



HOUSING HOPE AND SUBSIDIARIES

Consolidated Financial Statements

For the Year Ended June 30, 2013



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Independent Auditors' 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 statement of financial position as of June 30, 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

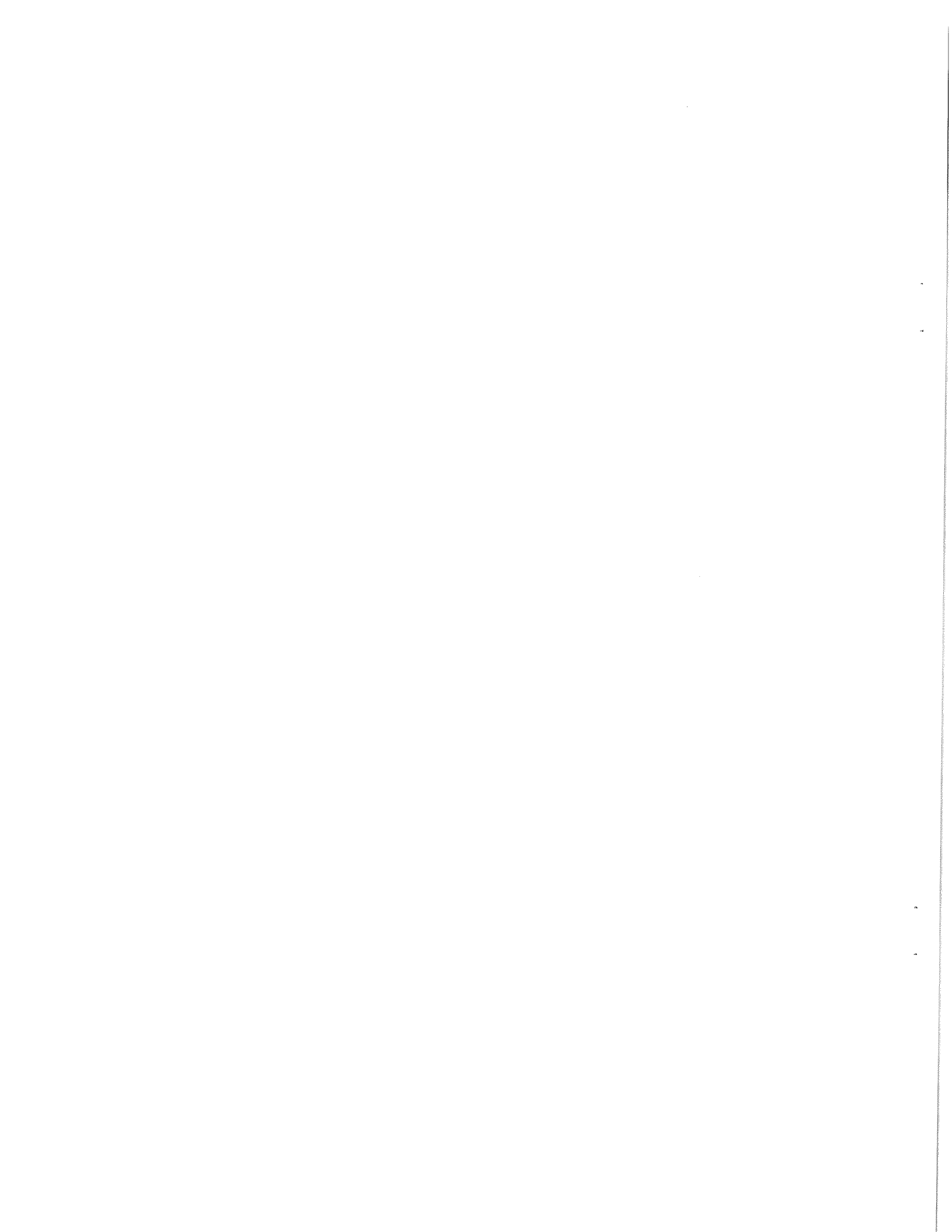
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* 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 auditors' 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, 2013, 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.



CLARK NUBER

Report on Summarized Comparative Information

We have previously audited the Agency's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 20, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, 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 supplementary information shown on pages 45 through 48 and the information on the community served and donated hours included in Notes 1 and 2, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management.

The supplementary information on pages 45 through 48 was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 September 20, 2013 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.

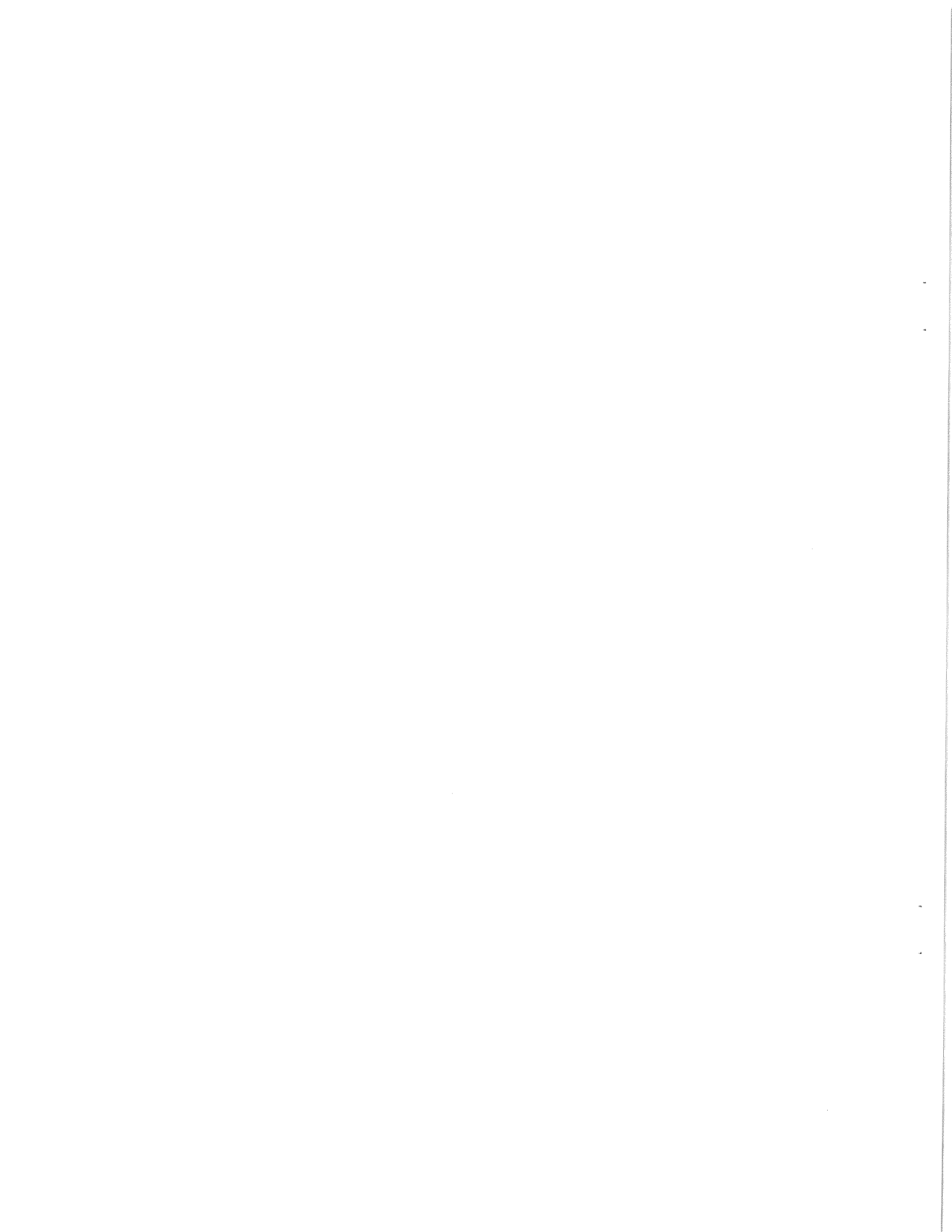
Clark Nuber P.S.

