



HOUSING HOPE AND SUBSIDIARIES

Consolidated Financial Statements

For the Year Ended June 30, 2015

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Independent Auditor's Report

To the Board of Directors
Housing Hope
Everett, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Housing Hope and Subsidiaries (collectively, the Agency), which comprise the consolidated statement of financial position as of June 30, 2015, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2015, and the changes in its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



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Report on Summarized Comparative Information

We have previously audited the Agency's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information, including comparative totals, shown on pages 46 to 49 is presented for purposes of additional analysis, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2015 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



Certified Public Accountants
December 28, 2015

HOUSING HOPE AND SUBSIDIARIES

Consolidated Statement of Financial Position June 30, 2015 (With Comparative Totals for 2014)

	2015	2014
Assets		
Current Assets:		
Cash and cash equivalents	\$ 796,046	\$ 1,124,327
Short-term investments (Note 4)	228,879	228,925
Accounts receivable, net of an allowance for doubtful accounts of \$17,744 (\$17,212 - 2014)	120,931	76,635
Grants and contracts receivable	185,499	153,937
Due from affiliates (Note 16)	96,120	78,165
Current portion of notes receivable, accrued interest and deferred developer fees due from affiliates (Note 16)	94,633	84,544
Current portion of notes receivable	7,678	7,396
Pledges receivable, current portion (Note 5)	100,632	77,964
Real estate inventory	1,903,305	585,010
Prepaid expenses and other current assets	45,356	166,468
Total Current Assets	3,579,079	2,583,371
Assets designated by board for long-term reserves and investment in long-term assets (Note 6)	1,970,818	2,079,088
Assets restricted by donors for investment in long-term assets (Note 9)	230,380	354,819
Assets restricted by donors for endowments and long-term reserves (Note 9)	1,480,477	1,474,697
Self-help family loans receivable	528,666	529,022
Restricted reserves and deposits (Note 3)	286,421	302,378
Funds held in trust	124,249	146,749
Land, buildings, and equipment, net (Note 10)	34,520,727	32,986,562
Notes receivable, accrued interest and deferred developer fees due from affiliates, net of current portion (Note 16)	1,459,015	1,298,397
Notes receivable, net of current portion	377,924	385,603
Project development costs (Note 11)	2,093,868	1,794,369
Investment in limited partnerships and limited liability companies	1,339,722	1,587,030
Total Assets	\$ 47,991,346	\$ 45,522,085
Liabilities and Net Assets		
Current Liabilities:		
Short-term borrowings (Note 12)	\$ 1,464,881	\$ 363,337
Accounts payable and accrued expenses	666,727	655,765
Construction payable		57,303
Current portion of accrued interest	72,368	62,109
Current portion of long-term debt (Note 13)	493,237	428,718
Total Current Liabilities	2,697,213	1,567,232
Accrued long-term expenses	106,588	106,633
Accrued interest on long-term debt	810,583	685,675
Long-term debt, net of current portion (Note 13)	24,273,082	23,531,247
Total Liabilities	27,887,466	25,890,787
Net Assets:		
Unrestricted-		
Undesignated	9,856,645	9,253,682
Designated by the Board of Directors (Note 6)	2,492,850	2,352,921
Total unrestricted	12,349,495	11,606,603
Temporarily restricted (Note 7)	6,868,454	7,167,363
Permanently restricted (Note 8)	885,931	857,332
Total Net Assets	20,103,880	19,631,298
Total Liabilities And Net Assets	\$ 47,991,346	\$ 45,522,085

See accompanying notes.

HOUSING HOPE AND SUBSIDIARIES

Consolidated Statement of Activities For the Year Ended June 30, 2015 (With Comparative Totals for 2014)

	2015			Total	2014 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Operating Activities					
Support, Revenue and Gains:					
Contributions	\$ 1,319,632	\$ 655,622	\$ 28,599	\$ 2,003,853	\$ 1,330,680
In-kind contributions	263,407			263,407	257,333
United Way	144,500			144,500	144,500
Fees and grants from governmental agencies	1,518,634			1,518,634	1,579,816
Program service fees and rents	3,893,350			3,893,350	3,562,174
Management and development fees	60,679			60,679	187,095
Interest and other income	69,014	12,120		81,134	445,750
Total Operating Support, Revenue and Gains	7,269,216	667,742	28,599	7,965,557	7,507,348
Net assets released from restrictions	652,815	(652,815)			
Total Operating Support, Revenue and Gains	7,922,031	14,927	28,599	7,965,557	7,507,348
Expenses:					
Housing development	665,002			665,002	710,770
Property management	3,683,468			3,683,468	3,467,831
Social services	2,756,771			2,756,771	2,638,262
HopeWorks	940,766			940,766	741,986
Resource development	451,510			451,510	395,734
Administration	723,569			723,569	660,401
Total Operating Expenses					
(Including depreciation and amortization of \$1,248,318 and \$1,097,181 for 2015 and 2014, respectively)	9,221,086			9,221,086	8,614,984
Change in Net Assets From Operating Activities	(1,299,055)	14,927	28,599	(1,255,529)	(1,107,636)
Nonoperating Activities					
Forgivable loan proceeds					8,000
Release of restricted assets - forgivable loan amortization	185,756	(185,756)			
Contributions for the acquisition of long-term assets		619,895		619,895	314,546
Net assets released from restriction for the acquisition of long-term assets	747,975	(747,975)			
(Loss) gain on the sale of real estate inventory and other assets	(299)			(299)	473,147
Impairment of fixed assets and real estate inventory	(247,477)			(247,477)	(70,937)
In-kind contribution of long-term assets	122,057			122,057	175,112
In-kind contribution of property and other assets (Note 16)	1,233,935			1,233,935	1,190,989
Change in Net Assets From Nonoperating Activities	2,041,947	(313,836)		1,728,111	2,090,857
Change in Net Assets	742,892	(298,909)	28,599	472,582	983,221
Net assets, beginning of year	11,606,603	7,167,363	857,332	19,631,298	18,648,077
Net Assets End of Year	\$ 12,349,495	\$ 6,868,454	\$ 885,931	\$ 20,103,880	\$ 19,631,298

See accompanying notes.

HOUSING HOPE AND SUBSIDIARIES

**Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)**

	Program Services				Total Program Services	Supporting Services			2015 Total	2014 Total
	Housing Development	Property Management	Social Services	HopeWorks		Resource Development	Administration	Total Supporting Services		
Personnel:										
Salary and wages	\$ 440,264	\$ 105,624	\$ 1,747,633	\$ 489,072	\$ 2,782,593	\$ 297,654	\$ 499,472	\$ 797,126	\$ 3,579,719	\$ 3,409,211
Payroll taxes	48,657	11,811	163,788	50,933	275,189	23,890	42,632	66,522	341,711	328,471
Employee benefits	48,590	17,807	228,637	23,538	318,572	24,662	37,160	61,822	380,394	375,589
Total Personnel	537,511	135,242	2,140,058	563,543	3,376,354	346,206	579,264	925,470	4,301,824	4,113,271
Professional fees	7,832	531,101	62,449	6,527	607,909	1,613	21,379	22,992	630,901	566,149
Supplies	3,185	4,591	123,565	10,732	142,073	22,922	14,133	37,055	179,128	266,299
Printing and postage	3,822	3,965	12,337	553	20,677	25,037	2,775	27,812	48,489	46,631
Information technology	8,295	36,090	66,243	15,793	126,421	6,159	36,430	42,589	169,010	158,904
Occupancy	18,771	458,209	36,502	26,524	540,006	1,799	3,011	4,810	544,816	601,524
Maintenance and repairs	4,818	335,338	60,263	8,928	409,347	1,855	3,154	5,009	414,356	335,693
Equipment and furniture	37,821	124,042	3,703	20,025	185,591		262	262	185,853	104,967
Vehicles	81	322	11,808	19,277	31,488	10	700	710	32,198	38,252
Insurance	4,383	117,267	17,812	14,320	153,782	2,573	2,234	4,807	158,589	143,652
Education and training	15,195	3,999	6,392	2,049	27,635	3,818	2,447	6,265	33,900	23,763
Mileage and travel	14,983	22,490	37,462	3,237	78,172	1,783	1,632	3,415	81,587	77,035
Client assistance		686	113,192	174	114,052	8	5	13	114,065	70,425
Interest, taxes and fees	2,522	753,957	20,136	95,254	871,869	8,736	19,091	27,827	899,696	863,152
Marketing and advertising	2,439	250	2,383	17,589	22,661	19,441	2,326	21,767	44,428	41,658
Miscellaneous	3,344	36,724	3,871	71,351	115,290	9,550	9,088	18,638	133,928	66,428
Total Expenses Before Depreciation and Amortization	665,002	2,564,273	2,718,176	875,876	6,823,327	451,510	697,931	1,149,441	7,972,768	7,517,803
Depreciation and amortization		1,119,195	38,595	64,890	1,222,680		25,638	25,638	1,248,318	1,097,181
	\$ 665,002	\$ 3,683,468	\$ 2,756,771	\$ 940,766	\$ 8,046,007	\$ 451,510	\$ 723,569	\$ 1,175,079	\$ 9,221,086	\$ 8,614,984

