

**HOME FORWARD  
PORTLAND, OREGON**

Independent Auditor's Reports and  
Basic Financial Statements  
For Years Ended March 31, 2018 and 2017  
and  
Supplementary Information  
For Year Ended March 31, 2018



Certified  
Public  
Accountants



**HOME FORWARD**  
BOARD OF COMMISSIONERS, MANAGEMENT AND GENERAL COUNSEL  
As of March 31, 2018

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# HOME FORWARD

## BOARD OF COMMISSIONERS, MANAGEMENT AND GENERAL COUNSEL

As of March 31, 2018

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### **BOARD OF COMMISSIONERS**

Ms. Mary Ann Herman  
Chair

135 S.W. Ash Street, 6<sup>th</sup> Floor  
Portland, Oregon 97204

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Vice Chair & Treasurer

135 S.W. Ash Street, 6<sup>th</sup> Floor  
Portland, Oregon 97204

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Commissioner

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Mr. Richard Anderson  
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### **ADMINISTRATIVE OFFICER**

Mr. Michael Buonocore  
Executive Director and Secretary/Treasurer

135 S.W. Ash Street, 6<sup>th</sup> Floor  
Portland, Oregon 97204

### **GENERAL COUNSEL**

Ms. Sarah Stauffer Curtiss

Stoel Rives, LLP  
900 S.W. Fifth Avenue, Suite 2600  
Portland, Oregon 97204



## Independent Auditor's Report

Members of the Board of  
Commissioners of Home Forward  
Portland, Oregon

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities (primary government) and the aggregate discretely presented component units of Home Forward, Oregon, as of and for the years ended March 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Home Forward's basic financial statements as listed in the table of contents.

### *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 opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units of Home Forward. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the aggregate discretely presented component units, except for the Gateway Park Apartments Limited Partnership, were not audited in accordance with *Government Auditing Standards*.

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 opinions.

## ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities (primary government) and the aggregate discretely presented component units of Home Forward as of March 31, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matters***

### *Change in Accounting Principles*

As discussed in Note 1 to the basic financial statements, effective April 1, 2017, Home Forward adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to these matters.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in net OPEB asset and related ratios, schedule of Home Forward's Contributions, schedule of changes in total OPEB liability and related ratios, and schedule of funding progress - other postemployment benefits, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standard Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Home Forward's basic financial statements. The other supplementary information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance

with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2018, on our consideration of Home Forward'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 for the year ended March 31, 2018. 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 Home Forward's internal control over financial reporting and compliance.



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Linda Hurley, Partner  
Macias Gini & O'Connell LLP  
Newport Beach, California  
September 12, 2018

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended March 31, 2018 and 2017

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This section of Home Forward's annual financial report presents Management's Discussion and Analysis of the Home Forward's financial performance during the years ended on March 31, 2018 and 2017. Please read it in conjunction with Home Forward's basic financial statements that follow this section.

### **Overview of the Financial Statements**

The financial statements consist of three parts: 1. Management's Discussion and Analysis (this section), 2. The basic financial statements and 3. Supplementary information (required and other).

Home Forward is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the activities and operations of Home Forward. Agency-wide statements report information about Home Forward as a whole using accounting methods similar to those used by private sector companies. While detailed sub-fund information is not presented, separate accounts are maintained for each program to control and manage money for particular purposes or to demonstrate that Home Forward is properly using specific appropriations and grants. The financial statements also include a "Notes to Financial Statements" section that explains the information in the basic financial statements and provides more detailed data. The Notes to Financial Statements are followed by a "Supplementary Information" section, which presents the required supplementary information and other financial schedules of Home Forward's operating units and its individual properties.

As required by generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB), the basic financial statements include its blended component units - Home Forward Development Enterprises, St. Francis LLC and Gateway Park Limited Partnership and its 16 discretely presented component units. These discretely presented component units represent multi-family properties structured as limited partnerships, which have Home Forward as the general partner with minimal ownership interest. The Statements of Net Position includes all of Home Forward's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position, regardless of when cash is received or paid.

### **Management's Discussion and Analysis – For the Year Ended March 31, 2018**

#### **Significant Developments**

***Transfer of Tax Credit Limited Partnership Interest*** – In March 2018, Home Forward acquired the remaining interest in Fountain Place and became sole owner of an 80-unit affordable housing property. In March 2018, Home Forward Development Enterprises (HFDE), an existing blended component unit, acquired the limited partner's interest in Gateway Park apartments. Home Forward was already the general partner and as such, the 144-unit affordable housing property was added as a blended component unit. Both of these tax credit partnerships were originally formed by Home Forward under Section 42 of the Internal Revenue Code.

***Other property transactions*** – In November 2017, Home Forward closed financing and began construction on a 240-unit affordable housing property on NE Grand in Portland.

***Rental assistance demonstration*** - In October and November 2017, Home Forward converted its first 13 mixed-finance properties consisting of 791 units of public housing under the Department of Housing and Urban Development's Rental Assistance Demonstration (RAD) program. Upon conversion, the properties were issued RAD vouchers and ceased to operate as a public housing property.



**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended March 31, 2018 and 2017

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**Financial Highlights**

Home Forward's Statement of Net Position reflects growth in net position during 2018. Specifically:

- Total assets and deferred outflows of resources increased \$31.1 million from \$493.0 million at March 31, 2017 to \$524.1 million at March 31, 2018 primarily due to the \$24.0 million increase in total cash and cash equivalents and a \$13.2 million increase in notes receivable – partnerships. These increases were offset by a \$5.8 million reduction in deferred outflows of resources – pensions.
- Total liabilities and deferred inflows of resources increased \$20.9 million from \$227.5 million at March 31, 2017 to \$248.4 million at March 31, 2018. Of this increase, \$13.2 million is related to an increase in bonds payable – partnerships, \$5.5 million in notes payable – long term and a \$2.5 million increase in the line of credit.
- Total operating revenues increased \$13.2 million to \$157.9 million. This is mainly due to an increase of \$10.0 million in HUD operating subsidies and a \$2.9 million increase in state, local and other grants.
- Total operating expenses increased from \$141.7 million to \$157.8 million, an increase of \$16.0 million from the prior year. This increase is primarily due to a \$13.3 million increase in housing assistance payments and a \$1.1 million increase in administration expenses.
- Operating results for 2018 were mainly break even, yielding operating income of \$0.2 million compared to operating income of \$2.9 million during the prior year.
- Nonoperating revenues/(expenses) netted a decrease of \$2.7 million.
- Capital contributions increased by \$7.5 million from \$2.5 million in 2017 to \$9.9 million in 2018.
- Net position increased \$10.3 million to \$275.7 million at March 31, 2018. This growth was mainly due to an increase in capital contributions of \$9.9 million.

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended March 31, 2018 and 2017

**Condensed Statement of Net Position**

The following tables show a summary of net position by type at March 31, 2018 and 2017:

(in thousands of dollars)	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
<b>Assets and Deferred Outflows of Resources</b>			
Current assets	\$ 90,353	\$ 67,768	\$ 22,585
Non-current assets	279,735	269,969	9,766
Capital assets	<u>146,857</u>	<u>142,304</u>	<u>4,553</u>
Total assets before deferred outflows of resources	<u>516,945</u>	<u>480,041</u>	<u>36,904</u>
Deferred outflows of resources	<u>7,159</u>	<u>12,921</u>	<u>(5,762)</u>
Total assets and deferred outflows of resources	<u>524,104</u>	<u>492,962</u>	<u>31,142</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
Current liabilities	21,128	17,839	3,289
Non-current liabilities	<u>226,110</u>	<u>209,315</u>	<u>16,795</u>
Total liabilities before deferred inflows of resources	<u>247,238</u>	<u>227,154</u>	<u>20,084</u>
Deferred inflows of resources	<u>1,176</u>	<u>371</u>	<u>805</u>
Total liabilities and deferred inflows of resources	<u>248,414</u>	<u>227,525</u>	<u>20,889</u>
<b>Net Position</b>			
Net investment in capital assets	40,420	46,113	(5,693)
Restricted	18,150	12,426	5,724
Unrestricted	<u>217,121</u>	<u>206,898</u>	<u>10,223</u>
Total net position	<u>\$ 275,691</u>	<u>\$ 265,437</u>	<u>\$ 10,254</u>

**Year-end Financial Position**

Current assets increased in 2018 from \$67.8 million to \$90.4 million mainly due to a net increase in total cash and cash equivalents of \$24.0 million. Additionally, there was a decrease in accounts receivable, net of \$1.9 million.

Total cash and cash equivalents increased by \$24.0 million. This increase was mainly due to collection of outstanding developer fees connected with the property renovations at Gallagher, Hollywood East, Northwest Towers, Sellwood Center and Stephens Creek Crossing plus the addition of Fountain Place and Gateway Park Apartments. Also, during the year, Home Forward Development Enterprises collected an additional \$2.0 million related to outstanding notes connected with the 85 Stories project.

Non-current assets (other than capital assets) increased by \$9.7 million. Notes receivable – partnerships increased \$13.2 million. This is due to the \$38.3 million bond issuance on behalf of Lloyd Housing LP offset by reductions in outstanding bonds connected with Wests LP and Woods LP. Additionally, notes and accrued interest receivable decreased by \$2.6 million and investment in partnerships decreased by \$1.0 million.

Capital assets increased \$4.6 million mainly driven by the addition of Fountain Place and Gateway Park apartments.

Current liabilities increased \$3.3 million during the year, mainly due to a \$2.5 million increase in line of credit and \$0.8 million increase in unearned revenue.

Non-current liabilities increased by \$16.8 million during 2018. This increase is primarily driven by the \$13.2 million net increase in bonds payable – partnerships, a \$5.5 million increase in notes payable and offset by a decrease in net pension liability and net other postemployment benefit liability of \$1.8 million.

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended March 31, 2018 and 2017

Net position at March 31, 2018, was \$275.7 million, an increase of \$10.3 million from March 31, 2017.

**Capital Assets**

At March 31, 2018, Home Forward had \$146.9 million of capital assets, an increase of \$4.6 million over the prior year. More detailed information about Home Forward's capital assets is presented in Note 8 to the financial statements.

(in thousands of dollars)	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Land	\$ 30,014	\$ 25,196	\$ 4,818
Construction in progress	4,610	7,946	(3,336)
Total capital assets not being depreciated	<u>34,624</u>	<u>33,142</u>	<u>1,482</u>
Buildings and improvements	219,849	207,393	12,456
Equipment	14,211	13,780	431
Accumulated depreciation	(121,827)	(112,011)	(9,816)
Total capital assets being depreciated	<u>112,233</u>	<u>109,162</u>	<u>3,071</u>
Total capital assets, net	<u>\$ 146,857</u>	<u>\$ 142,304</u>	<u>\$ 4,553</u>

**Notes and Bonds Payable**

At March 31, 2018, Home Forward had \$105.4 million of notes and bonds payable outstanding (excluding bonds payable—partnerships), an increase of \$6.4 million over the prior year. More detailed information about Home Forward's capital debt is presented in Notes 11 and 12 to the financial statements.

(in thousands of dollars)	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Current portion of notes and bonds payable	\$ 3,404	\$ 3,098	\$ 306
Notes payable - long-term	70,491	64,989	5,502
Bonds payable - long-term	<u>31,494</u>	<u>30,920</u>	<u>574</u>
Total notes and bonds payable	<u>\$ 105,389</u>	<u>\$ 99,007</u>	<u>\$ 6,382</u>

There were no changes in Home Forward's credit rating during the year.

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended March 31, 2018 and 2017

**Results of Operation – Year ended March 31, 2018 compared to Year Ended March 31, 2017**

**Statement of Revenues, Expenses and Changes in Net Position**

(in thousands of dollars)	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
<b>Operating revenues</b>			
Rental revenue	\$ 20,996	\$ 19,292	\$ 1,704
HUD subsidies and grants	118,924	108,421	10,503
Development fee revenue	3,100	5,036	(1,936)
State, local and other grants	11,249	8,336	2,913
Other	3,651	3,577	74
	<u>157,920</u>	<u>144,662</u>	<u>13,258</u>
<b>Operating expenses</b>			
Housing assistance payments	102,263	88,982	13,281
Administration	15,064	13,919	1,145
Tenant services	4,357	4,843	(486)
Program expenses	11,078	10,521	557
Utilities	4,807	4,536	271
Maintenance	9,625	9,559	66
Depreciation	8,568	7,814	754
Other	1,993	1,555	438
	<u>157,755</u>	<u>141,729</u>	<u>16,026</u>
<b>Operating income/(loss)</b>	<u>165</u>	<u>2,933</u>	<u>(2,768)</u>
<b>Nonoperating revenues (expenses)</b>			
Investment income	2,411	1,939	472
Interest expense	(2,964)	(2,836)	(128)
Investment in partnership valuation charge	1,828	(158)	1,986
Financing costs	(13)	(117)	104
Loss on sale of capital assets	(442)	(1,027)	585
Gain on sale of capital assets	-	5,722	(5,722)
	<u>820</u>	<u>3,523</u>	<u>(2,703)</u>
<b>Income (Loss) before Capital Contributions</b>	<u>985</u>	<u>6,456</u>	<u>(5,471)</u>
<b>Capital Contributions</b>			
HUD non-operating contributions	6,960	2,193	4,767
Other non-operating contributions	2,956	266	2,690
	<u>9,916</u>	<u>2,459</u>	<u>7,457</u>
<b>Increase in net position</b>	<u>10,901</u>	<u>8,915</u>	<u>1,986</u>
<b>Net position - Beginning of year (as previously reported)</b>	265,437	256,522	8,915
Prior period adjustment	(647)	-	(647)
<b>Net position - End of year</b>	<u>\$ 275,691</u>	<u>\$ 265,437</u>	<u>\$ 10,254</u>

Fiscal year 2018 generated operating income of \$0.2 million, compared to operating income of \$2.9 million in fiscal year 2017. Total operating revenues were \$13.3 million higher while operating expenses increased by \$16.0 million.

Total operating expenses were \$157.8 million, an increase of \$16.0 million from the prior year. This increase is primarily due to a \$13.3 million increase in housing assistance payments and \$1.1 million increase in administration expense and a \$0.8 million increase in depreciation expense.

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended March 31, 2018 and 2017

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Nonoperating revenues/(expenses) were nearly break even and netted income of \$0.8 million with interest income almost offsetting interest expense.

During 2018, HUD nonoperating and other nonoperating contributions totaled \$9.9 million with funds mainly supporting the capital work at the properties of 85 Stories, the planned redemption of the capital grant bonds and the donation of land from the City of Portland for the new affordable housing property at NE Grand.

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## Management's Discussion and Analysis – For the Year Ended March 31, 2017

### Significant Developments

**Adoption of new strategic plan** – In April 2016, the Home Forward board adopted a new strategic plan. The plan includes the following areas of focus:

- **One Portfolio** – to ensure Home Forward's real estate is stable for generations to come and meets the needs of the people and neighborhoods it serves
- **One Resource** – To develop deeper connections and continuity between the types of housing assistance we provide that allow us to meet the evolving needs of the people we serve
- **One Agency** – To build skills and work together in ways that helps the organization constantly evolve and improve the ability to serve the Home Forward community
- **One Community** – To ensure the people Home Forward serves, partners and the public see Home Forward as open, supportive and responsive to their needs, even when resources are constrained
- **One System** – To leverage Home Forward's role as the largest provider of affordable housing in Oregon to improve collaboration and efficacy between systems impacting people in poverty

**Transfer of Tax Credit Limited Partnership Interest** – In October 2016, Home Forward acquired the remaining interest in Lovejoy Station Limited Partnership and became sole owner of a 181-unit affordable housing property. The tax credit partnership was originally formed by Home Forward under Section 42 of the Internal Revenue Code.

**Other property transactions** – In May 2016, Home Forward was awarded the development rights for a property on NE Grand in Portland. In August 2016, Home Forward sold the Plaza Townhomes, a 68-unit property in North Portland. In November 2016, Home Forward purchased an 8-unit property in North Portland. In January 2017, Home Forward sold a vacant lot on SE 70<sup>th</sup> Avenue in Portland.

**75<sup>th</sup> Anniversary** – In December 2016, Home Forward recognized its 75<sup>th</sup> anniversary.

### Financial Highlights

Home Forward's Statement of Net Position reflects growth in net position during 2017. Specifically:

- Total assets and deferred outflows of resources increased \$28.6 million from \$464.4 million at March 31, 2016 to \$493.0 million at March 31, 2017 primarily due to the \$13.2 increase in capital assets, namely the transfer of Lovejoy Station, and a \$10.3 million increase in Deferred outflows of resources - pension. Additionally, there was a \$5.9 million increase in total cash and cash equivalents. These increases were offset by a reduction in assets available for sale of \$1.5 million.
- Total liabilities and deferred inflows of resources increased \$19.6 million from \$207.9 million at March 31, 2016 to \$227.5 million at March 31, 2017. Of this increase, \$14.9 is related to an increase in net pension liability, a \$2.1 million increase in notes payable, and a \$3.0 increase in total bonds payable. Total operating revenues increased \$11.7 million to \$144.7 million. This is mainly due to an increase of \$9.5 million in HUD operating subsidies and a \$1.9 million increase in dwelling rental income.

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended March 31, 2018 and 2017

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- Total operating expenses increased from \$133.2 million to \$141.7 million, an increase of \$8.5 million from the prior year. This increase is primarily due to an \$11.2 million increase in housing assistance payments offset by a reduction in several operating categories, including administration, tenant services, maintenance and depreciation.
- Operating results for 2017 yielded operating income of \$2.9 million compared to an operating loss of \$0.2 million during the prior year.
- Nonoperating revenues/(expenses) netted a gain of \$3.5 million due to a gain of \$5.7 million due to the sale of capital assets, \$1.9 million of interest income, offset by interest expense of \$2.8 million and a loss on disposal of capital assets of 1.0 million.
- Net position increased \$8.9 million to \$265.4 million at March 31, 2017. This growth was due to nonoperating revenues of \$3.5 million, capital contributions of \$2.5 million, and operating income of \$2.9 million

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended March 31, 2018 and 2017

**Condensed Statement of Net Position**

The following tables show a summary of net position by type at March 31, 2017 and 2016:

(in thousands of dollars)	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
<b>Assets and Deferred Outflows of Resources</b>			
Current assets	\$ 67,768	\$ 60,538	\$ 7,230
Non-current assets	269,969	270,072	(103)
Capital assets	142,304	129,130	13,174
Assets available for sale	-	1,491	(1,491)
Total assets before deferred outflows of resources	<u>480,041</u>	<u>461,231</u>	<u>18,810</u>
Deferred outflows of resources	<u>12,921</u>	<u>3,177</u>	<u>9,744</u>
Total assets and deferred outflows of resources	<u>492,962</u>	<u>464,408</u>	<u>28,554</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
Current liabilities	17,839	17,458	381
Non-current liabilities	<u>209,315</u>	<u>188,225</u>	<u>21,090</u>
Total liabilities before deferred inflows of resources	<u>227,154</u>	<u>205,683</u>	<u>21,471</u>
Deferred inflows of resources	<u>371</u>	<u>2,203</u>	<u>(1,832)</u>
Total liabilities and deferred inflows of resources	<u>227,525</u>	<u>207,886</u>	<u>19,639</u>
<b>Net Position</b>			
Net investment in capital assets	46,113	44,595	1,518
Restricted	12,426	10,914	1,512
Unrestricted	<u>206,898</u>	<u>201,013</u>	<u>5,885</u>
Total net position	<u>\$ 265,437</u>	<u>\$ 256,522</u>	<u>\$ 8,915</u>

**Year-end Financial Position**

Current assets increased in 2017 from \$60.5 million to \$67.8 million mainly due to a net increase in total cash and cash equivalents of \$5.9 million. In addition, due from partnerships increased by \$1.4 million, mainly connected with the renovation work of two properties owned by Square Manor LLC.