Certified Public Accountants
September 20, 2013

Certified Public

Accountants

and Consultants



HOUSING HOPE AND SUBSIDIARIES

Consolidated Statement of Financial Position June 30, 2013 (With Comparative Totals for 2012)

	2013	2012
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,069,874	\$ 492,721
Short-term investments (Note 4)	254,668	202,001
Accounts receivable, net of an allowance for doubtful accounts of \$26,330 (\$12,574 - 2012)	586,277	534,301
Grants and contracts receivable	152,258	166,802
Due from affiliates	117,798	141,153
Current portion of notes receivable, accrued interest and deferred developer fees due from affiliates (Note 16)	68,650	99,075
Pledges receivable, current portion (Note 5)	222,343	39,636
Real estate inventory	1,111,205	1,491,959
Prepaid expenses	129,658	130,069
Total Current Assets	3,712,731	3,297,717
Assets designated by board for long-term reserves and investment in long-term assets (Note 6)	1,737,238	1,736,592
Assets restricted by donors for investment in long-term assets (Note 9)	51,140	19,734
Assets restricted by donors for endowments and long-term reserves (Note 9)	1,408,463	1,348,070
Restricted reserves and deposits (Note 3)	284,904	276,821
Funds held in trust	320,060	78,492
Land, buildings, and equipment, net (Note 10)	30,690,391	28,764,551
Notes receivable, accrued interest and deferred developer fees due from affiliates, net of current portion (Note 16)	1,082,062	1,137,409
Project development costs (Note 11)	397,360	125,265
Investment in limited partnerships and limited liability companies (Note 16)	1,686,977	1,687,010
Total Assets	\$ 41,371,326	\$ 38,471,661
Liabilities and Net Assets		
Current Liabilities:		
Short-term borrowings (Note 12)	\$ 181,902	\$ 365,929
Accounts payable and accrued expenses	707,189	574,763
Construction payable	189,258	
Deferred revenue		10,756
Current portion of accrued interest	49,141	40,272
Current portion of long-term debt (Note 13)	713,292	1,394,071
Total Current Liabilities	1,840,782	2,385,791
Accrued long-term expenses	107,196	101,605
Accrued interest on long-term debt	593,480	513,106
Long-term debt, net of current portion (Note 13)	20,181,791	17,255,456
Total Liabilities	22,723,249	20,255,958
Net Assets:		
Unrestricted-		
Undesignated	8,346,314	8,772,744
Designated by the Board of Directors (Note 6)	1,984,877	1,929,153
Total unrestricted	10,331,191	10,701,897
Temporarily restricted (Note 7)	7,601,924	6,798,844
Permanently restricted (Note 8)	714,962	714,962
Total Net Assets	18,648,077	18,215,703
Total Liabilities And Net Assets	\$ 41,371,326	\$ 38,471,661

See accompanying notes.

HOUSING HOPE AND SUBSIDIARIES

Consolidated Statement of Activities For the Year Ended June 30, 2013 (With Comparative Totals for 2012)

	2013			Total	2012 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Operating Activities					
Support, Revenue and Gains:					
Contributions	\$ 761,193	\$ 932,518	\$ -	\$ 1,693,711	\$ 1,063,839
In-kind contributions	152,988			152,988	168,761
United Way	127,158			127,158	127,158
Fees and grants from governmental agencies	1,536,978			1,536,978	1,652,116
Program service fees and rents	3,330,287			3,330,287	2,927,823
Management and development fees	128,806			128,806	63,596
Interest and other income	234,735	80,788		315,523	56,829
Total Operating Support, Revenue and Gains	6,272,145	1,013,306		7,285,451	6,060,122
Net assets released from restrictions	486,733	(486,733)			
Total Operating Support, Revenue and Gains	6,758,878	526,573		7,285,451	6,060,122
Expenses:					
Housing development	628,234			628,234	660,776
Property management	3,270,700			3,270,700	3,003,654
Social services	2,636,828			2,636,828	2,493,831
HopeWorks	394,531			394,531	300,063
Resource development	383,984			383,984	408,436
Administration	607,044			607,044	523,737
Total Operating Expenses (Including depreciation and amortization of \$1,001,887 and \$937,034 for 2013 and 2012, respectively)	7,921,321			7,921,321	7,390,497
Change in Net Assets from Operating Activities	(1,162,443)	526,573		(635,870)	(1,330,375)
Nonoperating Activities					
Forgivable loan proceeds		709,784		709,784	1,243,162
Release of restricted assets - forgivable loan amortization	464,637	(464,637)			
Contributions for the acquisition of long-term assets		51,140		51,140	21,051
Net assets released from restrictions for the acquisition of long-term assets	19,780	(19,780)			
Gain (loss) on the sale of real estate inventory and other assets	372,835			372,835	(549,069)
Impairment of real estate inventory	(65,515)			(65,515)	(58,598)
In-kind contribution of long-term assets					342,509
In-kind contribution of the Housing Hope Village property					2,140,000
Change in Net Assets from Nonoperating Activities	791,737	276,507		1,068,244	3,139,055
Change in Net Assets	(370,706)	803,080		432,374	1,808,680
Net assets, beginning of year	10,701,897	6,798,844	714,962	18,215,703	16,407,023
Net Assets End of Year	\$ 10,331,191	\$ 7,601,924	\$ 714,962	\$ 18,648,077	\$ 18,215,703

See accompanying notes.

HOUSING HOPE AND SUBSIDIARIES

Consolidated Statement of Functional Expenses For the Year Ended June 30, 2013 (With Comparative Totals for 2012)

	Program Services				Supporting Services			2012 Total		
	Housing Development	Property Management	Social Services	HopeWorks	Total Program Services	Resource Development	Administration		Supporting Services	
Personnel:										
Salary and wages	\$ 382,941	\$ 88,220	\$ 1,583,465	\$ 239,876	\$ 2,294,502	\$ 223,812	\$ 492,461	\$ 656,273	\$ 2,950,775	\$ 2,717,183
Payroll taxes	62,518	9,574	166,109	29,455	267,656	18,676	38,963	57,639	325,295	298,672
Employee benefits	55,182	13,023	247,085	22,185	337,475	20,104	47,602	67,706	405,181	312,851
Total Personnel	500,641	110,817	1,996,659	291,516	2,899,633	262,592	519,026	781,618	3,681,251	3,328,706
Professional fees	5,743	467,095	56,424	6,088	535,350	3,424	6,137	9,561	544,911	607,650
Supplies	4,182	13,535	115,690	14,924	148,331	8,304	19,526	27,830	176,161	125,794
Printing and postage	3,422	2,759	9,173	123	15,477	79,749	2,702	82,451	97,928	53,465
Information technology	11,291	28,729	68,007	6,843	114,870	6,264	19,323	25,587	140,457	119,057
Occupancy	18,433	467,481	33,535	10,727	530,176	2,356	3,982	6,338	536,514	583,479
Maintenance and repairs	4,726	244,198	58,791	12,200	319,915	2,356	1,215	3,571	323,486	248,222
Equipment and furniture	19,001	72,503	3,983	11,590	107,077	34	654	688	107,765	108,362
Vehicles	131	70	11,090	14,425	25,716	14	4	18	25,734	20,491
Insurance	7,863	110,848	18,335	3,895	140,941	2,246	1,126	3,372	144,313	129,346
Education and training	12,287	5,829	5,649	1,388	25,153	4,189	4,870	9,059	34,212	19,641
Mileage and travel	14,266	18,574	39,667	1,965	74,472	1,307	2,293	3,600	78,072	67,476
Client assistance	619	713	129,451	113	130,896	53	43	96	130,992	199,233
Interest and fees	655	710,900	20,823	608	732,986	4,405	8,416	12,821	745,807	740,504
Taxes	11,048	40,729	12,160	5,897	69,834	1,795	9,512	11,307	81,141	52,661
Miscellaneous	13,926	24,850	15,258	3,859	57,893	4,896	7,901	12,797	70,690	49,376
Total Expenses Before Depreciation and Amortization	628,234	2,319,630	2,594,695	386,161	5,928,720	383,984	606,730	990,714	6,919,434	6,453,463
Depreciation and amortization		951,070	42,133	8,370	1,001,573		314	314	1,001,887	937,034
Total Expenses	\$ 628,234	\$ 3,270,700	\$ 2,636,828	\$ 394,531	\$ 6,930,293	\$ 383,984	\$ 607,044	\$ 991,028	\$ 7,921,321	\$ 7,390,497

See accompanying notes.