See accompanying notes.

HOUSING HOPE AND SUBSIDIARIES

Consolidated Statement of Cash Flows For the Year Ended June 30, 2015 (With Comparative Totals for 2014)

	2015	2014
Cash Flows From Operating Activities:		
Change in net assets	\$ 472,582	\$ 983,221
Adjustment to reconcile change in net assets to net cash provided by operating activities-		
Realized and unrealized losses (gains)	72,227	(283,128)
Contributions for long-term purposes	(619,895)	(314,546)
In-kind contribution of long-term assets	(1,218,015)	(1,366,101)
Forgivable loan proceeds		(8,000)
Loss (gain) on sale of real estate inventory and other assets	299	(473,146)
Depreciation and amortization	1,248,318	1,097,181
Impairment of fixed assets	247,477	70,937
Decrease (increase) in assets:		
Accounts receivable	(44,296)	(14,330)
Grants and contracts receivable	(31,562)	(1,679)
Pledges receivable	(22,668)	144,379
Prepaid expenses	121,112	(36,810)
Self-help family loans receivable	356	(5,050)
Funds held in trust	22,500	173,311
Due from affiliates	(17,955)	39,633
Increase (decrease) in liabilities:		
Accounts payable, other accrued expenses and deferred revenue	146,084	8,824
Construction payable	(57,303)	
Net Cash Provided By Operating Activities	319,261	14,696
Cash Flows From Investing Activities:		
Purchase of property, equipment and rehabilitation of property	(295,884)	(442,045)
Acquisition of predevelopment costs	(612,041)	(3,610,675)
Investment in real estate inventory	(2,151,071)	(212,938)
Proceeds from sale of real estate inventory	585,000	850,000
Repayment of notes receivable	2,188,415	501,329
Issuance of notes receivable	(2,351,725)	
Investment in limited partnerships and limited liability companies	25	29
Proceeds from sale of short-term investments	46	25,743
Proceeds from sale of property, equipment and rehabilitation of property		100,000
Net withdrawals of (deposits to) restricted reserves	15,957	(17,474)
Net change in assets whose use is limited or restricted-		
By board for long-term reserves and investment in long-term assets	108,270	(341,850)
By donors for reserves and investment in long-term assets	46,432	(86,785)
Net Cash Used By Investing Activities	(2,466,576)	(3,234,666)
Cash Flows From Financing Activities:		
Proceeds from issuance of long-term debt	845,192	3,641,100
Repayment of long-term debt	(747,597)	(870,658)
Proceeds from short-term borrowings	1,115,000	355,500
Repayment of short-term borrowings	(13,456)	(174,065)
Forgivable loan proceeds		8,000
Contributions received for long term purposes	619,895	314,546
Net Cash Provided By Financing Activities	1,819,034	3,274,423
Net Change in Cash and Cash Equivalents	(328,281)	54,453
Cash and cash equivalents, beginning of year	1,124,327	1,069,874
Cash and Cash Equivalents, End of Year	\$ 796,046	\$ 1,124,327
Supplemental Disclosures:		
Cash paid during the year for interest	\$ 739,835	\$ 689,958
Predevelopment costs acquired for which accounts payable existed at year end	\$ -	\$ 57,303

See accompanying notes.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

Note 1 - Organization and Purpose

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

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

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

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

HopeWorks Social Enterprises (HopeWorks) was incorporated in the State of Washington on January 11, 2011 as a Washington not-for profit corporation to promote and provide employment and education services for individuals needing assistance, in order to obtain and maintain increased income. HopeWorks' first social enterprise, GroundWorks, provides landscaping services for 72 properties. WaterWorks Irrigation Services provides irrigation, design and maintenance services. ReNewWorks Home and Décor is a consignment store established during 2013 in temporary space and relocated to a newly renovated Broadway location in September 2014. It is the intention of the Agency to create additional social enterprises that will have a "double bottom line" of financial viability and mission related training and employment opportunities for homeless and low-income adults. HopeWorks acquired property in March 2014 to be used as headquarters and operating space for its social enterprises. Adjacent land has also been purchased for future construction of residential and commercial space. All HopeWorks board members are appointed by the Housing Hope Board of Directors.

The Agency provides the following service programs:

Housing Development - The development of new housing units is accomplished through securing land and properties for construction or rehabilitation. During the year ended June 30, 2015, Housing Hope's began predevelopment on Twin Lakes Landing development project. Once project financing is secured for Twin Lakes Landing, Housing's Hope's ownership interest will be transferred to Housing Hope Properties as Managing Member of Twin Lakes Landing, LLC. Predevelopment work continued for the new construction project, HopeWorks Station, and planning began for rehabilitation at the Beachwood Apartments, Oakes Apartments, and Kennedy Court Apartments.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

Note 1 - Continued

Team HomeBuilding - The Team HomeBuilding Housing program is included in the Housing Development column on the consolidated statement of functional expenses. This home ownership program is funded through the United States Department of Agriculture Rural Development (USDA-RD) Sec. 523 Technical Assistance Grant. The program participants receive a federally assisted USDA-RD direct Section 502 loan that enables families to use their own labor instead of a down payment to reach their goal of home ownership. Using a collective process of owner-builder home construction, Team HomeBuilding assists groups of 5 to 10 families as they work together to build homes. During the year ended June 30, 2015, 10 lots were sold to new Team HomeBuilding participants at Monroe Main Street Townhomes, a development located in Monroe, Washington.

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, 2015, households living in Housing Hope facilities (including tax credit properties) totaled 351 in 233 low-income, 112 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, 2015, the Agency provided 5,938 emergency shelter bednights to 91 individuals in 29 households and 144,879 transitional housing bednights to 626 individuals in 205 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 the Tomorrows Hope Child Development Center. 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, 2015, 175 children were provided 132,302 childcare hours. The programs are included in the Social Services column on the consolidated statement of functional expenses.

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

Note 2 - Summary of Significant Accounting Policies

The significant accounting policies of the Agency are described below:

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

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

Note 2 - Continued

The Agency is the General Partner or Managing Member in a number of low-income housing tax credit entities. The Agency reviewed the applicable guidance under accounting principles generally accepted in the United States of America (U.S. GAAP) and concluded that the Limited Partner or Investing Member possesses substantive participating rights and the Agency retains a minority ownership interest both of which preclude consolidation. The Agency's investment in those limited partnerships and limited liability companies is therefore recorded on the equity method. See Note 16 for further description of the low income housing tax credit entities.

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

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

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

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be maintained permanently by the Agency.

Use of Estimates - The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

Self-Help Family Loans Receivable - As of June 30, 2015 and 2014 \$528,666 and \$529,022 in self-help family loans, respectively, related to the Team Home Building program. The self-help family loans are forgiven by the Agency after 25 years, unless the related property is sold. If sold, the funds are repaid to the Agency at that time.