Total cash and cash equivalents increased by \$5.9 million. Of this \$7.2 million related to the sale of the Plaza Townhomes and the addition of Lovejoy Station Limited Partnership accounted for an additional \$2.6 million in cash increases. Major capital repair work at Fairview Oaks and Woods used \$4.3 million of cash during the year.

Non-current assets (other than capital assets) remained flat for the year, only decreasing by \$0.1 million.

Capital assets increased \$13.2 million of which \$11.1 million related to purchase of Lovejoy Station Limited Partnership, \$4.4 million related to work at Fairview Oaks and Woods and an additional \$1.0 million in construction at Harold Lee Village. The increase was offset by a \$1.5 million reduction due to the sale of Plaza Townhomes and annual depreciation.

Current liabilities increased \$2.0 million during the year, mainly due to a \$1.3 million increase in accounts payable, \$0.5 million increase in other accrued liabilities and a \$0.4 million increase in deposits, payable from restricted assets.

Non-current liabilities increased by \$20.1 million during 2017. This increase is primarily driven by the \$14.9 million increase in net pension liability, a \$2.4 million increase in notes payable, \$2.4 million in bonds payable, and a \$0.3 million increase in accrued interest.

Net position at March 31, 2017 was \$265.4 million, an increase of \$8.9 million over 2016.

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended March 31, 2018 and 2017

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**Capital Assets**

At March 31, 2017, Home Forward had \$142.3 million of capital assets, an increase of \$13.2 million over the prior year. More detailed information about Home Forward's capital assets is presented in Note 8 to the financial statements.

(in thousands of dollars)	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Land	\$ 25,196	\$ 22,266	\$ 2,930
Construction in progress	7,946	2,380	5,566
Total capital assets not being depreciated	<u>33,142</u>	<u>24,646</u>	<u>8,496</u>
Buildings and improvements	207,393	196,245	11,148
Equipment	13,780	13,591	189
Accumulated depreciation	(112,011)	(105,352)	(6,659)
Total capital assets being depreciated	<u>109,162</u>	<u>104,484</u>	<u>4,678</u>
Total capital assets, net	<u>\$ 142,304</u>	<u>\$ 129,130</u>	<u>\$ 13,174</u>

**Notes and Bonds Payable**

At March 31, 2017, Home Forward had \$99.0 million of notes and bonds payable outstanding (excluding bonds payable–partnerships), an increase of \$10.8 million over the prior year. More detailed information about Home Forward's capital debt is presented in Notes 11 and 12 to the financial statements.

(in thousands of dollars)	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Current portion of notes and bonds payable	\$ 3,098	\$ 2,786	\$ 312
Notes payable - long-term	64,989	62,598	2,391
Bonds payable - long-term	<u>30,920</u>	<u>22,790</u>	<u>8,130</u>
Total notes and bonds payable	<u>\$ 99,007</u>	<u>\$ 88,174</u>	<u>\$ 10,833</u>

There were no changes in Home Forward's credit rating during the year.



**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended March 31, 2018 and 2017

**Results of Operation – Year ended March 31, 2017 compared to Year Ended March 31, 2016**

**Statement of Revenues, Expenses and Changes in Net Position**

(in thousands of dollars)	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
<b>Operating revenues</b>			
Rental revenue	\$ 19,292	\$ 17,207	\$ 2,085
HUD subsidies and grants	108,421	98,474	9,947
Development fee revenue	5,036	6,507	(1,471)
State, local and other grants	8,336	7,178	1,158
Other	3,577	3,677	(100)
	<u>144,662</u>	<u>133,043</u>	<u>11,619</u>
<b>Operating expenses</b>			
Housing assistance payments	88,982	77,733	11,249
Administration	13,919	14,744	(825)
Tenant services	4,843	5,446	(603)
Program expenses	10,521	11,008	(487)
Utilities	4,536	4,251	285
Maintenance	9,559	9,947	(388)
Depreciation	7,814	8,718	(904)
Other	1,555	1,365	190
Impairment charge	-	37	(37)
	<u>141,729</u>	<u>133,249</u>	<u>8,480</u>
<b>Operating income/(loss)</b>	<u>2,933</u>	<u>(206)</u>	<u>3,139</u>
<b>Nonoperating revenues (expenses)</b>			
Investment income	1,939	1,749	190
Interest expense	(2,836)	(2,587)	(249)
Investment in partnership valuation charge	(158)	2,274	(2,432)
Financing costs	(117)	(167)	50
Loss on sale of capital assets	(1,027)	(654)	(373)
Gain on sale of capital assets	5,722	54	5,668
Intergovernmental revenues from component units	-	33,979	(33,979)
	<u>3,523</u>	<u>34,648</u>	<u>(31,125)</u>
<b>Income (Loss) before Capital Contributions</b>	<u>6,456</u>	<u>34,442</u>	<u>(27,986)</u>
<b>Capital Contributions</b>			
HUD non-operating contributions	2,193	1,733	460
Other non-operating contributions	266	1,697	(1,431)
	<u>2,459</u>	<u>3,430</u>	<u>(971)</u>
<b>Increase in net position</b>	<u>8,915</u>	<u>37,872</u>	<u>(28,957)</u>
<b>Net position - Beginning of year</b>	<u>256,522</u>	<u>218,650</u>	<u>37,872</u>
<b>Net position - End of year</b>	<u>\$ 265,437</u>	<u>\$ 256,522</u>	<u>\$ 8,915</u>

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended March 31, 2018 and 2017

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Fiscal year 2017 generated operating income of \$2.9 million, compared to an operating loss of \$0.2 million in fiscal year 2016. Total operating revenues were \$11.6 million higher while operating expenses increased by \$8.5 million.

Operating revenues of \$144.7 million increased \$11.6 million from fiscal year 2016. This is mainly due to a \$9.9 million increase in HUD operating subsidies and grants, and a \$2.1 million increase in rental revenue, mainly driven by the purchase of Lovejoy Station and a full year of operations for St. Francis apartments, another former tax credit property purchased by Home Forward in fiscal year 2016.

Total operating expenses were \$141.7 million, an increase of \$8.5 million from the prior year. This increase is primarily due to an \$11.2 million increase in housing assistance payments, offset by a reduction in depreciation of \$0.9 million, administration of \$0.8 million, tenant services expenses of \$0.6 million and program expenses of \$0.5 million.

Nonoperating revenues/(expenses) netted a gain of \$3.5 million. Increases were mainly due to the \$5.7 million in gain from the sale of Plaza Townhomes and the land at SE 70<sup>th</sup> Avenue and interest income of \$1.9 million. These were offset by interest expense of \$2.8 million and \$1.0 million in loss from disposal of assets.

During 2017, HUD nonoperating and other nonoperating contributions totaled \$2.5 million with funds mainly supporting the capital work at the affordable housing properties.

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### **Forward Looking information**

Home Forward anticipates converting its remaining public housing properties under the Department of Housing and Urban Development's Section 18 and Rental Assistance Demonstration (RAD) program. Under these programs, the public housing units will convert into project based voucher funded units and will utilize the low income housing tax credit program with Home Forward as the general partner.

Construction is taking place on the NE Grand development project with an estimated completion date of October 2019. This project will provide 240 units of affordable housing, as well as commercial space. Home Forward will participate in a low income housing tax credit partnership for ownership of the affordable housing portion.

In December 2016, the Home Forward Board of Commissioners approved the change to Home Forward's fiscal year from an April 1 start date to a January 1 start date. In order to comply with federal and state requirements, Home Forward will implement the changes for the period of April 1, 2018 through December 31, 2018 with the following full fiscal year beginning on January 1, 2019.

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### **Contact Information**

This annual financial report is designed to provide Oregon citizens and taxpayers, and our customers, clients, investors and creditors, with a general overview of Home Forward's finances, and to demonstrate Home Forward's accountability for the appropriations and grants that it receives. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Chief Financial Officer, Home Forward, 135 S.W. Ash Street, Portland, Oregon 97204 or emailed to [info@homeforward.org](mailto:info@homeforward.org).

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# HOME FORWARD

## STATEMENTS OF NET POSITION

As of March 31, 2018 and 2017 (with Discretely Presented Component Units as of December 31, 2017 and 2016)

	HOME FORWARD		DISCRETELY PRESENTED COMPONENT UNITS	
	March 31, 2018	March 31, 2017	December 31, 2017	December 31, 2016
<b>ASSETS AND DEFERRED OUTFLOWS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 57,809,085	\$ 38,955,880	\$ 12,364,438	\$ 10,819,854
Cash and cash equivalents - restricted	23,314,208	18,134,617	56,355,127	17,136,198
Investments - restricted	-	-	-	56,329
Accounts receivable, net	2,695,374	4,584,307	809,469	576,970
Due from partnerships, net	5,100,518	4,318,696	-	-
Prepaid expenses	641,976	1,092,965	3,022,901	3,262,736
Current portion of notes receivable - partnerships	792,217	681,834	-	-
	<u>90,353,378</u>	<u>67,768,299</u>	<u>72,551,935</u>	<u>31,852,087</u>
<b>NON-CURRENT ASSETS:</b>				
Investments - restricted	957,558	948,621	-	-
Notes and accrued interest receivable	158,840,439	161,401,996	-	-
Notes receivable - partnerships	96,092,198	82,857,463	-	-
Other Assets	-	-	4,059,711	3,071,146
Investments in partnerships	23,786,137	24,761,217	-	-
Net OPEB Asset - RHIA	59,006	-	-	-
Capital assets not being depreciated	34,623,902	33,141,335	26,409,650	10,924,347
Capital assets being depreciated, net	112,232,931	109,162,240	251,569,114	261,590,603
	<u>426,592,171</u>	<u>412,272,873</u>	<u>282,038,475</u>	<u>275,586,096</u>
<b>TOTAL ASSETS BEFORE DEFERRED OUTFLOWS OF RESOURCES</b>	516,945,549	480,041,172	354,590,411	307,438,183
Deferred outflows of resources - derivative instruments	662,964	1,010,238	-	-
Deferred outflows of resources - pension	6,496,050	11,910,954	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>524,104,563</u>	<u>492,962,364</u>	<u>354,590,411</u>	<u>307,438,183</u>

(continued)

See accompanying notes to the financial statements.

# HOME FORWARD

## STATEMENTS OF NET POSITION

As of March 31, 2018 and 2017 (with Discretely Presented Component Units as of December 31, 2017 and 2016)

	HOME FORWARD		DISCRETELY PRESENTED COMPONENT UNITS	
	March 31, 2018	March 31, 2017	December 31, 2017	December 31, 2016
<b>LIABILITIES AND NET POSITION</b>				
<b>CURRENT LIABILITIES:</b>				
Line of credit	2,690,000	229,000	-	-
Accounts payable	2,480,924	3,491,379	653,231	1,423,679
Accrued interest payable, payable from restricted assets	476,337	476,663	-	-
Other accrued liabilities	2,932,144	2,650,498	5,563,600	13,760,024
Unearned revenue	5,427,980	4,657,938	183,696	71,763
Deposits, payable from restricted assets	2,924,207	2,554,597	762,674	762,770
Current portion of bonds payable - partnerships	792,217	681,834	-	-
Current portion of notes payable	1,577,636	1,340,990	1,318,859	932,227
Current portion of bonds payable	1,826,144	1,756,692	-	-
	21,127,589	17,839,591	8,482,060	16,950,463
<b>NON-CURRENT LIABILITIES:</b>				
Notes payable - long-term	70,490,777	64,989,416	275,529,995	255,947,043
Bonds payable - long-term	31,493,920	30,919,698	-	-
Bonds payable - partnerships	96,092,198	82,857,463	-	-
Accrued interest - long-term	5,290,262	4,972,755	10,432,360	8,080,309
Net Pension Liability	20,664,424	23,852,957	-	-
Total OPEB Liability - HBRP	1,415,327	-	-	-
Derivative instruments	662,964	1,010,238	-	-
Other liabilities	-	712,272	5,138,410	2,644,569
	226,109,872	209,314,800	291,100,765	266,671,921
<b>TOTAL LIABILITIES BEFORE DEFERRED INFLOWS OF RESOURCES:</b>	247,237,461	227,154,390	299,582,825	283,622,384
Deferred inflows of resources - pension	876,326	370,554	-	-
Deferred Inflows of Resources-OPEB HBRP	269,951	-	-	-
Deferred Inflows of Resources-OPEB RHIA	29,647	-	-	-
	248,413,385	227,524,944	299,582,825	283,622,384
<b>NET POSITION:</b>				
Net investment in capital assets	40,420,081	46,113,421	161,241,642	19,176,596
Restricted:				
Real estate sale proceeds	5,026,600	3,248,875	-	-
Residual receipts	13,931	15,772	-	-
Funds held in trust	13,005,826	9,065,269	51,622,886	15,188,428
Unused PILOT funds	104,058	96,445	-	-
	18,150,415	12,426,361	51,622,886	15,188,428
Unrestricted (deficit)	217,120,682	206,897,638	(157,856,943)	(10,549,225)
<b>TOTAL NET POSITON</b>	\$ 275,691,178	\$ 265,437,420	\$ 55,007,585	\$ 23,815,799

See accompanying notes to the financial statements.

# HOME FORWARD

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended March 31, 2018 and 2017 (with Discretely Presented Component Units Years Ended December 31, 2017 and 2016)

	HOME FORWARD		DISCRETELY PRESENTED COMPONENT UNITS	
	March 31, 2018	March 31, 2017	December 31, 2017	December 31, 2016
<b>OPERATING REVENUES:</b>				
Dwelling rental	\$ 18,625,937	\$ 17,084,204	\$ 20,773,680	\$ 19,732,427
Non-dwelling rental	2,369,501	2,208,139	229,720	408,722
HUD operating subsidies	111,584,092	101,633,513	4,096,145	4,323,133
HUD grants	7,340,703	6,787,862	-	-
Development fee revenue	3,100,129	5,035,605	-	-
State, local and other grants	11,249,084	8,336,083	-	-
Other	3,651,036	3,576,627	1,851,317	918,664
	<u>157,920,482</u>	<u>144,662,033</u>	<u>26,950,862</u>	<u>25,382,946</u>
<b>OPERATING EXPENSES:</b>				
Housing assistance payments	102,263,035	88,981,546	29,848	35,262
Administration	15,063,555	13,918,530	5,257,111	4,984,029
Tenant services	4,356,738	4,843,479	882,457	1,119,786
Program Expense	11,078,214	10,521,350	1,557,538	1,512,468
Utilities	4,806,730	4,536,245	3,419,227	3,456,450
Maintenance	9,625,361	9,559,107	4,782,474	4,215,390
Depreciation	8,568,509	7,814,319	15,156,353	14,087,881
General and other	1,993,334	1,554,542	1,422,617	1,312,218
	<u>157,755,476</u>	<u>141,729,118</u>	<u>32,507,625</u>	<u>30,723,484</u>
<b>OPERATING INCOME/(LOSS)</b>	<u>165,006</u>	<u>2,932,915</u>	<u>(5,556,763)</u>	<u>(5,340,538)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income	2,410,555	1,938,750	176,266	87,451
Interest expense	(2,963,794)	(2,836,003)	(5,474,297)	(5,448,562)
Investment in partnership valuation charge	1,827,780	(157,610)	-	-
Change in derivative contract valuation	-	-	134,657	273,423
Financing costs	(12,972)	(116,557)	-	(176,011)
Loss (gain) on disposal of capital assets	(441,500)	(1,027,134)	2,955,114	(73,076)
Gain on sale of capital assets	-	5,721,647	(14,643)	-
	<u>820,069</u>	<u>3,523,092</u>	<u>(2,222,903)</u>	<u>(5,336,775)</u>
<b>INCOME/(LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>985,075</u>	<u>6,456,008</u>	<u>(7,779,666)</u>	<u>(10,677,313)</u>
<b>CAPITAL CONTRIBUTIONS:</b>				
HUD nonoperating contributions	6,959,875	2,193,773	-	-
Other nonoperating contributions	2,955,646	265,925	-	-
Partner contributions	-	-	38,971,452	3,120,375
	<u>9,915,521</u>	<u>2,459,698</u>	<u>38,971,452</u>	<u>3,120,375</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>10,900,596</u>	<u>8,915,706</u>	<u>31,191,786</u>	<u>(7,556,938)</u>
<b>NET POSITION—Beginning of year (as previously reported)</b>	<u>265,437,420</u>	<u>256,521,714</u>	<u>23,815,799</u>	<u>31,372,737</u>
Cumulative effect of adopting GASB 75 for employer reporting of other postemployment benefit obligations	(646,838)	-	-	-
<b>NET POSITION—Beginning of year (as restated)</b>	<u>264,790,582</u>	<u>256,521,714</u>	<u>23,815,799</u>	<u>31,372,737</u>
<b>NET POSITION—End of year</b>	<u>\$ 275,691,178</u>	<u>\$ 265,437,420</u>	<u>\$ 55,007,585</u>	<u>\$ 23,815,799</u>

See accompanying notes to the financial statements

**HOME FORWARD**  
**STATEMENTS OF CASH FLOWS**  
Years ended March 31, 2018 and 2017

	<b>HOME FORWARD</b>	
	<b>March 31, 2018</b>	<b>March 31, 2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from HUD grants	\$ 120,343,680	\$ 110,156,871
Receipts from state, local and other grants	12,082,425	7,426,379
Receipts from tenants and landlords	21,202,777	18,187,868
Receipts from developer fees	10,779,472	663,312
Receipts from others	3,561,395	4,029,433
Receipt of cash restricted for deposits payable	369,610	353,624
Payments to landlords	(102,241,006)	(88,978,449)
Payments to and on behalf of employees	(23,671,537)	(27,475,790)
Payments to vendors, contractors and others	(19,982,301)	(13,487,983)
Total cash provided by operating activities	<u>22,444,515</u>	<u>10,875,265</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Proceeds from line of credit	12,400,000	7,930,000
Payments on line of credit	(12,400,000)	(7,856,000)
Total cash provided by noncapital financing activities	<u>-</u>	<u>74,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from line of credit	10,155,000	16,000,000
Payments on line of credit	(7,694,000)	(16,000,000)
Proceeds from issuance of notes payable	-	86,734
Proceeds from issuance of bonds payable	(12,071)	177,182
Proceeds from issuance of bonds payable - partnership	45,348,411	4,664,042
Interest paid on notes and bonds payable	(2,694,838)	(2,777,665)
Principal payments on notes payable	(2,392,650)	(1,293,997)
Principal payments on bonds payable	(1,764,553)	(1,178,132)
Principal payments on bonds payable—partnerships	(32,003,294)	(10,418,527)
Cash received from purchase of limited partnership	1,748,273	2,517,805
Proceeds from sale of restricted investments	(8,937)	-
HUD capital and other nonoperating contributions	7,228,375	2,313,467
Acquisition and construction of capital assets	(9,436,910)	(11,257,648)
Proceeds from the sale of capital assets	8,188,470	7,661,759
Total cash provided by (used from) capital financing activities	<u>16,661,277</u>	<u>(9,504,980)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Financing fees paid	(12,972)	(116,560)
Issuance of notes receivable	(16,691,026)	(7,579,786)
Issuance of notes receivable—partnerships	(45,348,411)	(4,664,042)
Collections on notes receivable	11,320,179	5,990,567
Collections on notes receivable—partnerships	32,003,294	10,418,527
Change in due from partnerships, net	(781,822)	(1,403,909)
Change in investments in partnerships, net	1,774,257	(157,452)
Investment income received	2,663,505	1,938,750
Total cash used from (provided by) investing activities	<u>(15,072,996)</u>	<u>4,426,095</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>24,032,796</b>	<b>5,870,380</b>
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<b>57,090,497</b>	<b>51,220,117</b>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<b>\$ <u>81,123,293</u></b>	<b>\$ <u>57,090,497</u></b>

See accompanying notes to the financial statements.