HOUSING HOPE AND SUBSIDIARIES

Consolidated Statement of Cash Flows For the Year Ended June 30, 2013 (With Comparative Totals for 2012)

	2013	2012
Cash Flows From Operating Activities:		
Change in net assets	\$ 432,374	\$ 1,808,680
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities-		
Realized and unrealized (gains) losses	(155,319)	83,394
Contributions for long-term purposes	(51,140)	(21,051)
In-kind contribution of long-term assets		(2,286,139)
Forgivable loan proceeds	(600,784)	(1,243,162)
Transfer of debt to forgivable loan proceeds	(109,000)	
(Gain) loss on sale of real estate inventory and other assets	(372,835)	549,069
Depreciation and amortization	1,001,887	937,034
Impairment of real estate inventory	65,515	22,343
Decrease (increase) in assets:		
Accounts receivable	(51,976)	(87,872)
Grants and contracts receivable	14,544	21,560
Pledges receivable	(182,707)	84,226
Prepaid expenses	411	(15,435)
Funds held in trust	(168,981)	18,229
Due from affiliates	23,355	5,618
Increase (decrease) in liabilities:		
Accounts payable, other accrued expenses and deferred revenue	216,504	(169,356)
Net Cash Provided (Used) By Operating Activities	61,848	(292,862)
Cash Flows From Investing Activities:		
Purchase of property, equipment and rehabilitation of property	(53,016)	(48,708)
Acquisition of predevelopment costs	(2,957,548)	(2,319,007)
Investment in real estate inventory	(261,926)	(3,597)
Proceeds from sale of real estate inventory	950,000	1,072,300
Repayment of notes receivable	85,772	113,328
Investment in limited partnerships and limited liability companies	33	35
Proceeds from (purchase) sale of short-term investments	(52,667)	50,483
Net deposits to restricted reserves	(80,670)	(55,668)
Net change in assets whose use is limited or restricted-		
By board for long-term reserves and investment in long-term assets	(646)	223,079
By donors for reserves and investment in long-term assets	63,520	30,361
Net Cash Used By Investing Activities	(2,307,148)	(937,394)
Cash Flows From Financing Activities:		
Proceeds from issuance of long-term debt	3,429,946	3,742,644
Repayment of long-term debt	(1,075,390)	(2,787,591)
Proceeds from short-term borrowings		464,274
Repayment of short-term borrowings	(184,027)	(1,034,061)
Forgivable loan proceeds	600,784	1,243,162
Contributions received for long term purposes	51,140	21,051
Net Cash Provided By Financing Activities	2,822,453	1,649,479
Net Change in Cash and Cash Equivalents	577,153	419,223
Cash and cash equivalents, beginning of year	492,721	73,498
Cash and Cash Equivalents, End of Year	\$ 1,069,874	\$ 492,721
Supplemental Disclosures:		
Cash paid during the year for interest	\$ 724,811	\$ 680,991
Predevelopment costs acquired for which accounts payable existed at year end	\$ 189,258	\$ -

See accompanying notes.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2013

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, HopeWorks Social Enterprises and Monroe Family Village LLC.

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.

Monroe Family Village LLC was formed as a limited liability company under the laws of the State of Washington on January 8, 2013 to foster low-income housing as a tax credit entity, when an investing member is obtained, engaged in the acquisition, development and management of low-income housing. For the year ended June 30, 2013, Monroe Family Village had no activity or an investing member.

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. The program conducts feasibility analysis, obtains financing, and assembles project components necessary for the construction or rehabilitation of affordable housing. During the year ended June 30, 2013, the Pilchuck Place project in Snohomish was acquired and placed in service. Additionally, the second phase of development at Woods Creek Village in Monroe was completed; it included the new construction of 6 affordable rental units.

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 USDA-Rural Development 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 - 10 families as they work together to build homes. During the year ended June 30, 2013, 14 homes at Marvin Gardens in Monroe were completed and 10 lots sold to new Team HomeBuilding participants at Rose Park near Snohomish, Washington.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2013

Note 1 - Continued

Property Management - The Agency contracts for property management services with Coast Real Estate Services (Coast). This local firm is an experienced manager of properties around the State of Washington and oversees a substantial inventory of over 4,000 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, 2013, households living in Housing Hope facilities (including tax credit properties) totaled 348 with 229 low-income, 113 homeless and 6 emergency shelter units.

Social Services - The Agency offers a service-enriched housing continuum by providing case management, employment assistance, childcare, and life skills education to all residents of emergency and transitional housing. During the year ended June 30, 2013, the Agency provided 5,612 emergency shelter bednights to 83 individuals in 31 households and 137,725 transitional housing bednights to 551 individuals in 164 households.

ChildHope - Housing Hope operates four child programs designed to benefit families with children who have experienced homelessness or are at high risk. These include a Homeless Teen Parent Program, an In-Home Child Specialist Program, Parent Education through the College of Hope and licensed childcare through Tomorrows Hope Child Development Center. The programs are included in the Social Services column on the consolidated statement of functional expenses. Tomorrow's Hope is the only childcare facility in Snohomish County licensed to meet the needs of homeless children. During the year ended June 30, 2013, 184 children were provided 18,645 childcare days.

HopeWorks - HopeWorks Social Enterprises is a separate affiliated nonprofit corporation established to provide training and jobs through the operation of social enterprise businesses, with Housing Hope being the sole corporate member. All HopeWorks board members are appointed by the Housing Hope Board of Directors. HopeWorks' first social enterprise, GroundWorks, provides landscaping services for 63 properties. WaterWorks Irrigation Services, HopeWorks' second social enterprise, was initiated in fiscal year 2012 and provides irrigation, design, and maintenance services for 15 sites. ReNewWorks Home & Décor is a consignment store established during 2013 and will begin sales early in fiscal year 2014. It is the intention of the Agency to create additional social enterprises that will have a "double bottom line" of being both financially viable and providing employment and training opportunities to homeless and low-income adults.

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 more 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, HopeWorks Social Enterprises, and Monroe Family Village LLC. These accounts are consolidated as Housing Hope retains a controlling and economic interest in 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, 2013

Note 2 - Continued

The Agency is the General Partner or Managing Member in a number of 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 does not have substantive participating rights that preclude consolidation. The Agency's investment in those limited partnerships and limited liability companies is therefore recorded on the equity method and the Agency has chosen not to consolidate due to not having a majority ownership and the limited members and parties having substantial participating rights. See Note 16.

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, expenses, 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 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 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 a purchased 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.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2013

Note 2 - Continued

Impairment of Long-Lived Assets and Real Estate Inventory - The Agency reviews its long-lived 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. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Nonoperating Versus Operating - For the purpose 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 releases, the gain or loss on the sale of real estate inventory and other assets, impairment of real estate inventory and in-kind contributions of long term assets and property 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

Real Estate Inventory - As part of normal operations, the Agency purchases land that will be developed as part of the Team HomeBuilding program. This real estate is recorded at the lower of cost or fair market value. In accordance with U.S. GAAP, impairment losses of \$65,515 and \$58,598 for the years ended June 30, 2013 and 2012, respectively, were recognized.

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. The Agency files income tax returns with the U.S. government. The Agency is subject to income tax examinations for the current year and certain prior years based on the applicable laws and regulations.

