919,270	1,428,963	1,779,835	975,812	20,103,880		20,103,880	19,631,298
Transfer to (from)	440,766	(32,231)	(669,545)	261,010				
Net Assets, End of Year	\$ 17,714,379	\$ 1,464,123	\$ 2,324,444	\$ 1,199,158	\$ 22,702,104	\$ -	\$ 22,702,104	\$ 20,103,880

See independent auditor's report.