**HOME FORWARD**  
**STATEMENTS OF CASH FLOWS**  
Years ended March 31, 2018 and 2017

	<b>HOME FORWARD</b>	
	<b>March 31, 2018</b>	<b>March 31, 2017</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 165,006	\$ 2,932,915
Adjustments to reconcile operating income (loss) to cash flows from operating activities:		
Depreciation	8,568,509	7,814,319
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Accounts receivable—net	1,494,035	101,156
Developer fee receivable	7,679,343	(4,372,293)
Prepaid expenses	450,989	(98,406)
Accounts payable	(1,010,455)	1,293,807
Other accrued liabilities	279,515	23,979
Other liabilities	-	69,244
Unearned revenue	770,042	(37,304)
Deposits, payable from restricted assets	369,610	353,624
Deferred outflows of resources - pensions	5,414,904	(10,312,020)
Deferred outflows of resources - OPEB	68,260	-
Deferred inflows of resources - pensions	505,772	(1,832,397)
Deferred inflows of resources - OPEB	301,728	-
Net pension liability	(3,188,533)	14,938,641
Net OPEB asset and net OPEB liability	575,790	-
Net cash flows from operating activities	<u>\$ 22,444,515</u>	<u>\$ 10,875,265</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS</b>		
Retirement of bonds payable through refinancing	<u>\$ -</u>	<u>\$ 9,715,000</u>
Addition of bonds payable through refinancing	<u>\$ -</u>	<u>\$ 9,690,000</u>
Capital asset contribution	<u>\$ 3,000,000</u>	<u>\$ -</u>
Capital asset acquisition through financing	<u>\$ 9,512,177</u>	<u>\$ -</u>
Capital asset transfer from limited partnership	<u>\$ 10,064,584</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2018 and 2017

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**— The Federal Housing Act of 1937 authorized public housing authorities. Utilizing the 1937 Federal Housing Act, the Portland City Council established the Housing Authority of Portland as a municipal corporation under the Oregon Revised Statutes in December 1941. On May 18, 2011, Home Forward changed its legal name from Housing Authority of Portland to Home Forward. Housing Authority of Portland is a now a registered name of Home Forward. Home Forward is a municipal corporation located in Portland, Oregon.

Home Forward is governed by a nine-member Board of Commissioners; four appointments are recommended by the City of Portland, two by the City of Gresham, two by Multnomah County and one representative from participants of Home Forward’s housing programs. Home Forward is not financially dependent on the City of Portland and is not considered a component unit of the City. The Executive Director is appointed by the Board and is responsible for the daily functioning of Home Forward.

The governmental reporting entity consists of Home Forward, the primary government, and its blended and discretely presented component units.

Component units are legally separate organizations for which the Board of Commissioners is financially accountable or other organizations whose nature and significant relationship with Home Forward are such that exclusion would cause the Home Forward’s financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit’s board, and (i) either the Home Forward’s ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on Home Forward. The basic financial statements include both blended and discretely presented component units. The blended component units are legally separate entities, and are considered, in substance, part of Home Forward’s operations, and so data from these units is combined with data of the primary government. The discretely presented component units, on the other hand, are reported in separate column in the government-wide financial statements to emphasize they are legally separate from the primary government.

**Blended Component Unit** – Home Forward operations include three blended component units, which are included in the basic financial statements and consists of a legally separate entity for which Home Forward is financially accountable.

Home Forward Development Enterprises (HFDE), formerly known as, New Columbia Community Campus Corporation (N4C) was formed in 2005 to support the New Columbia Community. On April 16, 2013, N4C changed its name to Home Forward Development Enterprises and was repurposed to support all of Home Forward’s development and housing operations efforts.

St. Francis, LLC was formed September 17, 2015, as a result of the purchase of St. Francis Limited Partnership due a HUD debt refinancing requirement.

Gateway Park Apartments Limited Partnership (Gateway Park LP) was formed as a Tax Credit Limited Partnership on November 7, 2002 to purchase and rehabilitate a 144 unit apartment complex located on NE 100<sup>th</sup> Avenue. On March 1, 2018, Key Community Development Corporation transferred their interest as the Limited Partner to HFDE.

Home Forward is legally entitled to or can access the resources of HFDE, St. Francis, LLC, and Gateway Park LP at the discretion of Home Forward management. Because HFDE, St. Francis, LLC, Gateway Park LP and Home Forward have this financial and operational relationship, generally accepted accounting principles requires that HFDE’s, St. Francis’, and Gateway Park financial statements be blended into the Home Forward financial statements.

**Discretely Presented Component Units** – Home Forward follows the guidance provided by the Governmental Accounting Standard Board (GASB) for the relationship of housing authorities as general partners of limited low income tax credit partnerships whereby the limited partners have majority ownership but have delegated the majority of their rights regarding the operations of the partnership to the housing authority. For these entities, Home Forward exercises the majority of control over day-to-day operations.



**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2018 and 2017

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Home Forward is the general partner and owns a 0.01% to 1% investment in each of the following discretely presented component unit limited partnerships:

*General Partner Ownerships presented in both December 31, 2017 and 2016, discretely presented component unit results:*

- 1115 SW 11<sup>th</sup> Avenue Limited Partnership
- Beech Street Limited Partnership
- Cecelia Limited Partnership
- Civic Redevelopment Limited Partnership
- Fountain Place Limited Partnership\*\*\*
- Gateway Park Apartments Limited Partnership\*\*\*\*
- Gladstone Square Limited Partnership
- Haven Limited Partnership
- Humboldt Gardens Limited Partnership
- Jeffery Apartment Limited Partnership
- Lloyd Housing Limited Partnership
- Lovejoy Station Limited Partnership\*\*
- RAC Housing Limited Partnership
- Sequoia Square Limited Partnership\*
- Stephens Creek Crossing North Limited Partnership
- Stephens Creek Crossing South Limited Partnership
- Trouton Limited Partnership
- Woolsey Limited Partnership
- Wests Limited Partnership
- Woods East Limited Partnership

\* On March 31, 2016, Home Forward purchased the limited partnership's interest for the Sequoia Square Limited Partnership. See Note 2 for additional information.

\*\* On October 3, 2016, Home Forward purchased the limited partnership's interest for the Lovejoy Station Limited Partnership. See Note 2 for additional information.

\*\*\*On March 1, 2018, Home Forward purchased the limited partnership's interest for the Fountain Place Apartments Limited Partnership. See Note 2 for additional information.

\*\*\*\*On March 1, 2018, Home Forward Development Enterprises purchased the limited partnership's interest for the Gateway Park Apartments Limited Partnership. See Note 2 for additional information.

As a general practice, Home Forward's liability is not limited to initial investment and/or any future funding requirements. The limited partnerships have a December 31 year-end and complete financial statements may be obtained by contacting the Chief Financial Officer, Home Forward, 135 S.W. Ash Street, Portland, Oregon 97204.

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2018 and 2017

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Programs Administered by Home Forward***—Home Forward administers annual contribution contracts to provide low-income housing with primary financial support from the U.S. Department of Housing and Urban Development (“HUD”) and develops and manages affordable properties. Programs administered by Home Forward are as follows:

***Public Housing***— On October 31, 2017 and November 30, 2017, Home Forward converted 175 and 616 units respectively from Public Housing to Project Based Voucher subsidy via HUD’s Rental Assistance Demonstration program. This reduced the Public Housing unit count that Home Forward owns, operates and maintains from 2,091 units at March 31, 2017, to 1,310 units at March 31, 2018. The remaining properties with Public Housing units were acquired through grants and subject to the terms of an Annual Contributions Contract with HUD. Revenues consist primarily of rents and other fees collected from tenants, and an Operating Subsidy from HUD. Funds from the Capital Grant Program provided by HUD are used to maintain and improve this Public Housing portfolio. Substantially all additions to land, structures and equipment of Public Housing are accomplished through these capital grant funds.

***Rent Assistance***—Section 8 of the U.S. Housing and Community Development Act of 1974 provides Housing Assistance Payments on behalf of lower-income families to participating housing owners. Under this program, the landlord-tenant relationship is between a rental-housing owner and a family, rather than Home Forward and a family as in the Public Housing program. For approved housing, HUD contracts with Home Forward to enter into contracts with owners to make assistance payments for the difference between the approved contract rent and the actual rent paid by the lower-income families, which equals 30% of adjusted household gross income. Housing Assistance Payments made to landlords and some participants are funded through Annual Contributions Contracts. At March 31, 2018, Home Forward administered approximately 9,753 vouchers through several programs authorized by Section 8. Additionally, Home Forward administers the Short-Term Rent Assistance program on behalf of the City of Portland, the City of Gresham, and Multnomah County.

***Affordable Housing & Special Needs Housing***—Home Forward owns or is a partner in 5,134 units of housing. The Affordable Housing portfolio consists of 41 multifamily properties representing 4,629 units, of which 2,278 are owned through tax credit partnerships. The Special Needs portfolio consists of 34 properties representing 505 units. The Special Needs properties were developed using grant funds received from the State of Oregon and Federal programs combined with contributions from Home Forward and other local agencies.

***Resident Services***—Home Forward coordinates and provides social and economic development programs for families, and administers a variety of community housing and service partnerships throughout Multnomah County. Funding for these programs comes from HUD, Medicare, participant fees, charitable organizations and private donations.

***Development***—Home Forward pursues development projects that augment the supply of low-cost housing, provide essential services to residents and revitalizes overall communities. These projects include renovation of older/existing housing, new construction and pilot projects.

***Basis of Accounting***—Home Forward operates as an enterprise activity. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Home Forward distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses are derived from providing services in connection with Home Forward’s ongoing operations. Operating revenues, generally, include rental income, operating subsidies, operating grant revenue and development fee income. Operating expenses, generally, include housing assistance payments, occupancy charges, tenant services, administrative expenses and depreciation on capital assets. All other revenue and expenses not meeting this definition are classified as non-operating revenues and expenses.

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2018 and 2017

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Use of Restricted and Unrestricted Resources**—When both restricted and unrestricted resources are available for use, it is Home Forward’s policy to use restricted resources first, the unrestricted resources as they are needed.

**Net Position**—Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is classified in the following three components:

**Net investment in capital assets** - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

**Restricted** - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation reduced by liabilities relating to those restricted assets.

**Unrestricted** - This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”

**Cash and Cash Equivalents**—Cash and cash equivalents consists of amounts deposited in checking, money market accounts and the Oregon Local Government Investment Pool (“LGIP”) or investments with original maturities of 90 days or less. The LGIP is managed by the Oregon State Treasurer as an alternative to commercial money market accounts. Deposits are subject to collateral requirements. Deposits in the LGIP are recorded at fair value, which is the same as the value of the pool shares. Investments in the LGIP are included in the Oregon Short-Term Fund, which is not registered with the U.S. Securities and Exchange Commission as an investment company. Investments in the Oregon Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board.

**Cash and Cash Equivalents–Restricted and Investments-Restricted** – This consists of funds set aside for:

**Family self-sufficiency funds** consist of amounts deposited under the Family Self-Sufficiency (“FSS”) program. Under the FSS program, if the income of a tenant enrolled in the program increases, instead of decreasing the subsidy amount, the original subsidy continues to be paid and the difference between the original and new subsidy amount is deposited into an escrow account. If the tenant enrolled in the program attains certain target goals related to self-sufficiency, the tenant is awarded money from the escrow account to use for various purposes stated in the tenant’s self-sufficiency plan such as college tuition or a down payment for the purchase of a home.

**Tenant security deposits** represent the refundable deposits received from tenants and held in trust to secure the performance of a rental agreement. Tenant security deposits in excess of any outstanding damage or rent charges must be returned to the departing tenants within 31 days after the termination of the tenancy. The funds are typically held in segregated bank accounts since these funds may not be used for operations. The funds are, however, allowed to earn interest that may be retained for operations.

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2018 and 2017

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Residual receipts reserve* is maintained for the Multnomah Manor property, which is included in Home Forward's Affordable Housing Portfolio, and consists of surplus cash on hand at the end of each fiscal year, less authorized disbursements to date plus interest earned on the deposits. As of March 31, 2018 and 2017, the reserve is funded as required.

*Funds held in trust* consist primarily of replacement reserves held in trust and by Home Forward for Affordable Housing properties owned and operated by Home Forward. In addition, the balance includes performance guarantee and other funds held in trust and by Home Forward under various agreements. The reserves are invested in interest-bearing bank accounts and are externally restricted for the purposes of maintaining required reserve funds or purchasing or constructing capital assets or other non-current assets. As such, the amounts are classified as restricted, non-current assets. During 2018 and 2017, the reserves were funded as required under the various agreements.

*Public Housing Scattered Site Sales Proceeds* are externally restricted funds which consist of net proceeds received from the sale of Home Forward's PH Scattered Site properties. These proceeds are used to fund the development of new affordable housing multi-family properties or for large-scale rehabilitation projects to existing affordable housing properties.

*Debt service funds* include externally restricted funds on deposit with various trustees relating to the servicing of debt. Funds are invested in guaranteed investment contracts and short-term marketable securities.

PILOT funds are maintained to fund Payments in Lieu of Taxes (PILOT) on certain rental properties owned by Home Forward. Under an agreement with the City of Portland, Home Forward is required to make an annual payment equal to \$200,000. Home Forward also makes annual payments to the City of Fairview. Total payment to City of Fairview for March 31, 2018 and 2017 were \$226,891 and \$229,495 respectively.

**Concentration of Risk**—Federal regulations require that public funds on deposit with financial institutions be secured at a rate of 100% of amounts in excess of deposit insurance coverage. Home Forward maintains cash balances at several financial institutions, some in excess of the federally insured amount of \$250,000 per Employer Identification Number. Financial institutions insure these excess balances either via the Oregon State Treasurer's office by designating these balances as Public Funds per ORS 295 or via other collateral agreements at the Federal Reserve Bank and/or the Federal Home Loan Bank. As of March 31, 2018 and March 2017, all of Home Forward's funds were collateralized.

**Investments**—Pursuant to Home Forward's Moving to Work Agreement with the Department of Housing and Urban Development (HUD), Home Forward's Investment Policy dated September 2013, is written in conformance with ORS Chapter 456 – Housing. Home Forward's investment program shall be operated in conformance with Oregon Revised Statutes and Applicable Federal Law. Specifically, Home Forward's investment policy is written in conformance with ORS Chapter 294 – County and Municipal Financial Administrations, which allows for federal funds to be invested in securities permitted under Oregon State law.

**Fair Value of Financial Instruments**—Investments held by Home Forward are stated at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Home Forward determines the fair value of these investments on a monthly basis, based on quoted market prices. Outside trustees provide monthly statements to report the fair value and pricing of the assets held by them, which are also based on quoted market prices. During Fiscal Year 2017, Home Forward adopted GASB 72 *Fair Value Measurement and Application*. GASB 72 provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2018 and 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The three levels of the fair value hierarchy under GASB 72 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Home Forward has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at March 31, 2018 as compared to March 31, 2017. Home Forward has no investments of this type as of March 31, 2018 or 2017. Investments in derivatives are valued based upon quoted prices for similar assets in active markets.

The following table sets forth by level, within the fair value hierarchy, Home Forward's assets and liabilities at fair value as of March 31, 2018:

	Total	Level 2
Repurchase agreements	\$ 475,941	\$ 475,941
Investments in derivatives	(662,964)	(662,964)
Investment not subject to fair value levels:		
Guaranteed investment contract	481,617	
	\$ 294,594	

The following table sets forth by level, within the fair value hierarchy, Home Forward's assets and liabilities at fair value as of March 31, 2017:

	Total	Level 2
Repurchase agreements	\$ 475,941	\$ 475,941
Investments in derivatives	(1,010,238)	(1,010,238)
Investment not subject to fair value levels:		
Guaranteed investment contract	472,680	
	\$ (61,617)	

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2018 and 2017

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Due from partnerships, net* consists primarily of development and management fees earned by Home Forward through its involvement as the General Partner in tax credit partnerships and partnership project costs paid by Home Forward on behalf of the partnerships (see Note 5). The fees are typically paid based on the availability of net cash flow of the partnerships or from the proceeds of capital contributions to the partnerships. Management reviews the balance for likelihood of collection and records an allowance for doubtful accounts based on the type and age of the individual receivables.

*Notes receivable (non-current)* consists primarily of loans to tax credit partnerships for the development of affordable housing. These loans have a maturity date greater than one year in duration. Management reviews the balance for likelihood of collection and records an allowance for doubtful accounts based on the type and age of the individual receivables (see Note 6).