Retirement Plan - The Agency sponsors a 403(b) tax deferred annuity plan (the Plan). All employees may participate on a voluntary basis. 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 year ended June 30, 2013, the Agency contributed \$29,148 to the Plan.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2013

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, 2013, a substantial number of volunteers, including members of the Board of Directors, donated 6,359 hours (unaudited) to the Agency program services and fund-raising campaigns, with an additional 21,845 hours (unaudited) donated on behalf of the Team HomeBuilding building groups. However, only donated services that meet the criteria for recognition under current accounting standards 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>2013</u>	<u>2012</u>
Donated goods & services- Housing Development and Team HomeBuilding	\$ 374	\$ 2,251
Donated goods & services - Tomorrow's Hope Childcare Center	6,725	2,402
Donated goods & services - Administration	6,525	9,190
Donated goods & services - Fundraising	8,052	9,224
Donated goods & services - Property Management	7,281	8,075
Donated goods & services - Classroom Instruction	14,420	250
Donated goods & services - HopeWorks	12,390	14,048
Donated software and hardware - Technology	10,650	250
Donated goods & services - Social Services and Client Assistance	86,571	123,071
	<u>\$ 152,988</u>	<u>\$ 168,761</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 19% and 18% of total unrestricted public support and revenue (not including gains and losses generated by the sale of fixed assets) for the years ended June 30, 2013, and 2012, respectively, was received from these grantors. In addition, 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, 2013

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 \$25,000. Property insurance is subject to a per-occurrence deductible of \$25,000. Members are responsible for the first \$500 of the deductible amount of each claim, while the pool is responsible for the remaining \$24,500. Boiler and machinery insurance is subject to a per-occurrence deductible of \$1,000, with members responsible for the full deductible amount of each claim. 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.

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, 2012, from which the summarized information was derived.

Subsequent Events - The Agency has evaluated subsequent events through September 20, 2013, the date on which the consolidated financial statements were available to be issued.

Reclassifications - Certain items presented in the financial statements for the prior year have been reclassified to conform to the current year presentation. Such reclassifications had no effect on the change in net assets or net asset balances as previously reported.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2013

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>2013</u>	<u>2012</u>
WCRA maintenance and operating reserves	\$ 157,608	\$ 88,500
Security deposits	105,301	115,734
Mountain Pacific reserves for Fleming duplexes	<u>21,995</u>	<u>72,587</u>
	<u>\$ 284,904</u>	<u>\$ 276,821</u>

Note 4 - Investments

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

	<u>2013</u>	<u>2012</u>
Short-term investments	\$ 254,668	\$ 202,001
Assets designated by board for long-term reserves and investment in long-term assets	1,249,686	1,371,346
Assets restricted by donors for endowments and long-term reserves	<u>1,220,926</u>	<u>1,172,028</u>
	<u>\$ 2,725,280</u>	<u>\$ 2,745,375</u>

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

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 94,620	\$ 86,143
Realized and unrealized gains (losses)	155,319	(83,394)
Investment management fees	<u>(22,616)</u>	<u>(23,657)</u>
	<u>\$ 227,323</u>	<u>\$ (20,908)</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, 2013

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, 2013.

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, 2013

Note 4 - Continued

Fair Values Measured on a Recurring Basis - Fair values of assets measured on a recurring basis at June 30, 2013 and 2012, were as follows:

	<i>Fair Value Measurements</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Money market funds	\$ 29,348	\$ -	\$ -	\$ 29,348
Mutual funds-				
Large cap growth	309,485			309,485
Large cap value	238,077			238,077
Small/medium cap growth	86,251			86,251
Small/medium cap value	59,316			59,316
International	179,130			179,130
Blend	146,452			146,452
Currency	95,258			95,258
Fixed income	833,869			833,869
Other	134,278			134,278
Total mutual funds	2,082,116			2,082,116
Marketable equity securities-				
Information technology	123,108			123,108
Commodity	29,760			29,760
Industrial	120,088			120,088
Telecommunication services	90,678			90,678
Financial	74,203			74,203
Energy	29,725			29,725
Consumer discretionary	146,254			146,254
Total marketable equity securities	613,816			613,816
Total June 30, 2013	\$ 2,725,280	\$ -	\$ -	\$ 2,725,280
Total June 30, 2012	\$ 2,745,375	\$ -	\$ -	\$ 2,745,375

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2013

Note 5 - Pledges Receivable

Pledges receivable at June 30, 2013, are as follows:

Receivable in less than one year	\$ 385,853
Receivable in one to five years	<u>105,662</u>
Total pledges receivable	491,515
Less discounts to net present value	(5,980)
Less allowance for uncollectible pledges receivable	<u>(21,475)</u>
Net Pledges Receivable	<u>\$ 464,060</u>

Pledges receivable due in more than one year are discounted at an annual rate of 6% for each additional year through the term of the pledge.

As of June 30, 2013, pledges receivable were reported in the consolidated statement of financial position as follows:

Pledges receivable, current portion	\$ 222,343
Assets designated by board for long-term reserves and investment in long-term assets	47,780
Assets restricted by donors for investment in long term assets	6,400
Assets restricted by donors for endowments and long-term reserves	<u>187,537</u>
	<u>\$ 464,060</u>

Note 6 - Board Designated Net Assets

In recognition of the need for 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>2013</u>	<u>2012</u>
Working capital and other reserves	\$ 329,403	\$ 348,745
Reserve for the replacement or repair of long-term assets	215,348	199,984
Board designated quasi-endowment	<u>1,440,126</u>	<u>1,380,424</u>
	<u>\$ 1,984,877</u>	<u>\$ 1,929,153</u>

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2013

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>2013</u>	<u>2012</u>
Investments and cash	\$ 1,689,458	\$ 1,700,994
Pledges receivable	47,780	35,598
	<u><u>\$ 1,737,238</u></u>	<u><u>\$ 1,736,592</u></u>

Note 7 - Temporarily Restricted Net Assets

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

	<u>2013</u>	<u>2012</u>
Reserves for program services	\$ 1,053,098	\$ 596,079
Acquisition of long-term assets	51,140	19,734
Endowment earnings (Note 15)	282,790	213,282
Forgivable loans	6,214,896	5,969,749
	<u><u>\$ 7,601,924</u></u>	<u><u>\$ 6,798,844</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>2013</u>	<u>2012</u>
Acquisition of long-term assets	\$ 19,780	\$ 64,582
Reserves for program expenses	486,733	329,180
Forgivable loan amortization	464,637	369,838
	<u><u>\$ 971,150</u></u>	<u><u>\$ 763,600</u></u>

Note 8 - Permanently Restricted Net Assets

At June 30, 2013 and 2012, the Agency had \$714,962 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, 2013

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>2013</u>	<u>2012</u>
Investments and cash	\$ 1,220,926	\$ 1,172,028
Pledges receivable	187,537	176,042
	<u>\$ 1,408,463</u>	<u>\$ 1,348,070</u>

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

	<u>2013</u>	<u>2012</u>
Investments and cash	\$ 44,740	\$ 15,368
Pledges receivable	6,400	4,366
	<u>\$ 51,140</u>	<u>\$ 19,734</u>

Note 10 - Land, Buildings, and Equipment

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

	<u>2013</u>	<u>2012</u>
Land	\$ 6,749,520	\$ 6,340,525
Building and improvements	29,616,626	27,204,026
Furniture and equipment	829,638	740,508
Vehicles	107,931	90,928
	37,303,715	34,375,987
Less accumulated depreciation	<u>(6,613,324)</u>	<u>(5,611,436)</u>
Land, Buildings, and Equipment, Net	<u>\$ 30,690,391</u>	<u>\$ 28,764,551</u>

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2013

Note 11 - Project Development Costs

Predevelopment costs have been incurred for the planned Main Street Townhomes and Monroe Family Village projects in Monroe, and the French Creek Bluff project in unincorporated Snohomish County. Construction activity at the Woods Creek site in Monroe was completed during the year ended June 30, 2013. The accumulated development costs for the remaining projects at June 30, 2013 totaled \$397,360, with \$387,063 of development costs related the Monroe Family Village project.