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

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

Note 2 - Continued

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

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

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

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

Real Estate Inventory - As part of normal operations, the Agency purchases land that will be developed as part of the Team HomeBuilding program. This land is recorded at the lower of cost or fair market value. In accordance with U.S. GAAP, impairment losses of \$247,477 and \$70,937 for the years ended June 30, 2015 and 2014, respectively, were recognized and reported in the consolidated statement of activities.

Federal Income Taxes - The Agency has been notified by the Internal Revenue Service that it is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax is reflected in these consolidated financial statements.

Retirement Plan - The Agency sponsors a 403(b) tax deferred annuity plan (the Plan). All employees may participate on a voluntary basis, there is no age or service requirement. Housing Hope's Board of Directors may authorize the Agency to match the employee's contribution, up to a given percentage based on years of service. During the year ended June 30, 2015 and 2014, the Agency contributed \$35,285 and \$38,379, respectively, to the Plan.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

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, 2015, a substantial number of volunteers, including members of the Board of Directors, donated 4,140 hours (unaudited) to the Agency program services and fund-raising campaigns, with an additional 18,667 hours (unaudited) donated on behalf of the Team HomeBuilding building groups. However, only donated services that meet the criteria for recognition under U.S. GAAP are reflected in the accompanying consolidated financial statements and at the fair values at the time of donation. The estimated value of such services is recorded as donated service revenue and as a cost of services, provided either of the following qualifications is met:

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

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

	<u>2015</u>	<u>2014</u>
Donated goods, services, & long-term assets -		
Housing Development and Team Home Building	\$ -	\$ 155,200
Donated goods & services - Tomorrow's Hope Childcare Center	12,299	14,544
Donated goods & services - Administration	12,891	1,205
Donated goods & services - Fundraising	20,736	30,334
Donated goods & services - Property Management	104	524
Donated goods, services, & long term-assets - HopeWorks	78,103	28,684
Donated goods for resale - ReNewWorks	53,025	16,020
Donated software and hardware - Technology	70,569	4,850
Donated goods & services - Social Services and Client Assistance	92,887	116,309
Donated property - Beachwood Apartments	1,233,935	1,190,989
Donated social investor imputed interest	44,850	64,775
	<u>\$ 1,619,399</u>	<u>\$ 1,623,434</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 15% and 20% of total unrestricted public support and revenue (not including gains and losses generated by the sale of fixed assets and in-kind donations of long term assets or property) for the years ended June 30, 2015, and 2014, respectively, was received from these grantors. The receipt of governmental funding is subject to audit by various governmental agencies, the outcome of which is not known until the audits are completed. Management is aware of these risks and has contingency plans available.

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

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

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.

Reclassifications - Certain accounts in the June 30, 2014 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the change in net assets for the year ended June 30, 2014.

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, 2014, from which the summarized information was derived.

Subsequent Events - The Agency has evaluated subsequent events through December 28, 2015, the date on which the consolidated financial statements were available to be issued.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

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>2015</u>	<u>2014</u>
WCRA maintenance and operating reserves	\$ 162,217	\$ 159,280
Security deposits	95,838	102,901
Parkwood Rural Community Assistance Corporation reserves	11,558	
Banner Bank reserves for Beachwood units	3,785	27,171
Mountain Pacific reserves for Fleming duplexes	13,023	13,026
	<u><u>\$ 286,421</u></u>	<u><u>\$ 302,378</u></u>

Note 4 - Investments

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

	<u>2015</u>	<u>2014</u>
Short-term investments	\$ 228,879	\$ 228,925
Assets designated by board for long-term reserves and investment in long-term assets	1,247,387	1,383,504
Assets restricted by donors for endowments and long-term reserves	1,218,867	1,184,131
	<u><u>\$ 2,695,133</u></u>	<u><u>\$ 2,796,560</u></u>

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

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 150,117	\$ 82,775
Realized and unrealized (losses) gains	(72,227)	283,128
Investment management fees	(21,815)	(21,992)
	<u><u>\$ 56,075</u></u>	<u><u>\$ 343,911</u></u>

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

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

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, 2015.

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, 2015

Note 4 - Continued

Fair Values Measured on a Recurring Basis - Fair values of assets measured on a recurring basis at June 30, 2015 and 2014, were as follows:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 189,986	\$ -	\$ -	\$ 189,986
Mutual funds-				
Large cap growth	269,235			269,235
Large cap value	192,514			192,514
Small/medium cap growth	79,503			79,503
Small/medium cap value	81,775			81,775
International	205,939			205,939
Blend	29,784			29,784
Currency	112,798			112,798
Fixed income	583,676			583,676
Other	53,127			53,127
Total mutual funds	1,608,351			1,608,351
Marketable equity securities-				
Information technology	206,459			206,459
Industrial	400,040			400,040
Healthcare	53,018			53,018
Financial	86,838			86,838
Energy	51,834			51,834
Consumer discretionary	98,607			98,607
Total marketable equity securities	896,796			896,796
Total June 30, 2015	\$ 2,695,133	\$ -	\$ -	\$ 2,695,133
Total June 30, 2014	\$ 2,796,560	\$ -	\$ -	\$ 2,796,560

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

Note 5 - Pledges Receivable

Pledges receivable at June 30, 2015, are as follows:

Receivable in less than one year	\$	148,485
Receivable in one to five years		<u>155,653</u>
Total pledges receivable		304,138
Less discounts to net present value		(5,987)
Less allowance for uncollectible pledges receivable		<u>(8,967)</u>
Net Pledges Receivable	\$	<u>289,184</u>

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

As of June 30, 2015, pledges receivable were reported in the consolidated statement of financial position as follows:

Pledges receivable, current portion	\$	100,632
Assets designated by board for long-term reserves and investment in long-term assets		2,454
Assets restricted by donors for investment in long term assets		14,453
Assets restricted by donors for endowments and long-term reserves		<u>171,645</u>
	\$	<u>289,184</u>

Note 6 - Board Designated Net Assets

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

	<u>2015</u>	<u>2014</u>
Working capital and other reserves	\$ 320,960	\$ 510,637
Reserve for the replacement or repair of long-term assets	402,517	225,184
Board designated quasi-endowment	<u>1,769,373</u>	<u>1,617,100</u>
	<u>\$ 2,492,850</u>	<u>\$ 2,352,921</u>

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

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>2015</u>	<u>2014</u>
Investments and cash	\$ 1,968,364	\$ 2,074,088
Pledges receivable	<u>2,454</u>	<u>5,000</u>
	<u>\$ 1,970,818</u>	<u>\$ 2,079,088</u>

Note 7 - Temporarily Restricted Net Assets

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

	<u>2015</u>	<u>2014</u>
Reserves for program services	\$ 599,364	\$ 594,214
Acquisition of long-term assets	230,380	354,819
Endowment earnings (Note 15)	332,935	326,799
Forgivable loans	<u>5,705,775</u>	<u>5,891,531</u>
	<u>\$ 6,868,454</u>	<u>\$ 7,167,363</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>2015</u>	<u>2014</u>
Acquisition of long-term assets	\$ 747,975	\$ 33,803
Reserves for program expenses	652,815	849,837
Forgivable loan amortization	<u>185,756</u>	<u>331,365</u>
	<u>\$ 1,586,546</u>	<u>\$ 1,215,005</u>

Note 8 - Permanently Restricted Net Assets

At June 30, 2015 and 2014, the Agency had \$885,931 and \$857,332, respectively of permanently restricted net assets. The income from the investment of these assets may be used to fund operations. See Note 15 for further disclosure of the Agency's permanently restricted endowment funds.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

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>2015</u>	<u>2014</u>
Investments and cash	\$ 1,308,832	\$ 1,313,946
Pledges receivable	171,645	160,751
	<u><u>\$ 1,480,477</u></u>	<u><u>\$ 1,474,697</u></u>

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

	<u>2015</u>	<u>2014</u>
Investments and cash	\$ 215,927	\$ 150,974
Pledges receivable	14,453	203,845
	<u><u>\$ 230,380</u></u>	<u><u>\$ 354,819</u></u>

Note 10 - Land, Buildings, and Equipment

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

	<u>2015</u>	<u>2014</u>
Land	\$ 7,423,971	\$ 7,157,211
Buildings and improvements	34,392,526	32,245,041
Furniture and equipment	1,088,432	873,026
Vehicles	202,464	110,831
	43,107,393	40,386,109
Less accumulated depreciation	<u>(8,586,666)</u>	<u>(7,399,547)</u>
Land, Buildings, and Equipment, Net	<u><u>\$ 34,520,727</u></u>	<u><u>\$ 32,986,562</u></u>

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2015**

Note 11 - Project Development Costs

Predevelopment costs have been incurred for the Twin Lakes Landing project in Marysville and the HopeWorks Station remodel in Everett. The accumulated development costs for the Twin Lakes Landing and HopeWorks Station projects at June 30, 2015 were \$1,842,526 and \$251,342, respectively, totaling \$2,093,868.