*Notes receivable – partnerships* consists of required payments to be made by the Partnerships to Home Forward to pay required debt service payments on the Multi-Family Housing Revenue Bonds in which Home Forward has an ownership interest.

*Investments in partnerships* represents Home Forward's equity interest in 16 limited partnerships, which are reported as Home Forward's discretely presented component units (see Note 7). These investments are accounted for under the equity method because Home Forward either holds a controlling interest or has "significant influence" over the operations of the partnerships.

Under the equity method, the initial investment is recorded at cost and is increased or decreased by Home Forward's share of income or losses and is increased by contributions and decreased by distributions. Management reviews the investment in partnerships for possible impairment in value whenever events or circumstances indicate the carrying value of the investment may not be recoverable.

In June 2014, Home Forward entered into a Limited Liability Corporation with Cedar Sinai Park, Care Oregon and other service partners to create a Housing with Services partnership, which operates under a separate tax ID from Home Forward. The purpose of this initiative is to develop and evaluate a managed-care services delivery model designed to reduce costs and improve health outcomes for seniors and people with disabilities

*Capital assets* include land, construction in progress, buildings and improvements, and equipment. All capital assets are recorded at cost except for donated capital assets which are recorded at acquisition value at the time of donation. Depreciation is computed on the straight-line method based on the estimated useful lives of the individual assets: 15 to 40 years for buildings and improvements and 3 to 20 years for equipment. When debt is issued for construction of capital assets, interest is capitalized during construction up to the placed-in-service date. Maintenance and repairs are charged to expense when incurred. Assets with costs in excess of \$5,000 are capitalized and depreciated from the respective placed-in-service date.

Management reviews land, buildings and improvements, equipment and construction in progress for possible impairment whenever events or circumstances cause a material and unanticipated decline in the service utility of an asset. Impairment is inherently subjective and is based on management's best estimate of assumptions concerning expected future conditions.

***Deferred Outflows and Deferred Inflows of Resources***— In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and therefore will not be recognized as an outflow of resources (expense) until then. Home Forward has two items that qualify for reporting in this category. The deferred amount related to pensions is recognized as an outflow of resources in the period when Home Forward recognizes pension expense. The deferred amount related to derivative instruments represents the fair value of swap agreements recognized as a liability in Home Forward's Statement of Net Position with the offsetting losses in deferred outflows of resources.

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2018 and 2017

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and therefore will not be recognized as an inflow of resources (revenue) until that time. Home Forward has three types of items that qualify for reporting in this category. The deferred amount related to pensions is recognized as an inflow of resources in the period Home Forward recognizes pension income. The deferred amount related to OPEB is recognized as an inflow of resources in the period Home Forward recognizes OPEB income.

**Net OPEB (Asset)/Liability**— Home Forward has two net other post-employment benefits (OPEB) plans: 1. Retirement Health Insurance Account (RHIA) and 2. Home Forward Health Benefit Retiree Program (HBRP). For purposes of measuring the net OPEB RHIA asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value (see Note 16). For purposes of measuring the total OPEB HBRP liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been actuarially determined using assumptions regarding the future cost of the retiree health plan and that it will retain its current relationship to the cost of the active plan, and that the active plan cost will maintain a reasonable relationship to direct compensation (see Note 16).

**Net Pension Liability**— For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value (see Note 15).

**Unearned Revenue**— Unearned revenue consists primarily of land lease prepayment to HFDE from Wests and Woods East Limited Partnerships, advanced grant payments received from HUD programs and payments received from non-HUD sources that have not been earned as of March 31, 2018 and 2017.

**Other Liabilities—Non-current**—Other liabilities – non-current represents the liabilities associated with other post-employment benefits as determined in accordance with GASB Statement No. 45 as of March 31, 2017. For fiscal year ending March 31, 2018, Home Forward implemented GASB Statement No. 75 which supercedes GASB Statement No. 45. Other post-employment activities are now reported within deferred inflows and outflows of resources OPEB and net OPEB (asset)/liability.

**Revenue Recognition**—Operating subsidies are recognized in the period funds are received. Revenues from grants are recognized in the periods designated by the grantor as the associated costs are incurred. Revenues from contracts and rental revenues are recognized when the associated services are provided.

**Compensated Absences**—All full-time and part-time employees who are regularly scheduled to work at least 20 hours per week are eligible to earn paid annual leave. Eligible employees begin to accrue annual leave as of their hire date; however, the accrued time does not become earned, useable or payable until the completion of 90 days of continuous service. Earned paid annual leave time may be carried over and accumulated up to a maximum of two years' accrual as of January 1 of any year. Total accrued compensated absences as of March 31, 2018 and 2017 were \$1,413,169 and \$1,319,634, respectively, and are a component of other accrued liabilities.

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2018 and 2017

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes**—Home Forward adopted the provisions of FASB ASC Topic 740-10 *Accounting for Uncertainty in Income Taxes* on April 1, 2009, as applicable to the tax credit limited partnerships as shown as discretely presented component units in the basic financial statements. These Oregon tax credit limited partnerships were formed in conformity with the provisions of Section 42 of the Internal Revenue Code, thus no provision has been made for income taxes. There was no effect on net position in the current year as a result of adopting this Topic. No expense for interest or penalties is recognized in the financial statements. Management believes the tax credit limited partnerships have not taken any uncertain tax positions, as defined in the Topic.

**Assets Available for Sale**—Land, buildings or equipment identified as available for sale are separately identified from assets placed in service. No depreciation expense is recorded on these assets and the value of the assets is reflected at the lower of book value or market value.

**New pronouncements adopted** – As of April 1, 2016, Home Forward adopted the provisions of following GASB statements:

GASB Statement No. 72, *Fair Value Measurement and Application* – the statement requires Home Forward to use valuation techniques, which are appropriate under the circumstances and are consistent with the market approach, the cost approach, or the income approach. It establishes a hierarchy of inputs used to measure fair value consisting of three levels and contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurement. See Note 1 for required disclosures.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. This statement establishes requirements for those pensions and pension plans that are not administrated through a trust meeting specified criteria and thus are not covered by Statements Nos. 67 and 68. This statement did not have material impact on the financial statements of Home Forward.

GASB Statement No. 76, *Hierarchy of GAAP* – the statement improves financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. This statement did not have material impact on the financial statements of Home Forward.

GASB Statement No. 77, *Tax Abatement Disclosures* - this statement requires governments that enter into tax abatement agreements to disclose additional information about the agreements. This statement did not have material impact on the financial statements of Home Forward.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* – the statement addresses a practice issue regarding the scope and applicability of State No. 68, *Accounting and Financial Reporting for Pensions*. The statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). It also establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for those pensions. This statement did not have material impact on the financial statements of Home Forward.

GASB Statement No. 79, *External Investment Pools* – the statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This statement did not have material impact on the financial statements of Home Forward.



**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2018 and 2017

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As of April 1, 2017, Home Forward adopted the provisions of following GASB statements:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement addresses reporting by OPEB plans that administer benefits on behalf of governments. This statement did not have material impact on the financial statements of Home Forward.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. See Note 16 for required disclosures. As of April 1, 2017, Home Forward implemented this Statement, which resulted in a restatement of beginning net position by \$646,838, recognition of deferred inflow of resources of \$301,728, and establishment of a net OPEB asset of \$59,006 and a total OPEB liability of \$1,415,328.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* – the statement clarifies the financial statement presentation requirements for certain component units and amends the blending requirements established in paragraph 53 of Statement No. 14. This statement did not have material impact on the financial statements of Home Forward.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The statement provides recognition and measurement guidance for situations in which a government is a beneficiary of these agreements. This statement did not have material impact on the financial statements of Home Forward.

**Effect of new pronouncements** – Home Forward is currently analyzing its accounting practices to identify the potential impact on the financial statements for the following GASB statements:

- In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs.
- In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.
- In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)).
- In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.
- In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.
- In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement improves the information that is disclosed in notes to the government financial statements related to debt, including direct borrowing and direct placements and clarifies which liabilities governments should include when disclosing information related to debt.

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2018 and 2017

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period.
- In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests (an amendment of GASB Statements No. 14 and No. 61)*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

**2. LOW INCOME HOUSING TAX CREDIT LIMITED PARTNERSHIPS**

The low-income housing tax credit program is the result of Federal legislation that allows investors certain tax incentives for investing in low-income housing. Under terms of the Federal tax code and extended use agreements with the State of Oregon, the buildings must continue to serve the targeted population for 30 years; after 15 years, Home Forward has the option to purchase the property from the partnership.

Tax Credit Limited Partnerships are created to finance and own affordable housing. Home Forward acts as Managing General Partner of each partnership. Although each Tax Credit Limited Partnership is structured differently, they are generally financed via loans to the partnership, contributions of equity by the general and limited partners, and other sources. In some transactions, Home Forward issues bonds and loans the proceeds to the Tax Credit Limited Partnership. Tax-exempt bond issuances are secured by the underlying partnership real estate and, in some cases, by the general revenues of Home Forward. The bonds and notes payable are offset by notes receivable from the partnerships. The partnerships make payments to Home Forward for debt service. Home Forward may receive grant funds or other loans to assist in purchasing the properties and in preserving affordability within the projects. Because of limitations posed by the Internal Revenue Service, all such funds are received by Home Forward and lent to the partnerships. These funds are accounted for as notes receivable from the partnerships if the proceeds are used for developing the property. Other advances are included in amounts due from partnerships and are reflected in Note 5. Notes payable related to the partnerships are reflected in Note 11. A summary of Home Forward's long-term debt, including debt pertaining to the tax credit partnerships, is reflected in Note 13. A summary of notes receivable from the partnerships is reflected in Note 6.

Home Forward typically earns a developer's fee for its role in bringing the project to fruition. These fees are earned based on certain events or dates relative to the development of the project. Developer fees are paid primarily from development proceeds and available cash flows. Under the various partnership agreements, the balance developer fees not paid during the construction phase are generally required to be paid either within 10 to 15 years of the project having been placed in service and may accrue interest on unpaid balances. In 2017, Home Forward earned \$3.1 million in developer fees and was paid \$7.6 million. In 2018, Home Forward earned \$5.0 million in developer fees and was paid \$0.8 million.

At March 31, 2018 and 2017, the balance of the development fees owed to Home Forward is \$5.4 million and \$13.0 million, respectively. Some tax credit projects also pay a General Partner's management fee and/or a tenant services fee; these fees are reflected in other operating revenues and totaled \$324,608 and \$354,887 in 2018 and 2017, respectively.

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
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**2. LOW INCOME HOUSING TAX CREDIT LIMITED PARTNERSHIPS (Continued)**

On March 31, 2018, HomeForward purchased the remaining 99.9% interest in Fountain Place Limited Partnership. Upon purchase, the partnership was dissolved. This property is now reported as Fountain Place. A summary of the partnership's statement of net position at the time of purchase was:

Total Assets	\$ 5,217,164
Total Liabilities	<u>5,072,382</u>
Net Position	<u>\$ 144,782</u>

At the acquisition, Home Forward forgave the outstanding general partner advance of \$110,888 and general partner admin fees of \$10,833, which were reported as Due from Partnerships (Note 5) in Home Forward's Statement of Net Position prior to the acquisition.

On October 3, 2016, Home Forward purchased the remaining 99.9% interest in Lovejoy Station Limited Partnership. Upon purchase, the partnership was dissolved. This property is now reported as Lovejoy Station.

A summary of the partnership's statement of net position at the time of purchase was:

Total Assets	\$ 13,817,763
Total Liabilities	<u>13,495,544</u>
Net Position	<u>\$ 322,219</u>

At the acquisition, Home Forward forgave the outstanding partnership management fees of \$170,548, which were reported as Due from Partnerships (Note 5) in Home Forward's Statement of Net Position prior to the acquisition. Multi-family housing revenue bonds were issued by Home Forward in which the proceeds were lent to the partnership and have been reported as Bonds Payable and Notes Receivables – Partnership (Note 13) in Home Forward's Statement of Net Position prior to the acquisition. Upon the acquisition, the Notes Receivables – Partnership of \$9,715,000 was forgiven and the Bond Payable – Partnership was reclassified as Bonds Payable, which was subsequently refunded by the proceeds from an issuance of multi-family housing revenue bond of Home Forward (Note 12). Furthermore, Home Forward assumed the notes payables of \$3,254,986 for Lovejoy Station (Note 11).

**3. CASH, CASH EQUIVALENTS AND INVESTMENTS**

Pursuant to Home Forward's Moving to Work Agreement with Department of Housing and Urban Development (HUD), Home Forward's Investment Policy dated September 2013 is written in conformance with ORS Chapter 456—Housing. Home Forward's investment program shall be operated in conformance with Oregon Revised Statutes and Applicable Federal Law. Specifically, Home Forward's investment policy is written in conformance with ORS Chapter 294 –County and Municipal Financial Administration, which allows for federal funds to be invested in securities permitted under Oregon state law.

At March 31, cash and investments consisted of the following:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 57,809,085	\$ 38,955,880
Cash and cash equivalents - restricted	<u>23,314,208</u>	<u>18,134,617</u>
Total cash and cash equivalents	<u>\$ 81,123,293</u>	<u>\$ 57,090,497</u>

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
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**3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

At year-end, all of Home Forward's bank balances were insured first by federal depository insurance of \$250,000 per institution and any balances in excess of that amount were collateralized by either a Tri-Party agreement or by the Oregon State Public Funds Collateral Pool.

**Investment Risk Disclosures**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, Home Forward will not be able to recover the value of the investment securities that are in the possession of the outside party. As of March 31, 2018 and 2017, all investments were insured or registered, and held by Home Forward or its agent in Home Forward's name, or uninsured and unregistered, with securities held by the counterparty's trust department or agent in Home Forward's name and were not exposed to custodial credit risk.

Credit risk of investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This credit risk is measured by the credit quality rating of investments in debt securities as described by a national statistical rating organization such as Standard and Poor's (S&P). To minimize credit risk, Home Forward's policies provide that investments in corporate indebtedness are rated a minimum of A1, P1, 3a3 and investments in municipal debt obligations of the State of Oregon that are A or better. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Concentration of credit risk is the risk of loss attributed to the magnitude of Home Forward's investment in a single issuer (not including investments issued or guaranteed by the U.S. government, investments in mutual funds, or external investments pools). To minimize concentration of credit risk, Home Forward's investments are made from a selection of diverse issuers.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Home Forward selects investments of varied maturities to mitigate this risk.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Home Forward does not invest in securities associated with exchange rates and therefore is not exposed to foreign currency risk.

At March 31, 2018, Home Forward's restricted investments consists of money market mutual fund that has a S&P rating of AAA and a repurchase agreement with Bayerisch with a S&P rating of AAA and a weighted average maturity more than 3 years in the amount of \$957,558.

At March 31, 2017, Home Forward's restricted investments consists of money market mutual fund that has a S&P rating of AAAM and a weighted average maturity less than a year in the amount of \$442,302 reported as component of restricted cash and cash equivalents and a repurchase agreement with Bayerisch with a S&P rating of A3 and a weighted average maturity more than 3 years in the amount of \$948,621.

Investments – restricted for the year ended March 31, 2018 and March 31, 2017, mature between January 2027 and December 2029 and the interest rate on the investments ranges from 4.39% to 4.57%. The repurchase agreements are guaranteed investment contracts.

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2018 and 2017

**4. ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following at March 31:

	<u>2018</u>	<u>2017</u>
HUD grants	\$ 961,934	\$ 2,191,440
State, local and other grants	1,108,711	1,934,936
Tenants and landlords	1,191,315	1,226,434
Other	205,359	127,718
Total accounts receivable	3,467,319	5,480,528
Less: Allowances for doubtful accounts	(771,945)	(896,221)
Accounts receivable, net	<u>\$ 2,695,374</u>	<u>\$ 4,584,307</u>

**5. DUE FROM PARTNERSHIPS**

Due from partnerships consists of the following at March 31:

	<u>2018</u>	<u>2017</u>
Stephen's Creek Crossing North (4%)	\$ 34,493	\$ 656,571
Cecelia Limited Partnership	650,750	605,750
Woolsey Limited Partnership	611,876	567,609
West's Limited Partnership	145,687	1,090,446
Gladstone Square Limited Partnership	-	462,049
Stephen's Creek Crossing South (9%)	28,155	239,410
Woods East Limited Partnership	149,631	450,455
Square Manor Limited Partnership	2,664,473	1,534,395
Lloyd Housing Limited Partnership	1,819,789	-
All other partnerships	619,832	674,680
Total due from partnerships	6,724,686	6,281,365
Less: Allowances for doubtful accounts	(1,624,168)	(1,962,669)
Due from partnerships, net	<u>\$ 5,100,518</u>	<u>\$ 4,318,696</u>

**6. NOTES RECEIVABLE AND ACCRUED INTEREST**

Notes and accrued interest receivable consist of the following at March 31:

	<u>2018</u>	<u>2017</u>
Partnerships notes	\$ 153,689,309	\$ 155,267,888
Non-partnerships notes	3,145,000	3,145,000
Homeowners notes	208,300	1,007,328
	157,042,609	159,420,216
Accrued interest receivable	9,103,383	9,034,271
Less: Allowances for doubtful accounts	(7,305,553)	(7,052,491)
Total notes and accrued interest receivables	<u>\$ 158,840,439</u>	<u>\$ 161,401,996</u>

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2018 and 2017

**6. NOTES RECEIVABLE AND ACCRUED INTEREST (Continued)**

Partnership notes have been issued to the limited partnerships invested in by Home Forward. These notes are used for the purpose of acquiring, constructing, and/or remodeling buildings for housing and other housing related purposes. These notes have an interest range of 0% to 6% with various maturity dates to 2072. As described in each note agreement, payments will be made from available cash flows.

Homeowners' notes are secured by deed of trust and no longer accrue interest. Deferred interest was forgiven if the owner completed required homeowner education classes and remained in the house for five years. Principal is payable upon sale of property or various dates between 2033 through 2037.