Note 12 - Short-Term Borrowings

Bank of America Loan Management Account 28502289 - 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% (3.82% at June 30, 2013), with a maturity date due upon demand. At June 30, 2013 and 2012, there was an outstanding balance of \$181,902 and \$365,929, respectively. (2403)

Note 13 - Long-Term Debt

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

	<u>2013</u>	<u>2012</u>
<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>Impact Capital</u>		
<u>(LISC) LOC 2005212</u>		
\$1,100,000 Line of Credit for acquisition and pre-development costs, interest payable monthly at 6%, secured by real estate "Monroe Main Street" and "Monroe Fremont Street." Maturity date is March 1, 2014. (2401)	391,872	1,100,000
<u>State of Washington</u>		
<u>WSHFC LAP Loan</u>		
Note payable secured by real property "Monroe Family Village" with principal and interest deferred until Maturity date August 31, 2017. Prevailing Market Rate, except if paid in full by Maturity Date, then the interest rate will be one percent (1%) per annum (1% at June 30, 2013). (2533)	629,675	629,675

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2013

Note 13 - Continued

	<u>2013</u>	<u>2012</u>
<u>HOME/ADDI HCD-10-42-5789-048</u> Mortgage payable secured by real property with original amount of \$88,200, \$72,216 has been drawn as of June 30, 2013, and all payments deferred and principal and interest at 0% to be paid at the end of the program, subject to rent restriction covenant agreement. (2778)	72,216	30,000
AVANTI HOUSE		
<u>State of Washington</u> <u>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
COMMERCE BUILDING		
<u>Washington Community Reinvestment Association</u> <u>(WCRA) 2-090323</u> Mortgage payable secured by real property "Commerce Building," original amount \$880,000, 6.625% interest, monthly principal and interest payments of \$5,635 through May 1, 2035. (2725J)	848,225	859,248
<u>State of Washington Department of Commerce</u> <u>HAP 5-93-491-9A</u> Mortgage payable secured by real property "Commerce Building," 0% interest, annual principal payments of \$11,900 through March 1, 2045 to be paid from available cash. (2725A)	392,700	404,600
<u>Snohomish County</u> <u>OCHD AHTF 5-93-491-94</u> Mortgage payable secured by real property "Commerce Building," 0% interest, due and payable in full November, 2043. Subject to low-income housing covenant. (2725B)	75,000	75,000
<u>Snohomish County</u> <u>HOME 1993 #3</u> Mortgage payable secured by real property "Commerce Building," 7.69% interest. Principal and interest due and payable in full October 4, 2035. Subject to HOME agreement. (2725G)	165,200	165,200
<u>City of Everett CDBG</u> Mortgage payable secured by real property "Commerce Building," 0% interest, due and payable in full November 14, 2044. (2725H)	50,000	50,000

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2013

Note 13 - Continued

	<u>2013</u>	<u>2012</u>
<u>City of Everett CHIP</u> <u>Commerce Building Rehab - Windows</u> Note payable secured by real property "Commerce Building," with all payments deferred and principal and interest at 3% due and payable November 14, 2044. (2725C)	389,870	389,870
<u>City of Everett</u> <u>Energy EECBG/ARRA Commerce Building</u> Note payable secured by real property "Commerce Building," with all payments deferred and principal and interest at 3% due and payable November 14, 2044. (2725E)	90,000	90,000
CROSSROADS		
<u>State of Washington Department of Commerce</u> <u>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
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	
<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)	505,223	513,692
HARRISON		
<u>State of Washington</u> <u>OCD Housing Trust Fund 2-90-410-65</u> Note payable secured by real property "Harrison" with all payment deferred and principal and interest at 0% due and payable in 2012 subject to use as transitional housing. During 2013, the Agency received communication from the lender that the note payable will be forgiven upon maturity subject to continuing use requirements and, therefore, reclassified to forgivable loans in temporarily restricted net assets. (2740B)		109,000

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2013

Note 13 - Continued

	<u>2013</u>	<u>2012</u>
<u>State of Washington</u> <u>OCD HAP 5-92-492-2B</u> Note payable secured by real property "Harrison" with all payment deferred and principal and interest at 0% due and payable in 2026 subject to low-income housing agreement. (2740D)	11,302	11,302
HOPE VILLAGE The mortgage and notes payable below were assumed in the acquisition of Hope Village during the year ended June 30, 2012.		
<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)	285,656	339,743
<u>Washington State Department of Commerce</u> <u>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)	225,000	240,000
<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

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2013

Note 13 - Continued

	<u>2013</u>	<u>2012</u>
<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
KENNEDY COURT		
<u>City of Everett CDBG CHIP</u> Mortgage payable secured by real property "Kennedy Court" with all payments deferred and principal and interest at 3% due and payable in 2011 subject to use as transitional housing. This loan was paid in full during 2013. (2755C)		6,089
LERVICK FAMILY VILLAGE/STANWOOD		
<u>Opus Bank 50-0130628281</u> Note payable secured by real property "Lervick Family Village" due in monthly installments including principal and interest at a variable rate set annually, at 3% over the 12th Dist. Savings Institutions Cost of Funds Index, and with a maturity date of February 1, 2026. The current monthly payment is \$475 at a rate of 4.25%. (2770F)	55,528	58,823
<u>State of Washington Department of Commerce</u> <u>HAP 5-94-491-7A</u> Note payable secured by real property "Lervick Family Village" with annual principal payments of \$6,760 only and interest at 0% until 2047 subject to low-income housing agreement. (2770B)	229,840	236,600
<u>Betty E. Jenkins Testamentary Trust</u> Mortgage payable secured by real property "Stanwood House" with monthly payments of \$450 for principal and interest at 6% with a final balloon payment due July 26, 2012. This loan was paid in full during 2013. (2515)		56,941
LINCOLN HILL VILLAGE		
<u>Snohomish County OCHD HOME</u> Note payable secured by real property "Lincoln Hill Village" with all payments deferred and principal and interest at 1% until 2030 then monthly payments of \$2,737 until December, 2050. (2520D)	656,842	656,842
<u>State of Washington Department of Commerce</u> <u>07-47104-007</u> Note payable secured by real property "Lincoln Hill Village" with \$462,000 deferred until 2018 then annual payments of \$14,000 and \$1,393,654 deferred until 2041 then quarterly payments of \$34,841. All principal and interest at 0% due at December 2051. (2520S)	1,855,654	1,855,654

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2013

Note 13 - Continued

	<u>2013</u>	<u>2012</u>
<u>Washington Community Reinvestment Association</u> <u>(WRCA) 1-100337</u> Mortgage payable secured by real property "Lincoln Hill Village," original amount \$1,975,000, 7% interest, monthly principal and interest payments of \$13,140 through June 1, 2042. (2520A)	1,954,938	1,975,000
MAPLE LEAF MEADOWS <u>State of Washington Department of Commerce</u> <u>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 2037 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 "New Century House" property. Due in monthly installments of \$10,097 including principal and interest at 5.29%, with a balloon payment due July 2018. (2602E)	1,487,125	1,527,313
MT. BAKER VIEW <u>Pacific International Bank</u> <u>WSHFC #504 STEP Bond - Series 2010</u> 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. Maturity date October 1, 2040. (2540B)	1,194,295	1,216,035
NEW CENTURY VILLAGE & EXPANSION <u>State of Washington Department of Commerce</u> <u>02-49300-075</u> Note payable secured by real property "New Century House" with all payments deferred for 25 years with interest at 3% accruing during the deferral period. The principal amount including deferred interest will be amortized for 10 years with annual payments of \$55,227 due and payable on June 1 beginning 2028 and ending 2037 subject to use as transitional and permanent affordable housing for homeless teen mothers. (2601C)	225,000	225,000