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% (3.86% at June 30, 2015), with a maturity date due upon demand. At June 30, 2015 and 2014, there was an outstanding balance of \$349,881.

Chase Bank Loan 00451885537003 - During the year ended June 30, 2015, the Agency paid in full the outstanding balance of \$13,456 which was owed for the purchase of a vacant lot as part of the HopeWorks Station acquisition. As of June 30, 2015 the loan was paid in full.

Rural Community Assistance Corporation Loan 0826-HH-01 - During the year ended June 30, 2015, the Agency obtained a loan in the amount of \$1,115,000 for the purchase of 14 finished lots in the Parkwood Estates project, with 4.75% interest payable monthly and all principal and all accrued interest due and payable April 1, 2016.

Note 13 - Long-Term Debt

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

	2015	2014
<u>ACQUISITION AND PREDEVELOPMENT LOANS</u>		
<u>US Bank</u>		
<u>Community Development Investment/EQ2 Loan 0000000026</u>		
Community development equity-equivalent debt investment (EQ2) loan to fund the Housing Opportunity Fund (HOF). Initial unsecured 10-year loan (to 2018) at fixed interest rate of 4% paid quarterly with 5 additional 1-year extensions available on request. (2502)	\$ 150,000	\$ 150,000
<u>Community Frameworks HHP-11-2</u>		
Community Frameworks Self-Help Homeownership Opportunity Program loan to fund eligible expenses of the Hegger Project in Monroe, Washington. 10-year loan secured by deed of trust on real estate with interest at 0%. Loan is forgivable at maturity date of December 29, 2024. (2777T)	105,000	
<u>Community Frameworks HHP-12-1</u>		
Community Frameworks Self-Help Homeownership Opportunity Program loan to fund eligible expenses of the Parkwood Estates Project in Arlington, Washington. 10-year loan secured by deed of trust on real estate with interest at 0%. Loan is forgivable at maturity date of April 1, 2025. (2777U)	210,000	

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

Note 13 - Continued

	<u>2015</u>	<u>2014</u>
<u>HOME/ADDI HCD-10-42-5789-048</u> Mortgage payable secured by real property an original amount of \$88,200, with \$72,216 having been drawn as of June 30, 2014, and all payments deferred and principal and interest at 0% to be paid at the end of the program when determined, subject to rent restriction covenant agreement. (2778C)	88,200	72,216
TWIN LAKES LANDING		
<u>State of Washington Housing Finance Commission</u> <u>LAP 2013-27</u> Note payable secured by real property "Twin Lakes Landing II" with all payments deferred and principal and interest at 1% due and payable at the maturity date of October 31, 2021. (2607)	708,525	708,525
<u>Impact Capital Pre-Development Loan</u> <u>2013202</u> Note payable secured by real property "Twin Lakes Landing I" with monthly interest only payments due at 6.5%, for 36 months, maturity date September 30, 2016, with a single 12-month extension available to September 30, 2017. (2608)	567,000	567,000
<u>Impact Capital Pre-Development Loan</u> <u>2014206</u> Note payable secured by real property "Twin Lakes Landing I" with interest at 0.0%, with maximum draws of \$85,000. Principal payments deferred until maturity date of March 1, 2018. (2608A)	74,416	
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
BEACHWOOD		
The mortgage and notes payable below were assumed in the acquisition of Beachwood during the year ended June 30, 2014 as further described in Note 16.		

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

Note 13 - Continued

	<u>2015</u>	<u>2014</u>
<u>Banner Bank</u> Mortgage payable to Banner Bank in the original amount of \$460,000; secured by a first deed of trust on the real property, assignment of rents and security interest in personal property; payable in monthly installments of \$2,945, including interest at 6.625%; matures January 1, 2029. (2750A)	316,042	329,946
<u>State of Washington Department of Commerce</u> <u>From Housing Finance Unit funds</u> Note payable in the original amount of \$190,000; secured by deed of trust on real estate, subject to a low-income housing covenant. Annual payments of \$4,847 including interest at 1%, and due in full in 2048. (2762A)	139,134	142,556
<u>State of Washington Department of Commerce</u> <u>From HOME Program fund. Tier B</u> Note payable in the original amount of \$210,000 secured by a deed of trust on real estate subject to a low-income housing covenant. Interest at 1% accrued until December 31, 2004, balance then amortized over 45 years. Annual payments of \$6,115, including interest at 1%, through maturity at December 31, 2048. (2762B)	175,512	179,829
<u>Snohomish County</u> <u>From HOME Program fund 1997 #7</u> Note payable in the original amount of \$375,000, secured by deed of trust on real property; non-interest bearing and subject to a rent restriction covenant. Note was amended March 2011 to have the option to forgive principal and interest at maturity, January 2049, provided the agency remains in compliance with provisions of the note and HOME agreement. (2710E)	375,000	375,000
COMMERCE BUILDING		
<u>Washington Community Reinvestment Association</u> <u>(WCRA) 2-090323</u> Mortgage payable secured by real property "Commerce Building," original amount of \$880,000, 6.625% interest, monthly principal and interest payments of \$5,635 through May 1, 2035. (2725J)	823,871	836,450

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

Note 13 - Continued

	<u>2015</u>	<u>2014</u>
<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)	368,900	380,800
<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
<u>City of Everett CHIP</u> <u>Commerce Building Rehab - Windows</u> Note payable secured by real property "Commerce Building," with all payments deferred and principal and interest at 3% due and payable November 14, 2044. (2725C)	389,870	389,870
<u>City of Everett</u> <u>Energy EECBG/ARRA Commerce Building</u> Note payable secured by real property "Commerce Building," with all payments deferred and principal and interest at 3% due and payable November 14, 2044. (2725E)	90,000	90,000
<u>City of Everett CHIP</u> <u>Energy EECBG/ARRA Commerce Building - Loan 54167</u> Note payable secured by real property "Commerce Building," with all payments deferred and principal and interest at 3% due and payable November 14, 2044. (2726)	395,147	395,147

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

Note 13 - Continued

	<u>2015</u>	<u>2014</u>
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	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)	487,081	496,049
HOPE VILLAGE		
<u>Opus Bank 5303050211</u> Assigned mortgage payable in the original amount of \$800,000, interest of 6.7%, monthly installments of principal and interest in the amount of \$6,267 are payable through November 2017, secured by deed of trust on the real property. (2745C)	166,311	228,043
<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)	195,000	210,000
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