**7. INVESTMENTS IN PARTNERSHIPS**

Investments in partnerships consist of the following at March 31:

	<u>2018</u>	<u>2017</u>
<u>Investments in Limited Liability Partnerships</u>		
RAC Housing Limited Partnerships	\$ 21,185,455	\$ 21,185,615
Cecelia Limited Partnership	1,272,784	1,272,875
Haven Limited Partnership	515,909	515,944
Trouton Limited Partnership	(2,492)	(2,334)
Woolsey Limited Partnership	(1,207)	(1,119)
The Jeffrey Limited Partnership	50,931	50,931
St. Francis Park Limited Partnership	442,906	340,992
Fountain Place Limited Partnership	-	659,786
Gateway Park Apartments Limited Partnership	-	708,517
Square Manor Limited Partnership	291,851	10
	<u>23,756,137</u>	<u>24,731,217</u>
<u>Investments in Limited Liability Corporation</u>		
Cedar Sinai	30,000	30,000
Total investments in partnerships	<u>\$ 23,786,137</u>	<u>\$ 24,761,217</u>

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2018 and 2017

**8. CAPITAL ASSETS**

Land, structures and equipment activity of Home Forward was as follows for the years ended March 31:

	<u>Balance</u> <u>April 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>March 31, 2018</u>
Land	\$ 25,195,521	\$ 5,128,489	\$ (310,301)	\$ -	\$ 30,013,709
Construction in progress	7,945,814	8,442,317	(4,753,682)	(7,024,256)	4,610,193
Total capital assets not being depreciated	33,141,335	13,570,806	(5,063,983)	(7,024,256)	34,623,902
Buildings and improvements	207,598,517	11,703,129	(6,217,265)	6,764,617	219,848,998
Equipment	13,779,591	377,083	(205,721)	259,639	14,210,592
	221,378,108	12,080,212	(6,422,986)	7,024,256	234,059,590
Less accumulated depreciation					
Buildings and improvements	(100,247,822)	(12,814,392)	3,597,904	-	(109,464,310)
Equipment	(11,968,046)	(595,213)	200,910	-	(12,362,349)
	(112,215,868)	(13,409,605)	3,798,814	-	(121,826,659)
Total capital assets being depreciated	109,162,240	(1,329,393)	(2,624,172)	7,024,256	112,232,931
Total capital assets, net	<u>\$ 142,303,575</u>	<u>\$ 12,241,413</u>	<u>\$ (7,688,155)</u>	<u>\$ -</u>	<u>\$ 146,856,833</u>
	<u>Balance</u> <u>April 1, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>March 31, 2017</u>
Land	\$ 22,265,906	\$ 2,929,615	\$ -	\$ -	\$ 25,195,521
Construction in progress	2,379,559	8,920,820	(312,837)	(3,041,728)	7,945,814
Total capital assets not being depreciated	24,645,465	11,850,435	(312,837)	(3,041,728)	33,141,335
Buildings and improvements	196,245,007	10,443,320	(1,884,845)	2,795,035	207,598,517
Equipment	13,591,127	170,118	(228,347)	246,693	13,779,591
	209,836,134	10,613,438	(2,113,192)	3,041,728	221,378,108
Less accumulated depreciation					
Buildings and improvements	(93,729,433)	(7,256,386)	737,997	-	(100,247,822)
Equipment	(11,622,379)	(557,933)	212,266	-	(11,968,046)
	(105,351,812)	(7,814,319)	950,263	-	(112,215,868)
Total capital assets being depreciated	104,484,322	2,799,119	(1,162,929)	3,041,728	109,162,240
Total capital assets, net	<u>\$ 129,129,787</u>	<u>\$ 14,649,554</u>	<u>\$ (1,475,766)</u>	<u>\$ -</u>	<u>\$ 142,303,575</u>

On March 1, 2018, upon the acquisition of Fountain Place Limited Partnership, Home Forward acquired capital assets with a net book value of \$4,107,019.

During the year ended March 31, 2018, Home Forward transferred construction in progress projects to Square Manor Limited Partnership with a book value of \$2,194,425. Home Forward recorded a short term loan which was repaid by Square Manor LP with construction loan financing. In addition, Home Forward transferred construction in progress projects to Lloyd Housing Limited Partnership with a book value of \$2,524,933, and recorded a short term loan which was repaid by Lloyd Housing LP with construction loan financing.

On October 3, 2016, upon the acquisition of Lovejoy Station Limited Partnership, Home Forward acquired capital assets with a net book value of \$11,206,225.

**9. ASSETS AVAILABLE FOR SALE**

Home Forward had no assets available for sale at March 31, 2018 and 2017.

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
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**10. LINE OF CREDIT**

Home Forward has an \$8,000,000 revolving line of credit. The line of credit is used for short-term funding needs. The line of credit is collateralized by the general revenues of Home Forward and matures December 1, 2019. Draws on the line of credit may bear a fixed or variable rate of interest. During 2018 and 2017 gross draws, including initial draws and draws after repayments, on the line of credit were \$22,555,000 and \$23,930,000 respectively, which represents both principal and accrued interest. The remaining outstanding line of credit balance for March 31, 2018 and 2017 is \$2,690,000 and \$229,000, respectively. A summary of activity for Home Forward's line of credit for year ending March 31, 2018 and 2017 is as follows:

<b>Balance</b>			<b>Balance</b>
<b>April 1, 2017</b>	<b>Draws</b>	<b>Repayments</b>	<b>March 31, 2018</b>
<u>\$ 229,000</u>	<u>\$ 22,555,000</u>	<u>\$ (20,094,000)</u>	<u>\$ 2,690,000</u>

<b>Balance</b>			<b>Balance</b>
<b>April 1, 2016</b>	<b>Draws</b>	<b>Repayments</b>	<b>March 31, 2017</b>
<u>\$ 155,000</u>	<u>\$ 23,930,000</u>	<u>\$ (23,856,000)</u>	<u>\$ 229,000</u>

**11. NOTES PAYABLE**

Notes payables of Home Forward consist of the following at March 31:

<u>Property</u>	<u>Interest Rate</u>		<u>Final</u>	<u>Payment</u>	<u>2018</u>		<u>2017</u>	
	<u>2018</u>	<u>2017</u>			<u>Date*</u>	<u>Terms</u>	<u>2018</u>	<u>2017</u>
Schiller Way	4.00%	4.00%	2030	Monthly	\$ 450,369		\$ 479,555	
Schiller Way	4.14%	4.14%	2021	Monthly	75,112		99,591	
Richmond Place	3.00%	3.00%	2016	Maturity Date	500,000		500,000	
Multnomah Manor	6.75%	6.75%	2034	Monthly	-		1,089,960	
Turning Point	3.81%	3.81%	2032	Monthly	342,890		355,704	
Willow Tree	4.42%	4.42%	2036	Monthly	575,053		595,522	
Cambridge Court	1.00%	1.00%	2032	Cash Flow	491,156		523,887	
Cambridge Court	0.00%	0.00%	2032	Cash Flow	397,753		397,753	
Dawson Park	3.00%	3.00%	2022	Cash Flow	496,620		496,620	
Fenwick Apts	3.77%	3.77%	2025	Monthly	1,134,765		1,181,457	
Fenwick Apts	0.00%	0.00%	Sale of Property	Cash Flow	1,180,211		1,180,211	
Fenwick Apts	3.00%	3.00%	2034	Monthly	136,980		143,182	
Helen Swindells	3.00%	3.00%	2023	Cash Flow	1,483,870		1,483,870	
Helen Swindells	3.00%	3.00%	2023	Cash Flow	600,451		600,451	
Kelly Place	5.39%	5.39%	2028	Monthly	297,771		319,428	
James Hawthorne	0.00%	0.00%	Sale of Property	Cash Flow	5,728,950		5,728,950	
North Interstate	0.00%	0.00%	Sale of Property	Cash Flow	929,905		929,905	
Yards at Union Station	1.00%	1.00%	2027	Monthly	965,264		1,055,819	
Pearl Court	3.00%	3.00%	2027	Monthly	655,369		722,935	
Peter Paulson	7.91%	7.91%	2024	Cash Flow	1,021,301		1,021,301	
Peter Paulson	0.50%	0.50%	2024	Cash Flow	250,000		250,000	
Peter Paulson	0.00%	0.00%	2024	Cash Flow	689,635		689,635	
Schiller Way	0.00%	0.00%	Sale of Property	Cash Flow	505,351		505,351	
SW 45th (Carriage Hill Apts)	0.00%	0.00%	Sale of Property	Cash Flow	180,897		180,897	
Forward balance to next page					<u>\$ 19,089,673</u>		<u>\$ 20,531,984</u>	



**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2018 and 2017

**11. NOTES PAYABLE (Continued)**

Forward balance from previous page					\$ 19,089,673	\$ 20,531,984
SW 45th (Carriage Hill Apts)	3.00%	3.00%	2032	Monthly	30,547	32,187
Willow Tree	0.00%	0.00%	2035	Cash Flow	173,166	173,166
Fairview Oaks & Woods	3.58%	3.58%	2047	Monthly	10,962,689	11,174,230
Rockwood Station	3.58%	3.58%	2047	Monthly	4,403,573	4,488,547
Rockwood Station (Mpower)	6.00%	6.00%	2025	Monthly	130,172	144,919
Hawthorne Home	6.00%	6.00%	2029	Monthly	44,554	47,195
Madison Home	6.00%	6.00%	2029	Monthly	44,327	46,981
North Interstate	6.00%	6.00%	2033	Monthly	412,642	430,791
Project Open Door	1.75%	1.75%	2027	Monthly	167,345	183,750
Russell Street House	8.97%	8.97%	2018	Monthly	868	5,940
Taylor Home	7.00%	7.00%	2029	Monthly	42,168	44,526
Ashcreek Commons	3.94%	3.94%	2034	Monthly	1,767,008	1,842,886
Ainsworth Court	0.00%	0.00%	2052	Cash Flow	1,290,099	1,290,099
Ainsworth Court	4.77%	4.77%	2034	Monthly	2,198,120	2,282,966
Madrona Apartments	5.31%	5.31%	2034	Monthly	1,279,674	1,325,304
Kelly Place	0.00%	0.00%	2046	Maturity Date	350,456	350,456
Rockwood Landing	0.00%	0.00%	2058	Maturity Date	150,000	150,000
Gretchen Kafoury	3.00%	3.00%	2031	Maturity Date	2,664,000	2,664,000
Stephens Creek Crossing	0.00%	0.00%	Sale of Property	Converts to Grant	1,798,318	1,798,318
Hamilton West	3.00%	3.00%	2031	Monthly	653,358	696,026
Hamilton West	0.00%	0.00%	Sale of Property	Cash Flow	2,039,641	2,039,641
Helen Swindells (Mpower)	6.00%	6.00%	2024	Monthly	64,851	72,898
Rockwood Landing (Mpower)	6.00%	6.00%	2025	Monthly	53,690	59,598
Rockwood Landing	3.86%	3.86%	2029	Maturity Date	363,127	388,015
St. Francis LLC	3.38%	3.38%	2050	Monthly	3,759,513	3,821,793
Sequoia Square	3.00%	3.00%	2031	Monthly	76,665	81,120
St Francis LLC	0.00%	0.00%	Sale of Property	Cash Flow	5,308,681	5,308,681
Sequoia Square	8.08%	8.08%	2031	Monthly	635,195	660,195
Sequoia Square	3.99%	3.99%	2031	Monthly	402,642	424,720
Sequoia Square	0.00%	0.00%	Sale of Property	Cash Flow	514,486	514,486
Lovejoy Station	3.00%	3.00%	2032	Monthly	3,066,508	3,254,986
Fountain Place	1.00%	-	2056	Cash Flow	2,725,500	-
Gateway Park	5.10%	-	2033	Monthly	5,405,157	-
					<u>72,068,413</u>	<u>66,330,406</u>
Less: Current portion of notes payable					<u>(1,577,636)</u>	<u>(1,340,990)</u>
Total notes payable - long term					<u>\$ 70,490,777</u>	<u>\$ 64,989,416</u>

(\*) NOTE: calendar year of final maturity date.

Notes Payables includes those notes related to equity gap financing. Equity gap financing is utilized to fund the difference between project costs and sources of construction and permanent financing. These notes bear interest rates between 0.00% and 8.97% with maturities due up through 2058 except for certain equity gap notes, which are not payable unless the property is sold.

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2018 and 2017

**11. NOTES PAYABLE (Continued)**

A summary of activity of Home Forward's notes payable for 2018 and 2017 is as follows:

<u>Balance</u> <u>April 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>March 31, 2018</u>
\$ 66,330,406	\$ 8,130,658	\$ (2,392,650)	\$ 72,068,414
<u>Balance</u> <u>April 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>March 31, 2017</u>
\$ 64,205,803	\$ 3,418,600	\$ (1,293,997)	\$ 66,330,406

Minimum debt payments due over the next five years and thereafter in five-year increments are as follows:

<b>March 31:</b>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,577,636	\$ 1,799,356
2020	1,638,600	1,746,476
2021	1,691,144	1,678,241
2022	2,230,022	1,606,497
2023	3,886,269	1,503,986
2024-2028	13,166,987	5,552,425
2029-2033	11,452,806	3,889,772
2034-2038	4,721,926	2,028,001
2039-2043	4,055,417	1,818,933
2044-2048	4,324,955	524,797
2049-2053	1,760,710	159,512
2054-2058	2,875,502	81,765
	<u>53,381,974</u>	<u>22,389,761</u>
Notes with no set maturity	18,686,440	-
	<u>\$ 72,068,414</u>	<u>\$ 22,389,761</u>

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
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**12. BONDS PAYABLE**

Bonds payable of Home Forward, which are secured by mortgages on the respective properties, consist of the following at March 31:

**Bonds Payable**

<u>Bond Issue</u>	<u>Bond Type</u>	<u>Interest Rate</u>		<u>Final Maturity Date*</u>		
		<u>At March 31, 2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>
Capital Fund Program, Series A	Fixed	4.30%	4.30%	2025	\$ 2,350,000	\$ 2,590,000
Dawson Park 2012	Fixed	3.37%	3.37%	2027	1,252,192	1,362,346
New Market West 2013	Variable	2.18%	2.18%	2038	3,396,355	3,562,897
Pearl Court	Fixed	4.20%	4.20%	2027	3,430,000	3,735,000
Gretchen Kafoury	Fixed	3.00%	3.00%	2034	3,725,000	3,805,000
Hamilton West	Fixed	3.00%	3.00%	2034	3,205,000	3,275,000
Yards at Union Station	Fixed	4.40%	4.40%	2029	4,205,000	4,460,000
Lovejoy Station	Fixed	1.10%	1.10%	2034	9,160,000	9,690,000
Fountain Place	Fixed	5.80%	-	2034	2,412,440	-
					33,135,988	32,480,243
Less current portion of bonds payable					(1,826,144)	(1,756,692)
					31,309,844	30,723,551
Plus unamortized premiums					291,921	311,063
Less unamortized discounts					(107,845)	(114,917)
Total					\$ 31,493,920	\$ 30,919,698

(\*) NOTE: calendar year of final maturity date.

On October 3, 2016, Home Forward issued Multi-Family Refunding Revenue Bonds Series 2016 for Lovejoy Station Apartments in the amount of \$9,690,000. The Series 2016 Bonds are issued to refinance the outstanding Bonds Payable – Partnerships for Lovejoy Station Apartments in the amount of \$9,715,000, assumed from the acquisition and Bonds Payable for Lovejoy Station Limited Partnership, for the purpose of reducing future interest payments. The Series 2016 Bonds have a final maturity date of July 15, 2034, and bear fixed rates ranging from 1.00% to 3.00%.

On March 31, 2018, Home Forward purchased the remaining 99.9% interest in Fountain Place Limited Partnership. Upon purchase, the partnership was dissolved and Home Forward assumed outstanding bonds in the amount of \$2,412,440. The Series 2004 Bonds are Multifamily Housing Revenue Bonds, with a final maturity date of April 23, 2034, and bear a fixed rate of 5.80%.

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
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**12. BONDS PAYABLE (Continued)**

A summary activity of Home Forward's bonds payable for 2018 and 2017 is as follows:

<u>Balance</u> <u>April 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>March 31, 2018</u>
\$ 32,480,243	\$ 2,412,440	\$ (1,756,695)	\$ 33,135,988
<u>Balance</u> <u>April 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>March 31, 2017</u>
\$ 23,968,375	\$ 19,405,000	\$ (10,893,132)	\$ 32,480,243

Minimum debt payments due over the next five fiscal years and thereafter are as follows:

Fiscal year ending March 31:	<u>Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,826,144	\$ 1,261,251
2020	1,889,818	1,197,302
2021	1,959,650	1,129,212
2022	2,014,609	1,057,698
2023*	2,090,060	984,084
2024-2028	12,133,868	3,302,036
2029-2033	6,263,748	1,570,517
2034-2038	4,958,091	181,717
Total	<u>\$ 33,135,988</u>	<u>\$ 10,683,817</u>

For the variable rate debt, the March 31, 2018 interest rate of 2.75% was used for the New Market West 2012 Bonds.

\* Final debt payments for New Market West 2012 Bonds are assumed to be made on August 1, 2023, upon the expiration of the associated swap instrument.

**HOME FORWARD**  
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**13. BONDS PAYABLE AND NOTES RECEIVABLE—PARTNERSHIPS**

Home Forward issued Multi-Family Housing Revenue Bonds, Tax-Exempt Tax Credit Notes Receivable and Taxable Tax Credit Notes Receivable for the purpose of providing financing to I.R.S. Section 42 Partnerships (see Note 7 and Note 19) in which Home Forward has an ownership interest. The Partnerships are required to make payments on the Notes Receivable to Home Forward, the General Partner of the Partnerships, sufficient to make required debt service payments on the Bonds. Bonds payable—partnerships and the corresponding notes receivable—partnerships consist of the following at March 31:

**Bonds Payable and Notes Receivable - Partnerships**

<u>Partnership</u>	<u>Bond Type</u>	<u>Interest Rate*</u>		<u>Final Maturity Date</u>	<u>Balance</u>	
		<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>
Lloyd Housing Limited Partnership	Variable	1.00%	5.90%	2033	\$ 38,300,000	\$ -
Civic Redevelopment Limited Partnership	Variable	0.79%	0.29%	2038	7,800,000	7,800,000
Trouton Limited Partnership	Variable	0.93%	0.44%	2037	5,170,000	5,315,000
Cecelia Limited Partnership	Variable	0.93%	0.44%	2035	3,160,000	3,260,000
Fountain Place Limited Partnership	Fixed	5.80%	5.80%	2034	-	2,493,254
Stephens Creek Crossing North LP	Fixed	4.56%	4.56%	2031	2,958,876	3,013,629
Humboldt Gardens Limited Partnership	Fixed	6.17%	6.17%	2040	865,000	885,000
West Limited Partnership A	Fixed	4.18%	4.18%	2047	13,328,957	13,400,000
West Limited Partnership B	Variable	0.00%	0.00%	2047	-	13,960,849
Woods East Limited Partnership A	Fixed	4.18%	4.18%	2047	15,782,882	15,867,000
Woods East Limited Partnership B	Variable	0.00%	0.00%	2047	-	17,494,563
Square Manor Limited Partnership	Fixed	2.125%	-	2020	5,730,995	-
Square Manor-Gladstone Square	Fixed	2.125%	-	2020	3,787,705	50,001
					96,884,415	83,539,297
Less Current Portion					(792,217)	(681,834)
Total bonds payable and notes receivable - partnerships					\$ 96,092,198	\$ 82,857,463

\*For the variable rate debt, the March 31, 2018, interest rate, as provided above, was used for the future interest calculation.