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2013

Note 13 - Continued

	<u>2013</u>	<u>2012</u>
<u>JP Morgan Chase Bank</u> <u>99-04291494-5 - EHA Low-Income Housing Revenue Bond, 2011</u> Original amount of \$700,000 secured by Deed of Trust to JP Morgan Chase Bank on "New Century House" property. Due in monthly installments of \$3,884 including principal and interest at 5.29%, with a balloon payment due February 2018. (2601E)	568,902	584,936
<u>City of Everett</u> <u>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.	200,000	200,000
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)	1,162,190	1,184,217
PILCHUCK PLACE AND WOODS CREEK VILLAGE		
<u>State of Washington Department of Commerce</u> <u>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 \$17,745.38 due and payable beginning June 30, 2043 and ending March 31, 2053. (2781B)	496,637	
<u>Snohomish County</u> <u>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	

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2013

Note 13 - Continued

	<u>2013</u>	<u>2012</u>
<u>Snohomish County</u> <u>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)	532,141	
<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 \$9,331.25 including principal and interest at 5.125%. Maturity date is September 1, 2042. (2783A and 2783B)	1,695,348	
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 \$4,496.47 including principal and interest at 2.708% maturing April 1, 2027. (2752C)	621,969	658,545
VISION HOUSE <u>State of Washington Department of Commerce</u> <u>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)	6,070	6,239
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)	484,275	493,253
<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)	236,511	240,900

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2013**

Note 13 - Continued

	<u>2013</u>	<u>2012</u>
<u>State of Washington Department of Commerce</u> <u>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>Cascade Bank 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)	<u>233,043</u>	<u>238,157</u>
Total	20,895,083	18,649,527
Less current portion	<u>(713,292)</u>	<u>(1,394,071)</u>
Long-Term Debt	<u>\$ 20,181,791</u>	<u>\$ 17,255,456</u>

Principal maturities are as follows:

For the Year Ending June 30,

2014	\$ 713,292
2015	338,742
2016	355,193
2017	372,478
2018	494,900
Thereafter	<u>18,620,478</u>
	<u>\$ 20,895,083</u>

The current portion of long-term debt and principal maturities reported as of June 30, 2013 includes the Impact Capital Line of Credit in the amount of \$391,872. The Agency is planning to be pay it in full during fiscal year 2014.

The Agency has multiple below market interest rates on nonforgivable notes held by governmental agencies. If reported, the in-kind contributions and mortgage interest expenses related to these notes would have been \$363,459 and \$233,253 for the years ended June 30, 2013 and 2012, respectively. There is no impact on earnings or on ending net assets as a result of the use of this accounting method.

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2013**

Note 14 - Forgivable Loans

The Agency received cumulative forgivable loan proceeds of \$8,694,262 and \$7,984,478 through the years ended June 30, 2013 and 2012, 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 2052. 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, 2013, the Agency is in compliance with the restrictions.

Forgivable loans are as follows at June 30:

	<u>2013</u>	<u>2012</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.	\$ 25,788	\$ 30,588
<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	8,520	10,800
AVANTI HOUSE		
<u>Snohomish County</u>		
<u>OCHD HOME 1992#3 & 1993#1</u>		
Mortgage payable secured by real property "Avanti House" with original amount of \$182,998 and all payments deferred and principal and interest at 0% to be forgiven in 2014 subject to use as transitional and permanent housing for formerly homeless teen parents under the age of 24. (2721)F	9,927	19,077

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2013**

Note 14 - Continued

	<u>2013</u>	<u>2012</u>
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	362,780	374,543
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	97,580	100,830
KENNEDY COURT		
<u>Snohomish County</u> <u>OCHD HOME 1992#5</u>		
Mortgage payable secured by real property "Kennedy Court" with original amount of \$66,954 and all payments deferred and principal and interest at 0% to be forgiven in 2014 subject to use as transitional and permanent housing. (2755B)F	3,632	6,980
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	56,451	58,251

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2013**

Note 14 - Continued

	<u>2013</u>	<u>2012</u>
<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	185,542	191,246
<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	55,015	56,715
<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	39,022	40,022
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	491,039	504,958
MAPLE LEAF MEADOWS		
<u>Snohomish County</u> <u>OCHD HOME 2001#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	354,187	363,387

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2013**

Note 14 - Continued

	<u>2013</u>	<u>2012</u>
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	1,010,492	1,037,599
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	182,980	187,740
<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	84,480	90,880
<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	59,726	63,726
<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	122,525	129,500
<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	231,566	238,518

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2013

Note 14 - Continued

	<u>2013</u>	<u>2012</u>
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	77,759	89,259
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	1,001,743	1,027,993
SHOP LOANS		
<u>Community Frameworks SHOP</u> <u>Self-Help Homeownership Project HHP-03-01</u>		
Note payable with loan agreement at 0% interest originally secured by real property "Port Susan" with original amount of \$200,000. Funds were repaid with the sale of the Port Susan 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 may be forgiven in 2014 contingent on compliance with eligible purposes in the homeownership program. (2777)F	17,041	37,041
<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 may be forgiven in 2016 contingent on compliance with eligible purposes in the homeownership program. (2777M)F	20,449	28,449

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2013**

Note 14 - Continued

	<u>2013</u>	<u>2012</u>
<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	72,616	87,616
<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	117,107	160,000
<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	86,289	90,000

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2013

Note 14 - Continued

	<u>2013</u>	<u>2012</u>
<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	140,000	176,227
<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	117,781	132,781
<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	110,836	125,836
<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	195,000	

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2013

Note 14 - Continued

	<u>2013</u>	<u>2012</u>
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	29,515	31,751
<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	40,890	45,890
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	72,577	74,753
<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	17,948	18,625
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	206,873	213,230

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2013**

Note 14 - Continued

	<u>2013</u>	<u>2012</u>
<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.	61,247	63,169
<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	59,894	61,769
<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	388,079	
	<u>388,079</u>	
Total Forgivable Loans Temporarily Restricted Balance	<u>\$ 6,214,896</u>	<u>\$ 5,969,749</u>

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.

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2013**

Note 15 - Continued

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, 2013, 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	\$ -	\$ 282,790	\$ 714,962	\$ 997,752
Board designated quasi-endowment funds	1,440,126			1,440,126
Endowment Net Assets, June 30, 2013	<u>\$ 1,440,126</u>	<u>\$ 282,790</u>	<u>\$ 714,962</u>	<u>\$ 2,437,878</u>

As of June 30, 2012, 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	\$ -	\$ 213,282	\$ 714,962	\$ 928,244
Board designated quasi-endowment funds	1,380,424			1,380,424
Endowment Net Assets, June 30, 2012	<u>\$ 1,380,424</u>	<u>\$ 213,282</u>	<u>\$ 714,962</u>	<u>\$ 2,308,668</u>

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2013

Note 15 - Continued

Changes to endowment net assets for the year ended June 30, 2013, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2012	\$ 1,380,424	\$ 213,282	\$ 714,962	\$ 2,308,668
Endowment investment return-				
Interest and dividends	70,930	22,285		93,215
Realized and unrealized gains	98,428	49,528		147,956
Total endowment investment return	169,358	71,813		241,171
Transfer from quasi-endowments	(109,656)			(109,656)
Appropriation of endowment for expenditure		(2,305)		(2,305)
Endowment Net Assets, June 30, 2013	<u>\$ 1,440,126</u>	<u>\$ 282,790</u>	<u>\$ 714,962</u>	<u>\$ 2,437,878</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 requires the Agency to retain as a fund of perpetual duration. As of June 30, 2013 and 2012, 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 inflation annually. 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.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2013

Note 15 - Continued

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.