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2015**

Note 13 - Continued

	2015	2014
<u>City of Everett CDBG</u>		
<u>City of Everett CDBG</u>		
Assigned note payable under the Community Development Block Grant Program, noninterest bearing, principal due upon maturity at November 2027, collateralized by investment in real estate. (2745B)	100,200	100,200
<u>Snohomish County HUD</u>		
Assigned note payable under the HUD Supportive Housing Loan program, noninterest bearing, principal due upon maturity at November 2047, collateralized by investment in real estate. (2745E)	400,000	400,000
<u>Snohomish County OCHD HOME</u>		
Assigned note payable under the HUD HOME Investment Partnerships Program, noninterest bearing, principal due upon maturity at November 2047, collateralized by investment in real estate. (2745D)	289,000	289,000
<u>Snohomish County Housing Trust Fund</u>		
Assigned note payable, noninterest bearing, principal due upon maturity at November 2047, collateralized by investment in real estate. (2745F)	154,800	154,800
HOPEWORKS SOCIAL INVESTORS		
Collateral backed notes secured by real property "HopeWorks Station", quarterly interest only payments at an annual rate of 2% for 3 years and increasing to 3% thereafter until the maturity date, principal payable in full at the maturity in January 2019, five years after the due date of the first interest payment. (2617)		
A present value discount of \$80,186 and \$59,978 has been recognized and reported at June 30, 2015 and 2014, respectively, on the social investor notes due to the below market interest rate loans.	1,200,000	740,000
HOPEWORKS STATION		
<u>Chase Bank 5451885537002</u>		
Note payable secured by real property "3331 Broadway Ave, Everett, WA", due in 35 monthly installments of \$5,526, including principal and interest at a variable rate set annually using the Treasury Security rate (3.63% for 2015), until March 5, 2017. During the year ended June 30, 2015, an additional \$277,067 principal payment was made. (2490)	586,013	925,923

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

Note 13 - Continued

	<u>2015</u>	<u>2014</u>
<u>YMCA of Snohomish County</u> Note payable secured by real property "3311 Broadway Ave, Everett, WA", due in annual installments of \$50,000 including principal and interest at 5%, first payment due March 1, 2015, final payment due March 1, 2016. (2497)	67,205	115,000
<u>Opus Bank 50-0130628281</u> Note payable secured by real property "Lervick Family Village" due in monthly installments including principal and interest at a variable rate set annually, at 3% over the 12th District Savings Institutions Cost of Funds Index, and with a maturity date of February 1, 2026. The current monthly payment is \$475 at a rate of 4.25%. (2770F)	48,424	52,063
<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)	216,320	223,080
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
<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)	1,910,358	1,933,425

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

Note 13 - Continued

	<u>2015</u>	<u>2014</u>
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 "Maple Leaf Meadows" property. Due in monthly installments of \$10,097 including principal and interest at 5.29%, with a balloon payment due July 2018. (2602E)	1,399,996	1,444,726
MT. BAKER VIEW		
<u>BBCN Bancorp</u> <u>WSHFC #504 STEP Bond - Series 2010</u>		
Bond secured by real property "Mt. Baker View" due in monthly installments including principal and interest at 4.5%, fiscal agent fees of \$500 per year, and bond issuer fees at .25% calculated annually on the principal balance at July 1st. Current monthly payment including fees is \$6,633. The fiscal agent is U.S. Bank and is privately placed. Maturity date October 1, 2040. (2540B)	1,147,789	1,171,561
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, 2015

Note 13 - Continued

	<u>2015</u>	<u>2014</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)	534,178	551,998
<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. (2600E)	200,000	200,000
OAKES AVENUE COMMONS		
The mortgage and notes payable below were assumed in the acquisition of Oakes during the year ended June 30, 2015 as further described in Note 16.		
<u>City of Everett</u> <u>CDBG #1</u> Note payable secured by real property "3129 Oakes Avenue" with all payments deferred and principal and interest at 3% due December 31, 2028, subject to a very low-income use provision. (2730)	38,918	
<u>State of Washington Department of Commerce</u> <u>02-49300-075</u> Note payable secured by real property "Oakes Avenue Commons" with all payments deferred for 25 years with interest at 0% and a maturity date of June 30, 2050. (2745)	669,841	
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)	1,117,751	1,139,401

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

Note 13 - Continued

	<u>2015</u>	<u>2014</u>
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 due and payable beginning June 30, 2043 and ending March 31, 2053. (2781B)	500,000	500,000
<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	600,000
<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)	532,641	532,641
<u>Washington Community Reinvestment Association</u> <u>(WCRA) B-120364 Nonprofit Housing Revenue Bond, Series 2012</u>		
Note payable in the original amount of \$1,713,769 secured by real property "Pilchuck Place Townhomes" and "Woods Creek Village Apartments" due in monthly payments of \$9,331 including principal and interest at 5.125%. Maturity date is September 1, 2042. (2783A and 2783B)	1,642,628	1,669,662
TOMORROW'S HOPE		
<u>Bank of America</u> <u>#003140373 - WSHFC OID#02-01 STEP Bond</u>		
Original amount of \$860,000 secured by Deed of Trust to Bank of America on "Tomorrow's Hope Childcare Center" property. Due in monthly installments of \$4,496 including principal and interest at 2.708% maturing April 1, 2027. (2752C)	545,780	584,390

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2015**

Note 13 - Continued

	<u>2015</u>	<u>2014</u>
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)	5,733	5,903
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)	464,625	474,743
<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)	226,903	231,850
<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>Opus Bank loan 5305021082</u>		
Note payable secured by real property "Sultan 5-plex" with interest at 5.81% payable in 239 monthly payments of \$1,584 beginning June 5, 2005 and a balloon payment of unpaid balance of principal and interest due on May 5, 2025. (2787A)	221,861	227,615
Total	24,846,505	24,019,943
Less current portion	(493,237)	(428,718)
Less present value discount	(80,186)	(59,978)
Long-Term Debt, Net	<u>\$ 24,273,082</u>	<u>\$ 23,531,247</u>

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

Note 13 - Continued

Principal maturities are as follows:

For the Year Ending June 30,

2016	\$ 493,237
2017	939,120
2018	522,525
2019	1,458,961
2020	475,251
Thereafter	<u>20,957,411</u>
	<u>\$ 24,846,505</u>

The Agency has multiple very low interest or noninterest bearing notes held by governmental agencies. If reported, the in-kind contributions and mortgage interest expenses related to these notes would have been \$318,742 and \$312,346 for the years ended June 30, 2015 and 2014, respectively. There is no impact on earnings or on ending net assets as a result of the use of this accounting method. The Agency has elected not to recognize the in-kind contribution on these notes as interest rates are set by the governmental agencies and are representative of the conditions placed on the related notes, resulting in the interests rates not being considered below market due to the additional conditions.

Note 14 - Forgivable Loans

The Agency received cumulative forgivable loan proceeds of \$8,702,262 through the years ended June 30, 2015 and 2014. 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, 2015, the Agency is in compliance with the restrictions. During the year ended June 30, 2015, the Agency was notified by Community Frameworks that while their loans are forgivable, their donor intent was to treat these forgivable loans as long-term debt and not as a contribution. Accordingly per agreement with Community Frameworks, the Agency is now reporting all new forgivable loans from Community Frameworks as long term debt and any previous forgivable loans recognized as contributions have ceased release of these restrictions until maturity date in accordance with donor wishes.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

Note 14 - Continued

Forgivable loans are as follows at June 30:

	<u>2015</u>	<u>2014</u>
ARLINGTON		
<u>State of Washington Department of Commerce</u> <u>HTF HAP 2-92-410-8A</u>		
Note payable secured by real property "Arlington," with original amount of \$120,000 and all payments deferred and principal and interest at 0% to be forgiven in 2018 subject to a low-income housing agreement. (2710A)F	\$ 16,188	\$ 20,988
<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	3,960	6,240
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% forgiven in 2014 subject to use as transitional and permanent housing for formerly homeless teen parents under the age of 24. Mortgage payable was forgiven during the year ending June 30, 2015. (2721)F		777
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	335,224	352,325

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

Note 14 - Continued

	<u>2015</u>	<u>2014</u>
HOPE VILLAGE II		
<u>State of Washington</u> <u>OCD 02-49300-129 (HFT #2)</u> Note payable secured by real property "Hope Village II" with original amount of \$130,000 and all payments deferred and principal and interest at 0% to be forgiven in 2043 subject to a use restriction covenant agreement. (2604A)F	91,080	94,330
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% forgiven in 2014 subject to use as transitional and permanent housing. Mortgage payable was forgiven during the year ending June 30, 2015. (2755B)F		284
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	52,851	54,651
<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	174,134	179,838
<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	51,615	53,315