During the year ended March 31, 2018, Home Forward issued multifamily mortgage revenues construction notes associated with Lloyd Housing Limited Partnership. The construction note consist is a variable rate bond with a current rate of 3.38%.

During the year ended March 31, 2017, Home Forward issued multifamily mortgage revenues construction notes associated with two properties: Gladstone Square and Multnomah Manor. The construction note consist of permanent notes with a fixed interest rate of 2.125%.

A summary activity of Home Forward's bonds payable for 2018 and 2017 is as follows:

<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
<u>April 1, 2017</u>			<u>March 31, 2018</u>
\$ 83,539,297	\$ 45,348,412	\$ (32,003,294)	\$ 96,884,415
<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
<u>April 1, 2016</u>			<u>March 31, 2017</u>
\$ 89,293,782	\$ 4,664,042	\$ (10,418,527)	\$ 83,539,297

**HOME FORWARD**  
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**13. BONDS PAYABLE AND NOTES RECEIVABLE—PARTNERSHIPS (Continued)**

Minimum debt payments due over the next five fiscal years and thereafter are as follows:

Fiscal year ending March 31:	Bonds Payable-Tax Credit Partnership	
	Principal	Interest
2019	\$ 792,217	\$ 1,823,188
2020	4,620,039	1,795,935
2021	875,513	1,765,227
2022	844,704	1,733,030
2023	824,940	1,700,578
2024-2028	4,723,084	7,968,163
2029-2033	5,894,133	6,918,450
2034-2038	53,020,411	4,852,814
2039-2043	12,726,666	3,160,900
2044-2048	5,927,958	2,037,978
2049-2053	6,634,750	667,348
Total	<u>\$ 96,884,415</u>	<u>\$ 34,423,611</u>

Final debt service payments for Wests Limited Partnership B Bonds and Woods East Limited Partnership B Bonds were made on September 19, 2017, upon completion of the construction project and conversion to permanent financing.

**14. ADDITIONAL BONDS PAYABLE INFORMATION**

Home Forward issued variable rate demand bonds and notes for its New Market West headquarters building and for three separate projects: Cecelia Limited Partnership (Cecelia), Trouton Limited Partnership (Trouton), and Civic Redevelopment Limited Partnership (Civic).

The bonds for each have the following common characteristics:

- Letters of Credit (LOC) have been issued Bank of America Securities (Cecelia and Trouton), equal to the amounts outstanding on the bonds plus one interest payment, and an annual fee of 1.4% for Cecelia and Trouton of the outstanding principal balance plus one interest payment of the related bonds. Civic has a credit enhancement agreement (CEA) with Freddie Mac and is charged an annual fee of 1.06% of the outstanding balance. New Market West is not required to have a LOC or credit enhancement.
- The LOCs and CEA are intended not only to provide security to bondholders, but also to make periodic interest payments for which Home Forward regularly reimburses the banks.
- The banks act as a remarketing agent, reselling at market rates any bonds sold by bondholders. They have committed to repurchase bonds that cannot be resold on the open market.
- New Market West's interest rates are recalculated monthly, based on the rate at which bond can be remarketed. Interest rates for other bonds are recalculated weekly, based on the rate at which bonds can be remarketed.

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
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**14. ADDITIONAL BONDS PAYABLE INFORMATION (Continued)**

- The annual remarketing fee on the outstanding amount of the bonds is 0.08% (Civic), 0.10% (Trouton) and 0.125% (Cecelia). New Market West is not subject to an annual remarketing fee.
- For bonds where the underlying financed asset is not the pledge for the bonds, the underlying credit for the bonds is the general funds of Home Forward.

Civic Redevelopment Limited Partnership entered into a swap agreement with Freddie MAC. The new agreement caps the variable rate on the bonds to 3.6625%. The agreement is set to expire on September 1, 2023. In conjunction with the sale of Cecelia, Trouton, and New Market West-2012 bonds, Home Forward entered into interest rate swap agreements. Home Forward uses interest rate swap agreements in order to reduce the volatility related to variable rate interest debt, or market risk. The swap agreements effectively convert the interest rate on variable rate debt to a fixed rate. These swaps call for Home Forward to receive interest at a variable rate and to pay interest at a fixed rate.

The Cecelia bonds mature in 2035. The variable rate on the bonds was 1.24% and 0.93% as of March 31, 2018 and 2017, respectively. The swap instrument associated with the remaining bonds matures July 1, 2021, and is fixed at 4.39% on a notional amount of \$3.16 million at March 31, 2018 for which Home Forward receives the 30 day SIFMA rate. The fair values loss of the swap was \$242,891 and \$368,549 as of March 31, 2018 and 2017, respectively.

The Trouton bonds mature in 2038. The variable rate on the bonds was 1.24% and 0.93 % as of March 31, 2018 and 2017, respectively. The swap instrument associated with the remaining bonds matures July 1, 2022, and is fixed at 4.188% on a notional amount of \$5.17 million at March 31, 2018 for which Home Forward receives the 30 day SIFMA rate. The fair values loss of the swap was \$442,268 and \$637,024 as of March 31, 2018 and 2017, respectively.

New Market West bonds mature in 2038. The variable rate on the bonds was 2.75 % and 2.18% as of March 31, 2018 and 2017, respectively. The swap instrument associated with the remaining bonds mature August 1, 2023 and is fixed at 1.73% on a notional amount of the outstanding principal of the New Market Bonds Series 2013 up to \$4.21 million for which Home Forward receives 65.2% of the 30 day LIBOR rate. The fair value gain and loss of the swap was (\$22,194) and \$4,665 as of March 31, 2018 and 2017, respectively.

The fair value of the swap instruments is calculated from proprietary models using a mid-market basis. The change in fair market value of Home Forward's swap transactions for the years ended March 31, 2018 and March 31, 2017 was a decrease of \$347,274 and an decrease of \$567,962, respectively. The fair value of the swap instruments is reflected as derivative instruments liability on the basic financial statements and are offset by corresponding deferred outflows of resources - derivative instruments.

There are certain risks associated with any hedging investment. These risks include credit risk, basis risk, termination risk, rollover risk, interest rate risk, and market access risk.

- *Credit risk* - The aggregate fair value of the swaps represents Home Forward's credit exposure to the counterparties as of March 31, 2018 and 2017. Should the counterparties fail to perform according to the terms of the swap contracts, Home Forward faced a maximum potential loss equal to the aggregate fair value of the swap. At March 31, 2018 and 2017, Home Forward did not face a credit risk because the swap instruments had a negative value. To minimize the potential of credit risk, Home Forward engages with counterparties with ratings of A/A2 or higher. Any counterparty with a credit rating that falls below this is required to use a credit support annex to document swap termination valuation collateralization. As of March 31, 2018 and 2017, Home Forward was engaged with counterparties with ratings of A/A2 or higher.
- *Basis risk* –Risk is minimized for the Cecilia and Trouton deals as both the underlying debt pays out based on weekly auction rates and the SIFMA rate is an average of auction rate activity.

**HOME FORWARD**  
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**14. ADDITIONAL BONDS PAYABLE INFORMATION (Continued)**

- *Termination risk* – Counterparties are not allowed to optionally terminate, extend or substantially alter the terms of a swap without Home Forward’s consent. Home Forward or counterparty may terminate the swaps if the other party fails to perform under the terms of the contract. If, at the time of termination, the hedging derivative instrument is in a liability position, Home Forward would be liable to the counterparty for payment of the absolute value of the swap position.
- *Rollover risk* – Rollover risk occurs when the expiration of the swap agreement occurs before the end of the termination of the underlying debt. Home Forward is exposed to rollover risk. The swap on the Cecilia bond terminates in July 2021 and the final bond payment is due in January 2035. The swap on the Trouton bond terminates in July 2022 and the final bond payment is due in April 2037. The swap on the New Market West bond terminates in August 2023 and the final bond payment is due in August 2038.
- *Interest rate risk* – Home Forward’s swaps are structured to reduce Home Forward’s exposure to interest rate risk by converting a variable rate to a fixed rate.
- *Market access risk* – Market access risk is the risk that a government will not be able to enter credit markets or that credit will become costlier. The ability to sell auction rate securities (ARS) in an auction may be adversely affected if there are not sufficient buyers willing to purchase all the ARS at a rate equal to or less than the ARS maximum rate. In the event of failed auctions, the bonds may default to a higher rate as defined in the bonds’ official statements.

**15. RETIREMENT PLAN**

**Plan Description** – Home Forward is a participating employer in the State of Oregon Public Employees’ Retirement System (“PERS”). PERS, a cost sharing multiple employer defined benefit plan and a fiduciary fund of the State of Oregon, issues a comprehensive annual financial report, which may be obtained by writing to Public Employees’ Retirement System, P.O. Box 23700, Tigard, Oregon, 97281-3700, or by calling 1-888-320-7377. As noted in the PERS 2017 Comprehensive Annual Financial Report:

*The Oregon Public Employees Retirement System (PERS or “the System”) provides statewide defined benefit retirement plans for units of state government, political subdivisions, community colleges, and school districts. PERS is administered under Oregon Revised Statutes (ORS) Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a) by the Public Employees Retirement Board (Board.)*

*The 1995 Legislature enacted Chapter 654, Section 3, Oregon Laws 1995, which has been codified into ORS 238.435. This legislation created a second tier of benefits for those who established membership on or after January 1, 1996. The second tier does not have the Tier One assumed earnings rate guarantee and has a higher normal retirement age of 60, compared to 58 for Tier One.*

*The 2003 Legislature enacted HB 2020, codified as ORS 238A, which created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of the Pension Program (defined benefit) and the Individual Account Program (defined contribution). Membership includes public employees hired on or after August 29, 2003.*

*Beginning January 1, 2004, PERS active Tier One and Tier Two members became members of the Individual Account Program (IAP) of OPSRP. PERS members retain their existing PERS accounts, but member contributions are now deposited into the member’s IAP account, not into the member’s PERS account. Accounts are credited with earnings and losses net of administrative expenses. OPSRP is part of PERS and is administered by the Board. The PERS Board is directed to adopt any rules necessary to administer OPSRP, and such rules are to be considered part of the plan for IRS purposes.*



**HOME FORWARD**  
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**15. RETIREMENT PLAN (Continued)**

**PERS Pension (Defined Benefits)**

Home Forward is a participant of the PERS pension program. PERS benefits, as described by the PERS 2017 Comprehensive Annual Financial Report are as follows:

***Pension Benefits***

*The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage... (1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of \$200 per month or the member will receive a lump-sum payment of the actuarial equivalence of benefits to which he or she is entitled.*

*A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.*

***Death Benefits***

*Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:*

- the member was employed by a PERS employer at the time of death,*
- the member died within 120 days after termination of PERS-covered employment,*
- the member died as a result of injury sustained while employed in an PERS-covered job, or*
- the member was on an official leave of absence from a PERS-covered job at the time of death.*

*A member's beneficiary may choose a monthly payment for life instead of the lump-sum or a combination of lump-sum and monthly payments, if eligible. The monthly payment must be a minimum of \$30 per month for deaths that occur July 30, 2003, and earlier; \$200 per month for deaths that occur after July 30, 2003.*

***Disability Benefits***

*A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.*

***Benefit Changes After Retirement***

*Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.*

*Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The COLA is capped at 2.0 percent*

**HOME FORWARD**  
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**15. RETIREMENT PLAN (Continued)**

**OPSRP Pension Programs**

Home Forward is a participant of the pension programs, a hybrid defined benefit/defined contribution plan for those employees hired after August 29, 2003. OPSRP benefits, as described by the PERS 2017 Comprehensive Annual Financial Report are as follows:

**OPSRP Pension Benefits (Defined Benefit)**

*This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:*

*General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.*

*A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.*

**Death Benefits**

*Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member. The surviving spouse or other person may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached 70½ years.*

**Disability Benefits**

*A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.*

**OPSRP Individual Account Program (Defined Contribution)**

**Pension Benefits**

*Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.*

*An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. The accounts fall under Internal Revenue Code Section 401(a).*

**Death Benefits**

*Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.*

**HOME FORWARD**  
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**15. RETIREMENT PLAN (Continued)**

**Risk Pooling** – In 2001, the Oregon legislature amended ORS 238.227 allowing for local government entities to pool their PERS pension assets and liabilities with the State of Oregon and other organizations joining the pool. Contribution rates are actuarially determined based on the experience of the overall pool as opposed to the potentially more volatile experience of the individual member. On January 19, 2010, Home Forward’s Board of Commissioners approved Home Forward’s inclusion in the State & Local Government Rate Pool (SLGRP).

**Funding Status** – Employees who are OPSRP members are required by State statute to contribute 6.0% of their salary to OPSRP and employers may agree to pay this required contribution. Home Forward pays the employee’s required contribution for all represented employees and non-represented employees hired before April 1, 2012. Additionally, employers are required to contribute actuarially computed amounts as determined by PERS on actuarial valuations performed at least every two years. Rates are subject to change as a result of subsequent actuarial valuations and legislative actions.

Employer contribution rates in effect July 1, 2017 to June 30, 2019 are:

Actuarial Period Ending	Tier 1/ Tier 2	OPSRP
Pension contribution rate	17.01%	10.94%
Retiree healthcare rate	0.50%	0.43%
Total employer contribution	17.51%	11.37%

Employer contribution rates in effect July 1, 2015 to June 30, 2017 are:

Actuarial Period Ending	Tier 1/ Tier 2	OPSRP
Pension contribution rate	13.06%	7.87%
Retiree healthcare rate	0.50%	0.43%
Total employer contribution	13.56%	8.30%

The amount to be contributed by Home Forward for the years ended March 31, 2018 and 2017 were approximately, \$2,694,555, and \$2,328,691, respectively, which represents the required contributions for both the employee and the employer in each of the years presented.

***Net Pension Assets and Liabilities***

At March 31, 2018, Home Forward reported a liability of \$20,664,424 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuations as of December 31, 2015 rolled forward to June 30, 2017. Home Forward’s proportion of the net pension liability was based on a projection Home Forward’s log-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, Home Forward’s proportion was 0.1532% which increased from its proportion of 0.1588% measured as of June 30, 2016.

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**15. RETIREMENT PLAN (Continued)**

At March 31, 2017 Home Forward reported a liability of \$23,852,957 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to June 30, 2016. Home Forward's proportion of the net pension liability was based on a projection Home Forward's log-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, Home Forward's proportion was 0.1588% which increased from its proportion of 0.1553% measured as of June 30, 2015.

***Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources***

For the years ended March 31, 2018 and 2017, Home Forward recognized pension expense of \$5,338,095 and \$4,325,339, respectively, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred inflows and deferred outflows of resources at March 31, 2018:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,367,211	\$ -
Net differences between expected and actual experience	999,340	-
Changes in assumptions	3,766,756	-
Net differences between projected and actual earnings on plan investments	212,892	-
Changes in proportion	149,851	434,789
Difference between the employer's contributions and the employer's proportionate share of contributions	-	441,537
	<u>\$ 6,496,050</u>	<u>\$ 876,326</u>

Deferred inflows and deferred outflows of resources at March 31, 2017:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,126,929	\$ -
Net differences between expected and actual experience	789,160	-
Changes in assumptions	5,087,262	-
Net differences between projected and actual earnings on plan investments	4,712,343	-
Changes in proportion	195,260	79,329
Difference between the employer's contributions and the employer's proportionate share of contributions	-	291,225
	<u>\$ 11,910,954</u>	<u>\$ 370,554</u>

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**15. RETIREMENT PLAN (Continued)**

The amount of \$1,367,211 reported at March 31, 2018 and \$1,126,929 reported at March 31, 2017 as deferred outflow of resources related to pensions resulting from Home Forward contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended March 31, 2019 and 2018, respectively. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred inflows and deferred outflows of resources at March 31, 2018:

<u>Year Ended June 30,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2019	\$ 747,827
2020	2,438,405
2021	1,664,652
2022	(594,396)
2023	(3,975)
	<u>\$ 4,252,513</u>

Deferred inflows and deferred outflows of resources at March 31, 2017:

<u>Year Ended June 30,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2018	\$ 1,787,178
2019	1,787,178
2020	3,538,910
2021	2,908,829
2022	391,376
	<u>\$ 10,413,471</u>

***Actuarial assumptions for the calculation of Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The employer contribution rates effective July 1, 2017 through June 30, 2019, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

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**15. RETIREMENT PLAN (Continued)**

The total pension liability in the December 31, 2015 and 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	December 31, 2015	December 31, 2014
Measurement Date	June 30, 2017	June 30, 2016
Experience Study Report	2014, published September 23, 2015	2014, published September 23, 2015
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets	Market value of assets
Actuarial Assumptions:		
Discount rate	7.50%	7.50%
Inflation	2.50%	2.50%
Projected salary increases	3.50% overall payroll growth	3.50% overall payroll growth
Investment rate of return	7.50%	7.50%
Mortality	Health retirees and beneficiaries: PF-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation	Health retirees and beneficiaries: PF-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation
	Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.	Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.
	Disabled retirees: Mortality rates are percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, misabled mortality table.	Disabled retirees: Mortality rates are percentage (65% for males, 90% for females) of the RP-2000 statistic combined disabled mortality sex-distinct table.

***Long-term Expected Rate of Return***

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

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**15. RETIREMENT PLAN (Continued)**

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Foreign Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equity	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Total	<u>100%</u>	
Assumed Inflation - Mean		2.50%

***Change in Assumptions***

At its September 25, 2015 meeting, the PERS Board reduced the assumed rate from 7.75% to 7.50%.

***Discount Rate***

The discount rate used to measure the total pension liability was reduced to 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability/(asset).

***Sensitivity of the Home Forward's proportionat share of the net pension liability and net pension asset to changes in the discount rate***

The following presents the Home Forward's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.50%, as well as what the Home Forward's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1- percentage-point higher (8.50%) than the current rate:

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**15. RETIREMENT PLAN (Continued)**

Home Forward's proportionate share of net pension liability at measurement date June 30, 2017:

<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
\$ 35,215,955	\$ 20,664,424	\$ 8,496,653

Home Forward's proportionate share of net pension liability at measurement date June 30, 2016:

<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
\$ 38,514,572	\$ 23,852,957	\$ 11,598,412

***Pension plan fiduciary net position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

***Payables to the pension plan***

The balance of PERS payable as of March 31, 2018 and 2017, were \$232,710 and \$197,955, respectively. This balance is recorded in other accrued liabilities on the Statement of Net Position.