Note 16 - Affiliations

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

Beachwood Limited Partnership was formed on February 15, 1998 to construct and operate a low-income apartment complex in Marysville, Washington. Building Credits is the general partner and National Equity fund 1997 Limited Partnership (NEF), is the limited partner. Building Credits has a .01% interest, and NEF has a 99.99% interest.

According to the terms of the 1998 Beachwood Partnership agreement, Building Credits and Housing Hope are to receive the following:

- To Building Credits, a partnership management fee of \$10,000 per year, increasing by 3.5% each year. During the year ended June 30, 2013, \$15,640 in partnership fees were reflected in the consolidated financial statements.
- To Building Credits, a contingent incentive partnership management fee equal to 33 1/3% of net operating cash flow shall be set aside as the capital reserve. The general partner (Building Credits) shall be paid any capital reserve fund balance remaining available upon sale or other disposition of the project.
- To Housing Hope, a property management fee of \$10,000 each full year after the property has been placed in service, increasing by 3.5% per year. Property Management was outsourced to Coast Real Estate Services 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 Beachwood Partnership agreement.

Housing Hope entered into a 20-year lease with Beachwood Limited Partnership for five transitional apartments beginning January 1, 1999. During the year ended June 30, 2013, \$2,579 was paid to Beachwood Limited Partnership under this lease.

The Beachwood Limited Partnership has granted Housing Hope an option to purchase the Project after the 15-year compliance period for the low-income housing tax credit. If the option is exercised, the contingent incentive partnership management fee remaining in the capital reserve (item 2 above), shall be applied to payment of the purchase price. 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, 2013

Note 16 - Continued

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.

According to the terms of the Oakes Limited Partnership agreement, Building Credits and Housing Hope are to receive the following:

- To Building Credits, a partnership management fee of \$5,000 per year, with no annual escalator.
- To Building Credits, a contingent incentive partnership management fee equal to 33 1/3% of net operating cash flow shall be set aside as the capital reserve. The general partner (Building Credits) shall be paid any capital reserve fund balance remaining available upon sale or other disposition of the project.
- To Housing Hope, a property management fee of \$8,820 each full year after the property has been placed in service, increasing by 3% per year. Property Management was outsourced to Coast Real Estate Services 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 Oakes Partnership agreement.

- The Oakes Limited Partnership has granted Housing Hope an option to purchase the Project after the 15-year compliance period for the low-income housing tax credit. If the option is exercised, the contingent incentive partnership management fee remaining in the capital reserve (item 2 above), shall be applied to payment of the purchase price. 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.

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.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2013

Note 16 - Continued

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, 2013, \$12,668 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 Real Estate Services in November of 2005. Fees are paid directly to Coast by Hope Village II 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, 2013, \$9,174 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.

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, 2013, \$8,358 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 Real Estate Services 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.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2013

Note 16 - Continued

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, 2013, \$11,593 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.

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, 2013

Note 16 - Continued

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

	<i>Deferred Developer Fees</i>	<i>Notes Receivable</i>	<i>Accrued Interest</i>	<i>Less Current Portion</i>	<i>Total</i>
Hope Village II LLC	\$ -	\$ 572,431	\$ 4,424	\$ (24,255)	\$ 552,600
New Century Village		568,577	5,280	(44,395)	529,462
June 30, 2013 Total	\$ -	\$ 1,141,008	\$ 9,704	\$ (68,650)	\$ 1,082,062
June 30, 2012 Total	\$ 8,155	\$ 1,209,925	\$ 18,404	\$ (99,075)	\$ 1,137,409

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

	<i>Direct Cost</i>	<i>Partnership Mgmt Fees</i>	<i>June 30, 2013 Total</i>	<i>June 30, 2012 Total</i>
Avondate	\$ -	\$ 32,582	\$ 32,582	\$ 42,029
Beachwood	(639)	21,161	20,522	46,013
New Century Village	10	64,684	64,694	53,091
Oakes				20
June 30, 2013 Total	\$ (629)	\$ 118,427	\$ 117,798	
June 30, 2012 Total	\$ (488)	\$ 141,641		\$ 141,153

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, 2013, the Agency had deposits with the Trust of \$59,939 which are included in the consolidated statement of financial position with funds held in trust. As of June 30, 2013, the Agency estimated a liability for unpaid unemployment claims of \$43,963 which is included in accounts payable and accrued expenses in the consolidated statement of financial position.

Note 18 - Purchase and Sale Commitments

As of May 1, 2013, Purchase and Sale Agreements were in place for purchase of two lots in north Marysville for future housing developments (Twin Lakes Landing). The combined purchase price is \$1,420,000 with \$1,272,000 in financing committed by Impact Capital and the Washington State Housing Finance Commission. The balance of the purchase price and other costs will be funded by Housing Hope internal resources. Anticipated close date of purchase is October 2013.

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2013**

Note 19 - Property Lease Commitments

The Agency is the lessor to three commercial leases located at the Agency's commerce building. Lease terms range from five to ten years. Monthly lease payments range from \$690 to \$2,500 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,

2014	\$	39,972
2015		51,041
2016		51,690
2017		44,909
2018		46,194
Thereafter		<u>223,065</u>
	\$	<u><u>456,871</u></u>

SUPPLEMENTARY INFORMATION

HOUSING HOPE AND SUBSIDIARIES

Consolidating Statement of Financial Position - Assets June 30, 2013 (With Comparative Totals for 2012)

	Housing Hope	Building Credits	Housing Hope Properties	HopeWorks	Subtotal	Eliminations	2013 Consolidated Total	2012 Consolidated Total
Assets								
Current Assets:								
Cash and cash equivalents	\$ 271,051	\$ 667	\$ 512,435	\$ 285,721	\$ 1,069,874	\$ -	\$ 1,069,874	\$ 492,721
Short-term investments	254,668				254,668		254,668	202,001
Accounts receivable, net	(21,401)		523,972	83,706	586,277		586,277	534,301
Grants and contracts receivable	134,116		18,142		152,258		152,258	166,802
Due from affiliates	(629)	118,427			117,798		117,798	141,153
Current portion of notes receivable, accrued interest and deferred developer fees due from affiliates	68,650				68,650		68,650	99,075
Pledges receivable, current portion	222,343				222,343		222,343	39,636
Real estate inventory	585,000		526,205		1,111,205		1,111,205	1,491,959
Prepaid expenses	124,072			5,586	129,658		129,658	130,069
Total Current Assets	1,637,870	119,094	1,580,754	375,013	3,712,731		3,712,731	3,297,717
Assets Whose Use is Limited or Restricted:								
Assets designated by board for long-term reserves and investment in long-term assets	1,737,238				1,737,238		1,737,238	1,736,592
Assets restricted by donors for the investment in long-term assets	51,140				51,140		51,140	19,734
Assets restricted by donors for endowments and long-term reserves	1,408,463				1,408,463		1,408,463	1,348,070
Restricted reserves and deposits	284,904				284,904		284,904	204,234
Funds held in trust	215,816		104,244		320,060		320,060	151,079
Land, building, and equipment, net	30,170,431		110,754	409,206	30,690,391		30,690,391	28,764,551
Other Assets:								
Notes receivable, accrued interest and deferred developer fees due from affiliates, net of current portion	1,082,062				1,082,062		1,082,062	1,137,409
Project development costs	397,360				397,360		397,360	125,265
Investment in limited partnerships and limited liability companies		1,686,977			1,686,977		1,686,977	1,687,010
Total Assets	\$ 36,985,284	\$ 1,806,071	\$ 1,795,752	\$ 784,219	\$ 41,371,326	\$ -	\$ 41,371,326	\$ 38,471,661

See independent auditors' report.