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2015**

Note 14 - Continued

	<u>2015</u>	<u>2014</u>
<u>Snohomish County</u> <u>OCHD HOME 1997#12</u> Mortgage payable secured by real property "East Stanwood Pioneer Homes" with original amount of \$50,000 and all payments deferred and principal and interest at 0% to be forgiven in 2052 subject to HOME agreement. (2515A)F	37,022	38,022
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	463,202	477,121
MAPLE LEAF MEADOWS		
<u>Snohomish County</u> <u>OCHD HOME 2001#4 and 2002#4</u> Note payable secured by real property "Maple Leaf Meadows" with original amount of \$460,000 and all payments deferred and principal and interest at 0% to be forgiven in 2051 subject to a use restriction covenant agreement. (2602D)F	335,787	344,987
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	956,276	983,384
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	173,460	178,220

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

Note 14 - Continued

	<u>2015</u>	<u>2014</u>
<u>City of Everett</u> <u>CDBG New Century</u> Note payable secured by real property "New Century House" with original amount of \$160,000 and all principal and interest of 3% simple to be forgiven in 2026 subject to use as transitional housing. (2601G)F	71,680	78,080
<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	51,726	55,726
<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	108,576	115,550
<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	217,661	224,613
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	54,759	66,259
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	949,243	975,493

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2015**

Note 14 - Continued

	<u>2015</u>	<u>2014</u>
SHOP LOANS		
<u>Community Frameworks SHOP</u> <u>Self-Help Homeownership Project HHP-03-02</u> Note payable with loan agreement at 0% interest originally secured by real property "Self-Help Monroe" with original amount of \$80,000. Funds were repaid with the sale of the Sky Meadow lots to the Team HomeBuilding families and deposited in a designated Housing Hope revolving fund account for re-use on eligible activities. One-third of the loan was forgiven in fiscal year 2011. The remaining balance may be forgiven in 2016 contingent on compliance with eligible purposes in the homeownership program. (2777M)F	12,449	12,449
<u>Community Frameworks SHOP</u> <u>Self-Help Homeownership Project HHP-05</u> Note payable with loan agreement at 0% interest secured by 26 lots of real property "Self-Help Copper Station" with original amount of \$150,000. Funds were repaid with the sale of the Copper Station lots to the Team HomeBuilding families and deposited in a designated Housing Hope revolving fund account for re-use on eligible activities. One-third of the loan was forgiven in fiscal year 2011. The balance may be forgiven in 2018 contingent on compliance with eligible purposes in the homeownership program. (2777C)F	57,616	57,616
<u>Community Frameworks SHOP</u> <u>Self-Help Homeownership Project HHP-06</u> Note payable with loan agreement at 0% interest secured by 26 lots of real property "Self-Help Copper Station" with original amount of \$240,000 (HHP-06-01) and \$75,000 (HHP-07-01). Funds were repaid with the sale of the Copper Station lots to Team HomeBuilding families and deposited in a designated Housing Hope revolving fund account for re-use on eligible activities. One-third of the loan may be forgiven at the end of the applicable HUD funding cycle. The balance may be forgiven in 2018 contingent on compliance with eligible purposes in the homeownership program. (2777C)F	93,107	93,107

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2015**

Note 14 - Continued

	<u>2015</u>	<u>2014</u>
<u>Community Frameworks SHOP</u> <u>Self-Help Homeownership Project HHP-07-1</u> Note payable with loan agreement at 0% interest secured by 9 lots of real property "Copper Station" with original amount of \$135,000. Funds were repaid with the sale of the Copper Station lots to Team HomeBuilding families and deposited in a designated Housing Hope revolving fund account for re-use on eligible activities. One-third of the loan may be forgiven at the end of the applicable HUD funding cycle. The balance may be forgiven in 2019 contingent on compliance with eligible purposes in the homeownership program. (2777D)F	72,789	72,789
<u>Community Frameworks SHOP</u> <u>Self-Help Homeownership Project HHP-08-01</u> Note payable with loan agreement at 0% interest secured by 14 lots of real property "Marvin Gardens" with original amount of \$210,000. Funds to be repaid with the sale of the Marvin Gardens lots to Team HomeBuilding families and deposited in a designated Housing Hope revolving fund account for re-use on eligible activities. One-third of the loan may be forgiven at the end of the applicable HUD funding cycle. The balance may be forgiven in 2020 contingent on compliance with eligible purposes in the homeownership program. (2777P)F	134,227	134,227
<u>Community Frameworks SHOP</u> <u>Self-Help Homeownership Project HHP-08-02</u> Note payable with loan agreement at 0% interest secured by 10 lots of real property "Rose Park" with original amount of \$150,000. Funds to be repaid with the sale of the Rose Park lots to the Team HomeBuilding families and deposited in a designated Housing Hope revolving fund account for re-use on eligible activities. One-third of the loan may be forgiven at the end of the applicable HUD funding cycle. The balance may be forgiven in 2021 contingent on compliance with eligible purposes in the homeownership program. (2777R)F	102,781	102,781
<u>Community Frameworks SHOP</u> <u>Self-Help Homeownership Project HHP-09</u> Note payable with loan agreement at 0% interest secured by 10 lots of real property "French Creek" with original amount of \$150,000. Funds to be repaid with the sale of the French Creek lots to the Team HomeBuilding families and deposited in a designated Housing Hope revolving fund account for re-use on eligible activities. One-third of the loan may be forgiven at the end of the applicable HUD funding cycle. The balance may be forgiven in 2020 contingent on compliance with eligible purposes in the homeownership program. (2777F)F	95,836	95,836

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2015**

Note 14 - Continued

	<u>2015</u>	<u>2014</u>
<u>Community Frameworks SHOP</u> <u>Self-Help Homeownership Project HHP-10-1</u> Note payable with loan agreement at 0% interest secured by 13 lots of real property "Monroe Main Street" with original amount of \$195,000. Funds to be repaid with the sale of the Monroe Main Street lots to the Team HomeBuilding families and deposited in a designated Housing Hope revolving fund account for re-use on eligible activities. One-third of the loan may be forgiven at the end of the applicable HUD funding cycle. The balance may be forgiven in 2023 contingent on compliance with eligible purposes in the homeownership program. (2777S)F	175,500	175,500
TOMORROW'S HOPE		
<u>City of Everett</u> <u>CDBG Tomorrow's Hope</u> Promissory note secured by real property "Tomorrow's Hope" with original amount of \$55,900 and all payments deferred and principal and interest at 3% simple to be forgiven in 2026 subject to use as childcare facility for low and moderate income families. (2752A)F	25,043	27,279
<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	30,890	35,890
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	68,226	70,402

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2015**

Note 14 - Continued

	2015	2014
<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	16,595	17,271
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	194,159	200,516
<u>Snohomish County</u> <u>OHCD AHTF 2003#3</u> Note payable secured by real property "Sultan 5-plex" with original amount of \$76,875 and all payments deferred and principal and interest at 0% to be forgiven in 2045 subject to use as low-income housing. (2787C)F	57,404	59,325
<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	56,142	58,017
<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	368,567	378,323
Total Forgivable Loans Temporarily Restricted Balance	\$ 5,705,775	\$ 5,891,531

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

Note 15 - Endowments

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

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

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

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

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 332,935	\$ 885,931	\$ 1,218,866
Board designated quasi-endowment funds	1,769,373			1,769,373
Endowment Net Assets, June 30, 2015	<u>\$ 1,769,373</u>	<u>\$ 332,935</u>	<u>\$ 885,931</u>	<u>\$ 2,988,239</u>
Endowment Net Assets, June 30, 2014	<u>\$ 1,617,100</u>	<u>\$ 326,799</u>	<u>\$ 857,332</u>	<u>\$ 2,801,231</u>

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

Note 15 - Continued

Changes to endowment net assets for the year ended June 30, 2015, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2014	\$ 1,617,100	\$ 326,799	\$ 857,332	\$ 2,801,231
Endowment investment return-				
Interest and dividends	99,790	46,217		146,007
Realized and unrealized gains	(90,780)	(34,116)		(124,896)
Total endowment investment return	9,010	12,101		21,111
New contributions	248,803		28,599	277,402
Appropriation of endowment for expenditure	(105,540)	(5,965)		(111,505)
Endowment Net Assets, June 30, 2015	<u>\$ 1,769,373</u>	<u>\$ 332,935</u>	<u>\$ 885,931</u>	<u>\$ 2,988,239</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, 2015 and 2014, 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.