**16. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS**

At March 31, 2018, Home Forward adopted GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The cumulative effect of implementing this change in reporting OPEB expenses and obligations resulted in a restatement of the beginning net position of \$(646,838), which comprise of \$26,686 for the Retirement Health Insurance Account and \$(672,524) for the Home Forward Health Benefit Retiree Program.

**Retirement Health Insurance Account (RHIA)**

As a member of PERS, Home Forward contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost sharing multiple-employer defined benefit other post-employment benefit (OPEB) plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statutes (ORS) 238.420 established this trust fund. The Oregon legislature has the ability to establish and amend the benefit provisions of the RHIA. The plan closed to new entrants after August 29, 2003. The Schedule of Employer Allocations and OPEB Amounts by Employer along with PERS audited financial statements and the Schedule of OPEB Amounts under GASB Statement No. 75 prepared by PERS' third-party actuaries as of and for the year ended June 30, 2017 (the measurement period) may be obtained online at <https://www.oregon.gov/pers> or by writing to Public Employees' Retirement System, P.O. Box 23700, Tigard, Oregon, 97281-3700, or by calling 1-888-320-7377.

ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premium coverage, whichever is less, shall be paid from the RHIA, established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment the member must 1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, 2) receive both Medicare Parts A and B coverage, and 3) enroll in a PERS sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the benefit if he or she is receiving a retirement benefit or allowance from PERS or was insured at the time the member died and the member retired before May 1, 1991.



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**16. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)**

Employer contributions are advance-funded on an actuarially determined basis and amounted to \$70,390 and \$68,260 for the year ended March 31, 2018 and 2017. There is no inflation assumption for RHIA postemployment benefits because the payment amount is set by statute and is not adjusted for increases in healthcare costs. Participating employees are contractually required to contribute to RHIA at a rate assessed each year by PERS, currently 0.50% of annual covered PERS payroll and 0.43% of OPSRP payroll. The PERS board sets the employer contribution rate based on creditable compensation for active members reported by employers. For fiscal year ended March 31, 2017, Home Forward was reported under GASB No. 45, the PERS board set the employer contribution rate based on the annual required contribution (ARC) of the employees, an amount actuarially determined in accordance with GASB No. 45.

Effective March 31, 2018, Home Forward adopted GASB Statement No. 75 where Home Forward recognizes a liability as the employees earn benefits by providing services. Changes to OPEB liability are recognized immediately as OPEB expenses or deferred outflows/inflows of resources.

***Net OPEB Asset/Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At March 31, 2018, Home Forward reported an asset of \$59,006, for its proportionate share of the collective net OPEB asset. The collective net OPEB asset was measured as of June 30, 2017, and the total OPEB asset used to calculate the collective net OPEB asset was determined by an actuarial valuation as of December 31, 2015. Home Forward's proportion of the collective net OPEB assets was based on a projection of Home Forward's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017 measurement date, Home Forward's proportion was 0.14 percent, which was a decrease of 0.01 percent from its proportion measured as of June 30, 2016 (0.15 percent).

For the year ended March 31, 2018, Home Forward recognized OPEB expense of \$542.

At March 31, 2018, Home Forward reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ 27,328
Changes in proportion and differences between Home Forward's contributions and proportionate share of contributions	2,319
<b>Total</b>	<b>\$ 29,647</b>

Amounts reported as deferred inflow of resources related to OPEB will be recognized in Home Forward's OPEB expense as follows:

Year ended March 31		
2019	\$	(7,691)
2020		(7,691)
2021		(7,433)
2022		(6,832)

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**16. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)**

*Actuarial Methods and Assumptions*

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of occurrence of events into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown below are based on the 2014 Experience Study, which reviewed experience for the four-year period ended on December 31, 2014.

Valuation date	December 31, 2015
Measurement date	June 30, 2017 and 2016
Actuarial cost method	Entry Age Normal
Asset valuation method	Market value of assets
Inflation rate	2.5%
Long - term expected rate of return	7.5%
Discount rate	7.5%
Project salary increase	3.5%
Retiree healthcare participation	Healthy retirees: 38%; Disabled retirees: 20%
Mortality	<i>Healthy retirees and beneficiaries:</i> RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. <i>Active members:</i> Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. <i>Disabled retirees:</i> Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.

*Long-term expected rate of return*

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

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**16. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Foreign Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equity	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
<b>Total</b>	<b>100%</b>	
Assumed Inflation - Mean		2.50%

***Changes in assumptions***

On July 28, 2017, the PERS Board reduced the assumed discount rate from 7.5% to 7.2%. The effect of the change in assumption will be reported in the next valuation period.

***Discount rate***

The discount rate used to measure the total OPEB liability was 7.5 %. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made at contractually required rates, actuarially determined. Based on this assumption, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

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**16. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)**

*Sensitivity of Home Forward's proportionate share of the collective net OPEB asset to changes in the discount rates*

The following presents Home Forward's proportionate share of the collective net OPEB asset, as well as what Home Forward's proportionate share of the collective net OPEB asset at the measurement date June 30, 2017 would be if it were calculated using discount rates that are 1-percentage-point lower or 1-percentage-point higher than the current discount rates:

	<u>1% Decrease</u>	<u>Current Rate (7.50%)</u>	<u>1% Increase</u>
Home Forward's proportionate share of the collective net OPEB liability (asset) to changes in the discount rates at measurement date June 30, 2017	\$ 8,225	\$ (59,006)	\$ (116,191)

**Home Forward Health Benefit Retiree Program (HBRP) (Implicit Benefit subsidy)**

The Health Benefit Retiree Program is a post-employment single employee benefit plan that provides health insurance to eligible Home Forward retirees. As a condition of participation in PERS, Home Forward is required to offer healthcare insurance coverage to retirees and their spouses until the retired employee reaches the age for obtaining Medicare coverage. Under this requirement, the employer is required to provide access to the same plan(s) available for current employees. Though Home Forward does not pay any portion of the retiree's healthcare insurance, the retired employee receives an implicit benefit of a lower healthcare premium which is subsidized among the premium cost of coverage for active employees.

As Home Forward pays none of the premiums of health insurance coverage for retirees from age 58 to 65, Home Forward has not established and does not intend to establish a trust fund to supplement the costs for other post-employment benefit obligation related to this implicit benefit. Home Forward's regular health care benefit providers underwrite the retirees' policies. Retirees may not convert the benefit into an in lieu payment to secure coverage under independent plans. At March 31, 2018 and 2017, there were 12 retirees and/or surviving spouses receiving the post-employment implicit healthcare benefits.

Effective March 31, 2018, Home Forward adopted GASB Statement No. 75 where Home Forward recognizes a liability as the employees earn benefits by providing services. Changes to OPEB liability are recognized immediately as OPEB expenses or deferred outflows/inflows of resources.

**Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At March 31, 2018, Home Forward reported a total OPEB liability of \$1,415,327, for its implicit benefit subsidy.

The following table below shows the changes in the total OPEB liability for the year ended March 31, 2018:

	<u>Total OPEB Liability</u>
Beginning of year, April 1, 2017 as restated	\$ 1,384,796
Changes for the year	
Service Cost	67,210
Interest on Total OPEB Liability	51,747
Implicit Rate Subsidy benefit	(58,362)
Change in Assumptions	(15,894)
Experience (Gain)/Loss	(14,170)
End of year, March 31, 2018	<u>\$ 1,415,327</u>

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**16. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)**

For the year ended March 31, 2018, Home Forward recognized OPEB expense of \$330,544.

At March 31, 2018, Home Forward reported deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred inflows of Resources</b>
Difference between expected and actual experience	\$ 142,715
Changes of assumptions or other input	127,236
Total	\$ 269,951

Amounts reported as deferred inflows of resources relate to OPEB will be recognized in Home Forward's OPEB expenses as follows:

<b>Year Ended March 31</b>	
2019	\$ (30,064)
2020	(30,064)
2021	(30,064)
2022	(30,064)
2023	(30,064)
Thereafter	(119,631)

***Actuarial Methods and Assumptions for Implicit Benefit subsidy***

Certain actuarial assumptions for the Implicit Benefit subsidy calculation are from the actuarial report as of March 31, 2017. For the retirement, withdrawal, and mortality assumptions, the experience study was completed by Oregon PERS in September 2015. For the other demographic assumptions such as entrance and persistence, the experience study was completed in April 2017.

Valuation date	March 31, 2017
Measurement date	March 31, 2017
Actuarial cost method	Entry Age Normal
Asset valuation method	Investment return assumption equal to expectation of Home Forward's own investment funds
Interest rate discount	3.86% per year
Medical cost annual trend rate	General inflation rate of 2.5%
Dental cost annual trend rate	General inflation rate of 2.5%
Mortality rates	Rates of mortality for active male employees are 75% of the male generational rates and rates of mortality for active female employees are 60% of the female generational rates.

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**16. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)**

*Long-term expected rate of return*

The 3.86% discount rate assumption is the March 30, 2017 rate in the 20-Year General Obligation Municipal Bond Index published by Bond Buyer. This discount rate represents the long-term investment yield on Home Forward's assets.

*Sensitivity of total OPEB liability to changes in the discount rates*

The following presents Home Forward's total OPEB liability at the measurement date March 31, 2017 would be if it were calculated using discount rates that are 1-percentage-point lower or 1-percentage-point higher than the current discount rates:

	<b>1% Decrease</b>	<b>Current Rate (3.86%)</b>	<b>1% Increase</b>
Home Forward's total OPEB liability to changes in the discount rates at measurement date March 31, 2017	\$ 1,536,239	\$ 1,415,327	\$ 1,304,168

*Sensitivity of total OPEB liability to changes in the healthcare cost trend rates*

The following presents Home Forward's total OPEB liability at measurement date March 31, 2017 would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>1% Decrease</b>	<b>Current Rate</b>	<b>1% Increase</b>
Home Forward's total OPEB liability at measurement date March 31, 2017	\$ 1,259,600	\$ 1,415,327	\$ 1,599,464

*OPEB obligation for fiscal year 2017*

The notes and schedules below, for the year ended March 31, 2017, are presented per GASB Statement No. 45 reporting and comparative financial statement presentation purposes. Home Forward's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the guidelines of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

<b>Actuarial Period Ending</b>	<b>Annual OPEB Cost</b>	<b>Contributions Paid</b>	<b>Contributions to Required Contributions</b>	<b>Balance of PERS Payable</b>
3/31/2017	\$ 138,308	\$ 69,064	50%	\$ 712,272
3/31/2016	138,413	72,147	52%	643,028
3/31/2015	140,127	58,595	42%	576,762

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**16. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)**

	<b>March 31, 2017</b>
Annual required contribution	\$ 151,824
Interest on net OPEB obligation	19,291
Adjustment to ARC for net OPEB obligation	(32,807)
Annual OPEB cost	138,308
Implicit rate subsidy benefit	(69,064)
Increase in net OPEB obligation	69,244
Net OPEB obligation - beginning of year	643,028
Net OPEB obligation - end of year	\$ 712,272

Funding progress for implicit benefit subsidy based on most recent actuarial valuation is as follows:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as of Percentage of Covered Payroll</b>
3/31/2017	\$ -	\$ 1,485,213	\$ 1,485,213	0%	\$ 14,848,616	10%
3/31/2016	-	1,538,187	1,538,187	0%	14,997,634	10%
3/31/2015	-	1,813,482	1,813,482	0%	14,527,714	12%

**17. DEFERRED COMPENSATION PLAN**

Home Forward offers employees an optional deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Home Forward's employees, permits them to defer a portion of their salary to future years. Annual deferrals are limited to the lesser of \$18,000 or 100% of includable compensation. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. This plan is administered by a third-party and is not included in Home Forward's basic financial statements.

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**18. BLENDED COMPONENT UNITS**

Home Forward Development Enterprises (HFDE) supports all of Home Forward's development and housing operations. St. Francis, LLC was formed September 17, 2015 as a result of the purchase of St. Francis Limited Partnership, due to a condition of refinancing the debt. On March 1, 2018, Key Community Development Corporation transferred their interest in Gateway Park Apartments Limited Partnership as the Limited Partner to HFDE. These entities are collectively referred as blended component units in this footnote.

The Statement of Net Position of the blended component units are as follows:

	<b>HOME FORWARD</b>		<b>ST. FRANCIS, LLC</b>		<b>GATEWAY LP</b>
	<b>DEVELOPMENT ENTERPRISES</b>				
	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>
<b>ASSETS</b>					
Current assets	\$ 3,850,159	\$ 2,170,169	\$ 1,030,927	\$ 970,197	\$ 833,929
Non-current Assets	41,651,632	42,646,904	-	-	-
Capital assets	-	-	7,585,398	7,777,760	5,145,319
Total assets	<u>\$ 45,501,791</u>	<u>\$ 44,817,073</u>	<u>\$ 8,616,325</u>	<u>\$ 8,747,957</u>	<u>\$ 5,979,248</u>
<b>LIABILITIES</b>					
Current liabilities	160,001	139,819	171,609	150,832	407,466
Non-current liabilities	-	-	9,003,777	9,107,011	5,173,763
Total liabilities	<u>160,001</u>	<u>139,819</u>	<u>9,175,386</u>	<u>9,257,843</u>	<u>5,581,228</u>
<b>NET POSITION:</b>					
Restricted	-	-	352,883	-	395,944
Unrestricted	45,341,790	44,677,254	(911,943)	(509,886)	2,075
Total net position	<u>45,341,790</u>	<u>44,677,254</u>	<u>(559,060)</u>	<u>(509,886)</u>	<u>398,019</u>
Total liabilities and net position	<u>\$ 45,501,791</u>	<u>\$ 44,817,073</u>	<u>\$ 8,616,325</u>	<u>\$ 8,747,957</u>	<u>\$ 5,979,248</u>



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**18. BLENDED COMPONENT UNITS (Continued)**

The Statement of Revenues, Expenses and Changes in Net Positions of blended component units are as follows:

	<b>HOME FORWARD</b>		<b>ST. FRANCIS, LLC</b>		<b>GATEWAY, LP</b>
	<b>DEVELOPMENT ENTERPRISES</b>				
	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>
<b>OPERATING REVENUES:</b>					
Dwelling rental	\$ -	\$ -	\$ 813,076	\$ 802,050	\$ 359,635
Non-dwelling rental	-	-	136,103	146,978	-
Development fee revenue	178,603	842,777	-	-	-
Other	-	534	21,933	59,708	119,106
	<u>178,603</u>	<u>843,311</u>	<u>971,112</u>	<u>1,008,736</u>	<u>478,741</u>
<b>OPERATING EXPENSES:</b>					
Administration	521,606	521,470	295,315	285,152	128,920
Tenant services	-	-	-	6,000	12,614
Utilities	-	-	143,474	135,715	87,799
Maintenance	-	-	161,049	147,457	109,009
Depreciation	-	-	192,932	38,722	137,728
General and other	2,214	1,250	87,055	73,899	14,094
	<u>523,820</u>	<u>522,720</u>	<u>879,825</u>	<u>686,945</u>	<u>490,164</u>
<b>OPERATING INCOME/(LOSS)</b>	<u>(345,217)</u>	<u>320,591</u>	<u>91,286</u>	<u>321,791</u>	<u>(11,423)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment income	1,009,753	985,733	780	669	-
Interest expense	-	-	(136,673)	(138,746)	47,448
Investment in partnership valuation charge	-	-	-	(137,940)	-
Other nonoperating expenses	-	-	-	(3,428)	-
Loss on disposal of capital assets	-	-	(4,568)	-	-
	<u>1,009,753</u>	<u>985,733</u>	<u>(140,461)</u>	<u>(279,445)</u>	<u>47,448</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>664,536</u>	<u>1,306,324</u>	<u>(49,175)</u>	<u>42,346</u>	<u>36,025</u>
<b>NET POSITION—Beginning of year</b>	<u>44,677,254</u>	<u>43,370,930</u>	<u>(509,886)</u>	<u>(552,230)</u>	<u>361,995</u>
<b>NET POSITION—End of year</b>	<u>\$ 45,341,790</u>	<u>\$ 44,677,254</u>	<u>\$ (559,060)</u>	<u>\$ (509,886)</u>	<u>\$ 398,019</u>

**HOME FORWARD**  
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**18. BLENDED COMPONENT UNITS (Continued)**

The Statement of Cash Flow of the blended component units are as follows:

	<b>HOME FORWARD</b>		<b>ST. FRANCIS LLC</b>		<b>GATEWAY, LP</b>
	<b>DEVELOPMENT ENTERPRISES</b>				
	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from tenants and landlords	\$ -	\$ -	\$ 799,115	\$ 954,037	\$ 1,452,316
Receipts from developer fees	178,603	842,777	-	-	-
Receipts from others	13,581	41,473	153,708	20,963	46,141
Payments to and on behalf of employees	-	-	(244,697)	(285,152)	(199,697)
Payments to vendors, contractors and others	(523,819)	(522,720)	(561,437)	(326,684)	(1,278,076)
	<u>(331,635)</u>	<u>361,530</u>	<u>146,689</u>	<u>363,164</u>	<u>20,684</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Interest paid on notes and bonds payable	-	-	-	(130,285)	-
Principal payments on notes payable	-	-	(64,417)	(60,213)	(219,722)
Receipt of cash restricted for deposits payable	-	-	(258)	(3,428)	-
Acquisition and construction of capital assets	-	-	(569)	(156,266)	327,689
HUD capital and other nonoperating contributions	-	-	(28,028)	-	(24,600)
	<u>-</u>	<u>-</u>	<u>(93,272)</u>	<u>(350,192)</u>	<u>83,366</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Financing fees paid	-	-	8,013	-	-
Issuance of notes receivable	(198,784)	(951,216)	-	-	11,189
Increase in accrued interest on notes payable	997,322	(985,773)	-	-	-
Development fee earned outstanding	20,181	108,439	-	-	-
Change in due from partnerships	1,194,057	1,046,269	-	-	(14,510)
Change in investments in partnerships, net	(1)	-	-	-	-
Investment income received	-	34	779	669	1,081
	<u>2,012,775</u>	<u>(782,247)</u>	<u>8,792</u>	<u>669</u>	<u>(2,240)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,681,141</b>	<b>(420,717)</b>	<b>62,209</b>	<b>13,641</b>	<b>101,810</b>
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<b>2,170,019</b>	<b>2,590,730</b>	<b>948,440</b>	<b>934,799</b>	<b>722,581</b>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<b>\$ 3,851,159</b>	<b>\$ 2,170,019</b>	<b>\$ 1,010,649</b>	<b>\$ 948,440</b>	<b>\$ 824,392</b>

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Year ended March 31, 2018 and 2017

**19. DISCRETELY PRESENTED COMPONENT UNITS CONDENSED FINANCIAL INFORMATION**

The Authority is the General Partner and holds a 0.01% to 1% interest in each of the following limited partnerships (see Note 2 and Note 7). Summarized partnership information as of and for the year ended December 31, 2017 is as follows