HOUSING HOPE AND SUBSIDIARIES

Consolidating Statement of Financial Position - Liabilities and Net Assets
June 30, 2013
(With Comparative Totals for 2012)

	Housing Hope	Building Credits	Housing Hope Properties	HopeWorks	Subtotal	Eliminations	2013 Consolidated Total	2012 Consolidated Total
Liabilities And Net Assets								
Current Liabilities:								
Short-term borrowings	\$ 181,902	\$ -	\$ -	\$ -	\$ 181,902	\$ -	\$ 181,902	\$ 365,929
Accounts payable and accrued expenses	591,969		51,502	63,718	707,189		707,189	574,763
Construction payable	189,258				189,258		189,258	
Deferred revenue								10,756
Current portion of accrued interest	49,141				49,141		49,141	
Current portion of long-term debt	713,292				713,292		713,292	1,394,071
Total Current Liabilities	1,725,562		51,502	63,718	1,840,782		1,840,782	2,345,519
Accrued long-term expenses	107,196				107,196		107,196	101,605
Accrued interest on long-term debt	593,480				593,480		593,480	553,378
Long-term debt, net of current portion	20,054,606		127,185		20,181,791		20,181,791	17,255,456
Total Liabilities	22,480,844		178,687	63,718	22,723,249		22,723,249	20,255,958
Net Assets:								
Unrestricted-								
Undesignated	4,914,221	1,728,312	1,350,829	352,952	8,346,314		8,346,314	8,772,744
Designated by the Board of Directors	1,984,877			1,984,877	1,984,877		1,984,877	1,929,153
Total Unrestricted	6,899,098	1,728,312	1,350,829	352,952	10,331,191		10,331,191	10,701,897
Temporarily restricted	6,890,380	77,759	266,236	367,549	7,601,924		7,601,924	6,798,844
Permanently restricted	714,962				714,962		714,962	714,962
Total Net Assets	14,504,440	1,806,071	1,617,065	720,501	18,648,077		18,648,077	18,215,703
Total Liabilities and Net Assets	\$ 36,985,284	\$ 1,806,071	\$ 1,795,752	\$ 784,219	\$ 41,371,326	\$ -	\$ 41,371,326	\$ 38,471,661

See independent auditors' report.

HOUSING HOPE AND SUBSIDIARIES

Consolidating Statement of Activities For the Year Ended June 30, 2013 (With Comparative Totals for 2012)

	Housing Hope	Building Credits	Housing Hope Properties	HopeWorks	Subtotal	Eliminations	2013 Consolidated Total	2012 Consolidated Total
Public Support, Revenues Gains and (Losses):								
Public support-								
Contributions	\$ 1,251,141	\$ -	\$ 7,500	\$ 486,210	\$ 1,744,851	\$ -	\$ 1,744,851	\$ 1,084,890
In-kind contributions	140,223		375	12,390	152,988		152,988	168,761
In-kind contribution of the Housing Hope Village property								2,140,000
In-kind contribution of long-term assets								342,509
Forgivable loan proceeds	704,000		5,784		709,784		709,784	1,243,162
United Way	127,158				127,158		127,158	127,158
Total Public Support	2,222,522		13,659	498,600	2,734,781		2,734,781	5,106,480
Fees and grants from governmental agencies	905,620		606,358	25,000	1,536,978		1,536,978	1,652,116
Other Revenue, Gains and (Losses):								
Program service fees and rents	3,100,012			230,275	3,330,287		3,330,287	2,927,822
Management and development fees	11,999	53,259	63,548		128,806		128,806	63,596
Interest and other income (loss)	286,579	(33)	28,977		315,523		315,523	56,829
Impairment of real estate	(65,515)				(65,515)		(65,515)	(58,598)
Gain (loss) on sale of real estate inventory and other assets			372,835		372,835		372,835	(549,069)
Total Other Revenue	3,333,075	53,226	465,360	230,275	4,081,936		4,081,936	2,440,580
Total Support, Revenue and Gains and (Losses)	\$ 6,461,217	\$ 53,226	\$ 1,085,377	\$ 753,875	\$ 8,353,695	\$ -	\$ 8,353,695	\$ 9,199,176

See independent auditors' report.

HOUSING HOPE AND SUBSIDIARIES

Consolidating Statement of Activities (Continued) For the Year Ended June 30, 2013 (With Comparative Totals for 2012)

	Housing Hope		Building Credits		Housing Hope Properties		HopeWorks		Subtotal		Eliminations		2013 Consolidated Total		2012 Consolidated Total	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Expenses:																
Salary and wages	2,349,213	-	-	-	361,686	239,876	239,876	-	2,950,775	-	-	-	2,950,775	-	-	2,717,183
Payroll taxes	235,194	-	-	-	60,646	29,455	29,455	-	325,295	-	-	-	325,295	-	-	298,672
Employee benefits	330,223	-	-	-	52,773	22,185	22,185	-	405,181	-	-	-	405,181	-	-	312,851
Total Payroll Costs	2,914,630	-	-	-	475,105	291,516	291,516	-	3,681,251	-	-	-	3,681,251	-	-	3,328,706
Professional fees	533,184	-	142	-	5,497	6,088	6,088	-	544,911	-	-	-	544,911	-	-	607,650
Supplies	157,171	-	-	-	4,066	14,924	14,924	-	176,161	-	-	-	176,161	-	-	125,794
Printing and postage	94,610	-	-	-	3,195	123	123	-	97,928	-	-	-	97,928	-	-	53,465
Information technology	123,400	-	-	-	10,189	6,868	6,868	-	140,457	-	-	-	140,457	-	-	119,057
Occupancy	507,548	-	-	-	18,239	10,727	10,727	-	536,514	-	-	-	536,514	-	-	583,479
Maintenance and repairs	326,652	-	-	-	(15,366)	12,200	12,200	-	323,486	-	-	-	323,486	-	-	248,222
Equipment and furniture	77,184	-	-	-	18,991	11,590	11,590	-	107,765	-	-	-	107,765	-	-	108,362
Vehicles	11,177	-	-	-	132	14,425	14,425	-	25,734	-	-	-	25,734	-	-	20,491
Insurance	132,671	-	-	-	7,747	3,895	3,895	-	144,313	-	-	-	144,313	-	-	129,346
Education and training	21,419	-	-	-	11,405	1,388	1,388	-	34,212	-	-	-	34,212	-	-	19,641
Mileage and travel	62,526	-	-	-	13,581	1,965	1,965	-	78,072	-	-	-	78,072	-	-	67,476
Client assistance	130,286	-	-	-	603	103	103	-	130,992	-	-	-	130,992	-	-	199,233
Interest and fees	742,785	-	-	-	2,414	608	608	-	745,807	-	-	-	745,807	-	-	740,504
Taxes	64,114	-	233	-	10,897	5,897	5,897	-	81,141	-	-	-	81,141	-	-	52,661
Miscellaneous	52,927	-	-	-	13,904	3,859	3,859	-	70,690	-	-	-	70,690	-	-	49,376
Total expenses before depreciation, amortization, and impairment	5,952,284	-	375	-	580,599	386,176	386,176	-	6,919,434	-	-	-	6,919,434	-	-	6,453,463
Depreciation and amortization	991,777	-	-	-	1,740	8,370	8,370	-	1,001,887	-	-	-	1,001,887	-	-	937,034
Total Expenses	6,944,061	-	375	-	582,339	394,546	394,546	-	7,921,321	-	-	-	7,921,321	-	-	7,390,497
Net change in net assets	(482,844)	-	52,851	-	503,038	359,329	359,329	-	432,374	-	-	-	432,374	-	-	1,808,680
Net assets beginning of year	13,960,594	-	1,829,318	-	2,003,193	422,598	422,598	-	18,215,703	-	-	-	18,215,703	-	-	16,407,023
Transfer to (from)	1,026,690	-	(76,098)	-	(889,166)	(61,426)	(61,426)	-	-	-	-	-	-	-	-	-
Net Assets, End of Year	\$ 14,504,440	\$ -	\$ 1,806,071	\$ -	\$ 1,617,065	\$ 720,501	\$ 720,501	\$ -	\$ 18,648,077	\$ -	\$ -	\$ -	\$ 18,648,077	\$ -	\$ -	\$ 18,215,703

See independent auditors' report.