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

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

Note 16 - Affiliations

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

Hope Village II LLC was formed on May 8, 2002, to construct and operate a low-income housing complex in Everett, Washington. The initial members were Building Credits, as the managing member, and Housing Hope Properties as a member.

The Hope Village II LLC was amended on April 28, 2003, when National Equity Fund (NEF) an Illinois investing member replaced Housing Hope Properties as a member. Building Credits has a .01% interest, and NEF has a 99.99% interest.

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

- To Building Credits, a LLC management fee of \$10,000, increasing by 3% each year. For the year ended June 30, 2015, \$13,439 of partnership management fees were reflected in the financial statements.
- To Housing Hope, a property management fee of \$12,000 each full year after the property has been placed in service, increasing by 3% per year. Property Management was outsourced to Coast in November of 2005. Fees are paid directly to Coast by Hope Village II LLC.
- To Housing Hope repayment of loans it has made to the LLC.

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

- Housing Hope entered into a 15-year lease with Hope Village II LLC for the commercial space in one of the LLC's buildings for a learning center and a before/after school area. During the year ended June 30, 2015, \$9,540 was paid to Hope Village II LLC under this lease.

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

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

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

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

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

Note 16 - Continued

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

- To Building Credits, a partnership management fee of \$7,000, increasing by 3% each year. For the year ended June 30, 2015, \$8,867 of partnership management fees were reflected in the consolidated financial statements.
- To Housing Hope, a property management fee of \$10,500 each full year after the property has been placed in service, increasing by 3% each year. Property Management was outsourced to Coast in November of 2005. Fees are paid directly to Coast by the Partnership.

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

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

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

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

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

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

- To Building Credits, a company management fee of \$10,000, increasing by 3% each year. For the year ended June 30, 2015, \$12,299 of partnership management fees were reflected in the consolidated financial statements.
- To Housing Hope, a property management fee of \$14,321 each full year after the property has been placed in service, increasing by 3% each year. Property Management was outsourced to Coast Real Estate Services in November of 2005. Fees are paid directly to Coast by New Century Village LLC.
- To Housing Hope repayment of loans it has made to the LLC.

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

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

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

Note 16 - Continued

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

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

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

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

- To Housing Hope repayment of a loan it has made to the LLC.

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

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

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.

During fiscal year 2014, the Project completed its 15-year low-income housing tax credit compliance period. As the Project ended its compliance period, Building Credits and NEF agreed to dissolve the Beachwood Limited Partnership. As part of the dissolution, Housing Hope exercised its option to purchase the Project's assets. The purchase option price was equal to the assumption of all Project liabilities including any liabilities for taxes owed as a part of the dissolution. The fair value of the property and Project assets acquired exceeded the amount of Project liabilities assumed by \$1,190,989. This amount is reported as an in-kind contribution in the consolidated statement of activities for the year ended June 30, 2014.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

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.

During fiscal year 2015, the Project completed its 15-year low-income housing tax credit compliance period. As the Project ended its compliance period, Building Credits and NEF agreed to dissolve the Oakes Limited Partnership. As part of the dissolution, Housing Hope exercised its option to purchase the Project's assets. The purchase option price was equal to the assumption of all Project liabilities including any liabilities for taxes owed as a part of the dissolution. The fair value of the property and Project assets acquired exceeded the amount of Project liabilities assumed by \$1,233,935. This amount is reported as an in-kind contribution in the consolidated statement of activities for the year ended June 30, 2015.

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

	Notes Receivable	Accrued Interest	Less Current Portion	Total
Hope Village II LLC	\$ 496,720	\$ 2,750	\$ (30,156)	\$ 469,314
New Century Village	422,291	4,722	(64,477)	362,536
Monroe Family Village	627,165			627,165
June 30, 2015 Total	<u>\$ 1,546,176</u>	<u>\$ 7,472</u>	<u>\$ (94,633)</u>	<u>\$ 1,459,015</u>
June 30, 2014 Total	<u>\$ 1,375,305</u>	<u>\$ 7,636</u>	<u>\$ (84,544)</u>	<u>\$ 1,298,397</u>

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2015

Note 16 - Continued

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

	<u>Direct Cost</u>	<u>Partnership Mgmt Fees</u>	<u>June 30, 2015 Total</u>	<u>June 30, 2014 Total</u>
Avondale	\$ (260)	\$ -	\$ (260)	\$ 1,350
Hope Village II LLC	7,137		7,137	
Monroe Family Village	286		286	
New Century Village	33	88,924	88,957	76,815
June 30, 2015 Total	<u>\$ 7,196</u>	<u>\$ 88,924</u>	<u>\$ 96,120</u>	
June 30, 2014 Total	<u>\$ 190</u>	<u>\$ 77,975</u>		<u>\$ 78,165</u>

Note 17 - Self Insurance

The Agency is a member of the 501(c) Agencies Trust (the Trust). The Trust facilitates the utilization by member agencies of the Reimbursement Financing Method of meeting obligations under State unemployment insurance statutes. As of June 30, 2015, the Agency had deposits with the Trust of \$97,796 which are reported in the consolidated statement of financial position as funds held in trust. As of June 30, 2015, the Agency estimated a liability for incurred-but-not-reported unemployment claims of \$61,626, which is included in accounts payable and accrued expenses in the consolidated statement of financial position.

Note 18 - Property Lease Commitments

The Agency is the lessor to four commercial leases located at the Agency's commerce building. Lease terms range from three to five years with options for an additional five years. Monthly lease payments range from \$800 to \$2,575 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,

2016	\$ 27,697
2017	23,057
2018	19,971
2019	13,076
2020	13,402
Thereafter	<u>13,737</u>
	<u>\$ 110,940</u>

SUPPLEMENTARY INFORMATION

HOUSING HOPE AND SUBSIDIARIES

Consolidating Statement of Financial Position - Assets June 30, 2015 (With Comparative Totals for 2014)

	Housing Hope	Building Credits	Housing Hope Properties	HopeWorks	Subtotal	Eliminations	2015 Consolidated Total	2014 Consolidated Total
Assets								
Current Assets:								
Cash and cash equivalents	\$ 302,443	\$ 318	\$ 201,836	\$ 291,449	\$ 796,046	\$ -	\$ 796,046	\$ 1,124,327
Short-term investments	228,879				228,879		228,879	228,925
Accounts receivable, net	(41,267)		12,186	150,012	120,931		120,931	76,635
Grants and contracts receivable	176,641		8,858		185,499		185,499	153,937
Due from affiliates	7,196	88,924			96,120		96,120	78,165
Current portion of notes receivable, accrued interest and deferred developer fees due from affiliates	94,633				94,633		94,633	84,544
Current portion of notes receivable	7,678				7,678		7,678	7,396
Pledges receivable, current portion	100,632				100,632		100,632	77,964
Real estate inventory			1,903,305		1,903,305		1,903,305	585,010
Prepaid expenses	3,623			41,733	45,356		45,356	166,468
Total Current Assets	880,458	89,242	2,126,185	483,194	3,579,079		3,579,079	2,583,371
Assets Whose Use is Limited or Restricted:								
Assets designated by board for long-term reserves and investment in long-term assets	1,970,818				1,970,818		1,970,818	2,079,088
Assets restricted by donors for the investment in long-term assets	230,380				230,380		230,380	354,819
Assets restricted by donors for endowments and long-term reserves	1,480,477				1,480,477		1,480,477	1,474,697
Restricted reserves and deposits	274,863		11,558		286,421		286,421	302,378
Other Assets:								
Self-help family loans receivable			528,666		528,666		528,666	529,022
Funds held in trust	124,249				124,249		124,249	146,749
Land, building, and equipment, net	31,970,437		117,260	2,433,030	34,520,727		34,520,727	32,986,562
Notes receivable, accrued interest and deferred developer fees due from affiliates, net of current portion	831,851		627,164		1,459,015		1,459,015	1,298,397
Notes receivable, net of current portion	377,924				377,924		377,924	385,603
Project development costs	1,842,525			251,343	2,093,868		2,093,868	1,794,369
Investment in limited partnerships and limited liability companies	1	1,339,721			1,339,722		1,339,722	1,587,030
Total Assets	\$ 39,983,983	\$ 1,428,963	\$ 3,410,833	\$ 3,167,567	\$ 47,991,346	\$ -	\$ 47,991,346	\$ 45,522,085

See independent auditor's report.

HOUSING HOPE AND SUBSIDIARIES

**Consolidating Statement of Financial Position - Liabilities and Net Assets
June 30, 2015
(With Comparative Totals for 2014)**

	Housing Hope	Building Credits	Housing Hope Properties	HopeWorks	Subtotal	Eliminations	2015 Consolidated Total	2014 Consolidated Total
Liabilities and Net Assets								
Current Liabilities:								
Short-term borrowings	\$ 1,451,425	\$ -	\$ -	\$ 13,456	\$ 1,464,881	\$ -	\$ 1,464,881	\$ 363,337
Accounts payable and accrued expenses	593,941		45,555	27,231	666,727		666,727	655,765
Construction payable	(57,303)			57,303				57,303
Deferred revenue								
Current portion of accrued interest	65,715			6,653	72,368		72,368	62,109
Current portion of long-term debt	412,298			80,939	493,237		493,237	428,718
Total Current Liabilities	2,466,076		45,555	185,582	2,697,213		2,697,213	1,567,232
Accrued long-term expenses	82,002		17,407	7,179	106,588		106,588	106,633
Accrued interest on long-term debt	810,583				810,583		810,583	685,675
Long-term debt, net of current portion	20,780,061		1,568,036	1,924,985	24,273,082		24,273,082	23,531,247
Total Liabilities	24,138,722		1,630,998	2,117,746	27,887,466		27,887,466	25,890,787
Net Assets:								
Unrestricted-								
Undesignated	6,912,711	1,374,204	822,098	747,632	9,856,645		9,856,645	9,253,682
Designated by the Board of Directors	2,492,850				2,492,850		2,492,850	2,352,921
Total unrestricted	9,405,561	1,374,204	822,098	747,632	12,349,495		12,349,495	11,606,603
Temporarily restricted	5,553,769	54,759	957,737	302,189	6,868,454		6,868,454	7,167,363
Permanently restricted	885,931				885,931		885,931	857,332
Total Net Assets	15,845,261	1,428,963	1,779,835	1,049,821	20,103,880		20,103,880	19,631,298
Total Liabilities and Net Assets	\$ 39,983,983	\$ 1,428,963	\$ 3,410,833	\$ 3,167,567	\$ 47,991,346	\$ -	\$ 47,991,346	\$ 45,522,085

See independent auditor's report.

HOUSING HOPE AND SUBSIDIARIES

Consolidating Statement of Activities For the Year Ended June 30, 2015 (With Comparative Totals for 2014)

	Housing Hope	Building Credits	Housing Hope Properties	HopeWorks	Subtotal	Eliminations	2015 Consolidated Total	2014 Consolidated Total
Public Support, Revenues Gains and (Losses):								
Public support-								
Contributions	\$ 1,507,483	\$ -	\$ 118,214	\$ 998,051	\$ 2,623,748	\$ -	\$ 2,623,748	\$ 1,645,226
In-kind contributions	140,454			122,953	263,407		263,407	257,333
In-kind contribution of property	1,233,935				1,233,935		1,233,935	1,190,989
In-kind contribution of long-term assets	122,057				122,057		122,057	175,112
Forgivable loan proceeds								8,000
United Way	144,500				144,500		144,500	144,500
Total Public Support	3,148,429		118,214	1,121,004	4,387,647		4,387,647	3,421,160
Fees and grants from governmental agencies	1,036,884		440,727	41,023	1,518,634		1,518,634	1,579,816
Other Revenue, Gains and (Losses):								
Program service fees and rents	3,493,018		300	400,032	3,893,350		3,893,350	3,562,174
Management and development fees	21,074	39,605			60,679		60,679	187,095
Interest and other income (loss)	37,607	(19)	43,546		81,134		81,134	445,750
Impairment of fixed assets			(247,477)		(247,477)		(247,477)	(70,937)
Loss on sale of real estate inventory and other assets			(299)		(299)		(299)	473,147
Total Other Revenue	3,551,699	39,586	(203,930)	400,032	3,787,387		3,787,387	4,597,229
Total Support, Revenue and Gains	\$ 7,737,012	\$ 39,586	\$ 355,011	\$ 1,562,059	\$ 9,693,668	\$ -	\$ 9,693,668	\$ 9,598,205

See independent auditor's report.

HOUSING HOPE AND SUBSIDIARIES

Consolidating Statement of Activities (Continued) For the Year Ended June 30, 2015 (With Comparative Totals for 2014)

	Housing Hope	Building Credits	Housing Hope Properties	HopeWorks	Subtotal	Eliminations	2015 Consolidated Total	2014 Consolidated Total
Expenses:								
Salary and wages	\$ 2,675,045	\$ 322	\$ 415,280	\$ 489,072	\$ 3,579,719	\$ -	\$ 3,579,719	\$ 3,409,211
Payroll taxes	244,254	27	46,497	50,933	341,711		341,711	328,471
Employee benefits	311,311		45,545	23,538	380,394		380,394	375,589
Total payroll costs	3,230,610	349	507,322	563,543	4,301,824		4,301,824	4,113,271
Professional fees	616,733		7,641	6,527	630,901		630,901	566,149
Supplies	165,306		3,090	10,732	179,128		179,128	266,299
Printing and postage	44,289		3,647	553	48,489		48,489	46,631
Information technology	145,499		7,718	15,793	169,010		169,010	158,904
Occupancy	492,271		26,021	26,524	544,816		544,816	601,524
Maintenance and repairs	400,766		4,662	8,928	414,356		414,356	335,693
Equipment and furniture	128,007		37,821	20,025	185,853		185,853	104,967
Vehicles	12,840		81	19,277	32,198		32,198	38,252
Insurance	140,091		4,178	14,320	158,589		158,589	143,652
Education and training	17,311		14,540	2,049	33,900		33,900	23,763
Mileage and travel	64,496		13,854	3,237	81,587		81,587	77,035
Client assistance	113,891			174	114,065		114,065	70,425
Interest, taxes and fees	801,941		2,501	95,254	899,696		899,696	863,152
Marketing and Advertising	25,196		1,643	17,589	44,428		44,428	41,658
Miscellaneous	58,808		3,769	71,351	133,928		133,928	66,428
Total expenses before depreciation and amortization	6,458,055	349	638,488	875,876	7,972,768		7,972,768	7,517,803
Depreciation and amortization	1,181,223		2,205	64,890	1,248,318		1,248,318	1,097,181
Total Expenses	7,639,278	349	640,693	940,766	9,221,086		9,221,086	8,614,984
Net change in net assets	97,734	39,237	(285,682)	621,293	472,582		472,582	983,221
Net assets beginning of year	15,674,550	1,665,671	1,774,240	516,837	19,631,298		19,631,298	18,648,077
Transfer to (from)	72,977	(275,945)	291,277	(88,309)				
Net Assets, End of Year	\$ 15,845,261	\$ 1,428,963	\$ 1,779,835	\$ 1,049,821	\$ 20,103,880	\$ -	\$ 20,103,880	\$ 19,631,298

See independent auditor's report.