	<u>Gladstone Square</u>	<u>Cecelia</u>	<u>Trouton</u>	<u>Woolsey</u>	<u>Civic Redevelopment</u>	<u>Humboldt Gardens</u>	<u>1115 SW 11th Avenue</u>	<u>RAC Housing</u>
<b>ASSETS:</b>								
Cash and cash equivalents	\$ -	\$ 495,085	\$ 493,321	\$ 747,954	\$ 189,806	\$ 228,655	\$ 367,335	\$ 397,573
Cash and cash equivalents - restricted	-	1,115,003	1,503,523	1,175,419	2,158,309	1,572,318	967,513	1,463,132
Accounts receivables and other assets	-	6,175	44,261	1,317	4,201	16,550	5,511	53,567
Other Assets	-	184,281	523,998	118,915	642,133	216,012	51,344	70,343
Capital assets - net	-	11,224,474	26,269,009	11,795,767	13,111,508	21,791,416	12,243,734	25,885,380
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ 13,025,018</b>	<b>\$ 28,834,112</b>	<b>\$ 13,839,372</b>	<b>\$ 16,105,957</b>	<b>\$ 23,824,951</b>	<b>\$ 13,635,437</b>	<b>\$ 27,869,995</b>
<b>LIABILITIES AND NET POSITION</b>								
<b>LIABILITIES:</b>								
Current liabilities	\$ -	\$ 1,065,928	\$ 2,036,639	\$ 694,263	\$ 4,032,327	\$ 1,559,590	\$ 126,699	\$ 139,743
Long-term liabilities	-	13,482,071	30,636,673	4,631,577	11,772,208	19,723,336	11,729,437	7,754,450
<b>NET POSITION:</b>								
Net Investment in capital assets	-	(2,152,597)	(4,212,663)	16,427,344	1,514,534	2,088,261	514,297	18,130,929
Restricted:								
Funds held in trust	-	1,038,718	1,399,587	1,110,427	704,897	1,514,329	955,313	1,462,732
Unrestricted (deficit)	-	(409,102)	(1,026,124)	(9,024,239)	(1,918,009)	(1,060,565)	309,691	382,140
<b>TOTAL LIABILITY AND NET POSITION</b>	<b>\$ -</b>	<b>\$ 13,025,018</b>	<b>\$ 28,834,112</b>	<b>\$ 13,839,372</b>	<b>\$ 16,105,957</b>	<b>\$ 23,824,951</b>	<b>\$ 13,635,437</b>	<b>\$ 27,869,994</b>
Operating revenues	\$ 109,380	\$ 1,361,021	\$ 2,959,786	\$ 1,259,768	\$ 1,455,490	\$ 1,090,993	\$ 1,115,217	\$ 2,458,228
Operating expenses	(96,842)	(1,979,122)	(4,087,223)	(1,950,184)	(1,511,779)	(2,010,680)	(1,289,428)	(2,848,839)
Operating income (loss)	12,538	(618,101)	(1,127,437)	(690,416)	(56,289)	(919,687)	(174,211)	(390,611)
Nonoperating revenues	497	9,366	11,373	1,832	143,839	16,333	9,810	19,613
Nonoperating expenses	2,959,431	(292,976)	(462,680)	(201,757)	(618,688)	(254,542)	(14,725)	(70,935)
Loss before capital contributions	2,972,466	(283,610)	(451,307)	(199,925)	(474,849)	(238,209)	(4,915)	(51,322)
Capital contributions	(2,470,050)	-	-	-	-	-	-	-
Change in net position	\$ 502,416	\$ (283,610)	\$ (451,307)	\$ (199,925)	\$ (474,849)	\$ (238,209)	\$ (4,915)	\$ (51,322)

(continued)

\*Unaudited

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Year ended March 31, 2018 and 2017

**19. DISCRETELY PRESENTED COMPONENT UNITS CONDENSED FINANCIAL INFORMATION (Continued)**

	<b>Stephens Creek Crossing- South</b>	<b>Stephens Creek Crossing- North</b>	<b>Beech Street*</b>	<b>West</b>	<b>Woods East</b>	<b>All other partnerships</b>	<b>Total</b>
<b>ASSETS:</b>							
Cash and cash equivalents	\$ 240,430	\$ 460,587	\$ 293,760	\$ 3,091,960	\$ 4,257,212	\$ 1,100,760	\$ 12,364,438
Cash and cash equivalents - restricted	455,023	692,617	181,620	1,102,658	1,407,341	42,560,651	56,355,127
Accounts receivables and other assets	27,987	44,614	553	16,012	16,361	572,361	809,470
Other Assets	73,253	232,944	74,684	1,838,926	2,264,635	791,144	7,082,612
Capital assets - net	11,037,438	20,224,044	8,293,679	39,698,921	31,080,877	45,322,517	277,978,764
<b>TOTAL</b>	<b>\$ 11,834,131</b>	<b>\$ 21,654,806</b>	<b>\$ 8,844,296</b>	<b>\$ 45,748,477</b>	<b>\$ 39,026,426</b>	<b>\$ 90,347,433</b>	<b>\$ 354,590,411</b>
<b>LIABILITIES AND NET POSITION</b>							
<b>LIABILITIES:</b>							
Current liabilities	\$ 154,092	\$ 141,775	\$ 137,541	\$ 2,159,622	\$ 2,468,314	\$ 9,336,298	\$ 24,052,831
Long-term liabilities	4,761,135	17,687,399	1,373,096	34,423,781	43,418,502	74,136,330	275,529,995
<b>NET POSITION:</b>							
Net Investment in capital assets	6,296,128	2,596,772	6,920,583	5,448,953	(12,131,813)	119,800,914	161,241,642
Restricted:							
Funds held in trust	455,023	665,669	164,220	1,071,597	1,362,055	39,718,319	51,622,886
Unrestricted (deficit)	167,753	563,191	248,856	2,644,524	3,909,368	(152,644,427)	(157,856,943)
<b>TOTAL LIABILITY AND NET POSITION</b>	<b>\$ 11,834,131</b>	<b>\$ 21,654,806</b>	<b>\$ 8,844,296</b>	<b>\$ 45,748,477</b>	<b>\$ 39,026,426</b>	<b>\$ 90,347,434</b>	<b>\$ 354,590,411</b>
Operating revenues	\$ 585,440	\$ 1,134,950	\$ 527,685	\$ 3,616,172	\$ 5,118,356	\$ 4,158,378	26,950,864
Operating expenses	(969,663)	(1,718,867)	(786,824)	(3,673,042)	(4,757,921)	(4,580,245)	(32,260,659)
Operating income (loss)	(384,223)	(583,917)	(259,139)	(56,870)	360,435	(421,867)	(5,309,795)
Nonoperating revenues	2,567	6,183	630	34,157	50,641	4,079	310,920
Nonoperating expenses	(104,303)	(147,259)	(12,196)	(1,298,919)	(1,588,823)	(672,418)	(2,780,790)
Loss before capital contributions	(101,736)	(141,076)	(11,566)	(1,264,762)	(1,538,182)	(668,339)	(2,469,870)
Capital contributions	916,973	909,816	79	17,506,671	18,761,600	3,346,363	38,971,452
Change in net position	\$ 815,237	\$ 768,740	\$ (11,487)	\$ 16,241,909	\$ 17,223,418	\$ 2,678,024	\$ 36,501,582

\*Unaudited

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years ended March 31, 2018 and 2017

**19. DISCRETELY PRESENTED COMPONENT UNITS CONDENSED FINANCIAL INFORMATION (Continued)**

Home Forward is the General Partner and holds a 0.01% to 1% interest in each of the following limited partnerships (see Note 2 and Note 7). Summarized partnership information as of and for the year ended December 31, 2016 is as follows:

	<u>Lovejoy Station</u>	<u>Cecelia</u>	<u>Trouton</u>	<u>Woolsey</u>	<u>Civic Redevelopment</u>	<u>Humboldt Gardens</u>	<u>1115 SW 11th Avenue</u>	<u>RAC Housing</u>
<b>ASSETS</b>								
Cash and cash equivalents	\$ -	\$ 487,858	\$ 599,325	\$ 675,652	\$ 256,902	\$ 263,825	\$ 275,414	\$ 438,260
Cash and cash equivalents - restricted	-	1,124,213	1,355,448	1,137,134	1,886,847	1,531,641	919,302	1,405,720
Investments (Restricted)- Short Term	-	-	-	-	-	-	-	-
Accounts receivables and other assets	-	19,963	36,321	34,753	13,532	8,809	76,617	282,478
Other Assets	-	188,868	544,323	123,840	674,248	219,255	50,453	86,760
Capital assets - net	-	12,132,652	28,151,452	12,748,124	13,890,830	22,896,483	12,723,093	27,113,985
<b>TOTAL</b>	<u>\$ -</u>	<u>\$ 13,953,554</u>	<u>\$ 30,686,869</u>	<u>\$ 14,719,503</u>	<u>\$ 16,722,359</u>	<u>\$ 24,920,013</u>	<u>\$ 14,044,879</u>	<u>\$ 29,327,203</u>
<b>LIABILITIES AND NET POSITION</b>								
<b>LIABILITIES:</b>								
Current liabilities	\$ -	\$ 295,031	\$ 454,234	\$ 245,509	\$ 1,764,740	\$ 168,214	\$ 101,816	\$ 302,836
Long-term liabilities	-	14,279,793	32,493,090	5,070,122	14,125,059	21,051,877	11,984,637	8,606,632
<b>NET POSITION:</b>								
Net Investment in capital assets	-	(1,415,690)	(2,500,220)	8,159,166	3,477,621	3,169,374	741,736	18,622,982
Restricted:								
Funds held in trust	-	1,020,971	1,255,955	1,081,792	624,512	1,454,360	907,602	1,405,620
Unrestricted (deficit)	-	(226,551)	(1,016,190)	162,914	(3,269,573)	(923,812)	309,088	389,133
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ -</u>	<u>\$ 13,953,554</u>	<u>\$ 30,686,869</u>	<u>\$ 14,719,503</u>	<u>\$ 16,722,359</u>	<u>\$ 24,920,013</u>	<u>\$ 14,044,879</u>	<u>\$ 29,327,203</u>
Operating revenues	\$ 1,632,543	\$ 1,307,785	\$ 2,667,145	\$ 1,226,385	\$ 1,406,651	\$ 981,891	\$ 1,008,300	\$ 1,610,497
Operating expenses	(915,349)	(1,898,012)	(3,724,989)	(1,892,305)	(1,454,267)	(1,874,283)	(1,189,854)	(3,150,733)
Operating income (loss)	<u>717,194</u>	<u>(590,227)</u>	<u>(1,057,844)</u>	<u>(665,920)</u>	<u>(47,616)</u>	<u>(892,392)</u>	<u>(181,554)</u>	<u>(1,540,236)</u>
Nonoperating revenues	54,247	491	691	1,774	275,772	3,395	1,616	3,466
Nonoperating expenses	(573,910)	(291,350)	(483,314)	(199,463)	(636,757)	(255,622)	(17,352)	(65,733)
Income (loss) before contributions (distributions)	<u>197,531</u>	<u>(881,086)</u>	<u>(1,540,467)</u>	<u>(863,609)</u>	<u>(408,601)</u>	<u>(1,144,619)</u>	<u>(197,290)</u>	<u>(1,602,503)</u>
Capital contributions (distributions)	(289,229)	-	-	-	-	-	-	-
Change in net position	<u>\$ (91,698)</u>	<u>\$ (881,086)</u>	<u>\$ (1,540,467)</u>	<u>\$ (863,609)</u>	<u>\$ (408,601)</u>	<u>\$ (1,144,619)</u>	<u>\$ (197,290)</u>	<u>\$ (1,602,503)</u>

(continued)

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
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**19. DISCRETELY PRESENTED COMPONENT UNITS CONDENSED FINANCIAL INFORMATION (Continued)**

	Stephens Creek Crossing- South	Stephens Creek Crossing- North	Beech Street	West	Woods East	All other partnerships	Adjustment	Total
<b>ASSETS</b>								
Cash and cash equivalents	\$ 306,570	\$ 680,555	\$ 227,583	\$ 2,381,553	\$ 3,430,385	\$ 795,972	\$ -	\$ 10,819,854
Cash and cash equivalents - restricted	432,840	667,737	169,220	1,307,523	2,952,661	2,245,912	-	17,136,198
Investments (Restricted)- Short Term	-	-	-	-	-	56,329	-	56,329
Accounts receivables and other assets	32,693	48,297	624	29,286	(28,993)	22,590	-	576,970
Other Assets	76,368	240,711	77,930	1,570,698	2,144,231	336,197	-	6,333,882
Capital assets - net	11,659,436	21,393,837	8,695,421	50,174,622	58,010,296	26,903,751	(33,979,032)	272,514,950
<b>TOTAL</b>	<u>\$ 12,507,907</u>	<u>\$ 23,031,137</u>	<u>\$ 9,170,778</u>	<u>\$ 55,463,682</u>	<u>\$ 66,508,580</u>	<u>\$ 30,360,751</u>	<u>\$ (33,979,032)</u>	<u>\$ 307,438,183</u>
<b>LIABILITIES AND NET POSITION</b>								
<b>LIABILITIES:</b>								
Current liabilities	\$ 1,011,630	\$ 1,413,351	\$ 177,883	\$ 4,706,317	\$ 4,840,080	\$ 1,468,822	\$ -	\$ 16,950,463
Long-term liabilities	5,008,387	17,976,976	1,388,610	48,915,600	61,118,426	24,652,712	-	266,671,921
<b>NET POSITION:</b>								
Net Investment in capital assets	6,898,301	4,115,993	7,322,324	3,227,765	(1,672,485)	3,008,761	(33,979,032)	19,176,596
Restricted:								
Funds held in trust	422,339	646,876	150,620	1,276,092	2,906,858	2,034,831	-	15,188,428
Unrestricted (deficit)	(832,750)	(1,122,059)	131,341	(2,662,092)	(684,299)	(804,375)	-	(10,549,225)
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 12,507,907</u>	<u>\$ 23,031,137</u>	<u>\$ 9,170,778</u>	<u>\$ 55,463,682</u>	<u>\$ 66,508,580</u>	<u>\$ 30,360,751</u>	<u>\$ (33,979,032)</u>	<u>\$ 307,438,183</u>
Operating revenues	\$ 591,498	\$ 1,056,073	\$ 482,678	\$ 3,106,106	\$ 4,326,259	\$ 3,979,135	\$ -	\$ 25,382,946
Operating expenses	(991,150)	(1,750,574)	(750,673)	(3,018,961)	(3,946,077)	(4,166,257)	-	(30,723,484)
Operating income (loss)	(399,652)	(694,501)	(267,995)	87,145	380,182	(187,122)	-	(5,340,538)
Nonoperating revenues	582	1,338	393	5,565	9,457	2,087	-	360,874
Nonoperating expenses	(109,960)	(149,676)	(35,151)	(987,536)	(1,203,445)	(688,380)	-	(5,697,649)
Income (loss) before contributions (distributions)	(509,030)	(842,839)	(302,753)	(894,826)	(813,806)	(873,415)	-	(10,677,313)
Capital contributions (distributions)	(77,283)	-	4,355,477	1,602	10	(870,202)	-	3,120,375
Change in net position	<u>\$ (586,313)</u>	<u>\$ (842,839)</u>	<u>\$ 4,052,724</u>	<u>\$ (893,224)</u>	<u>\$ (813,796)</u>	<u>\$ (1,743,617)</u>	<u>\$ -</u>	<u>\$ (7,556,938)</u>

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
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**19. DISCRETELY PRESENTED COMPONENT UNITS CONDENSED FINANCIAL INFORMATION**  
(Continued)

*Summarized Capital assets – Discretely presented component units*

Land, structures, and equipment activity of the discretely presented component units was as follows for the years ended December 31:

	<u>Balance January 1, 2017</u>	<u>Additions and transfers in</u>	<u>Disposal and transfers out</u>	<u>Balance December 31, 2017</u>
Land	\$ 9,443,157	\$ 2,489,464	\$ (333,708)	\$ 11,598,913
Construction in progress	1,481,190	15,054,248	(1,724,701)	14,810,737
Total capital assets not being depreciated	<u>10,924,347</u>	<u>17,543,712</u>	<u>(2,058,409)</u>	<u>26,409,650</u>
Buildings and improvements	348,483,917	5,769,921	(3,916,309)	350,337,529
Equipment	16,792,559	198,565	(200,319)	16,790,805
	<u>365,276,476</u>	<u>5,968,486</u>	<u>(4,116,628)</u>	<u>367,128,334</u>
Less accumulated depreciation	(103,685,873)	(14,697,461)	2,824,114	(115,559,220)
Total capital assets being depreciated	<u>261,590,603</u>	<u>(8,728,975)</u>	<u>(1,292,514)</u>	<u>251,569,114</u>
Total capital assets, net	<u><b>\$ 272,514,950</b></u>	<u><b>\$ 8,814,737</b></u>	<u><b>\$ (3,350,923)</b></u>	<u><b>\$ 277,978,764</b></u>
	<u>Balance January 1, 2016</u>	<u>Additions and transfers in</u>	<u>Disposal and transfers out</u>	<u>Balance December 31, 2016</u>
Land	\$ 11,821,794	\$ -	\$ (2,378,637)	\$ 9,443,157
Construction in progress	63,088,705	14,999	(61,622,514)	1,481,190
Total capital assets not being depreciated	<u>74,910,499</u>	<u>14,999</u>	<u>(64,001,151)</u>	<u>10,924,347</u>
Buildings and improvements	302,449,104	66,167,665	(20,132,852)	348,483,917
Equipment	12,922,463	4,995,143	(1,125,047)	16,792,559
	<u>315,371,567</u>	<u>71,162,808</u>	<u>(21,257,899)</u>	<u>365,276,476</u>
Less accumulated depreciation	(99,127,362)	(14,087,883)	9,529,372	(103,685,873)
Total capital assets being depreciated	<u>216,244,205</u>	<u>57,074,925</u>	<u>(11,728,527)</u>	<u>261,590,603</u>
Total capital assets, net	<u><b>\$ 291,154,704</b></u>	<u><b>\$ 57,089,924</b></u>	<u><b>\$ (75,729,678)</b></u>	<u><b>\$ 272,514,950</b></u>

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2018 and 2017

**19. DISCRETELY PRESENTED COMPONENT UNITS CONDENSED FINANCIAL INFORMATION**  
(Continued)

*Summarized notes payable – Discretely presented component units*

Notes payable of the discretely presented component units consist of the following:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Notes payable - General Partner	\$ 204,939,770	\$ 173,797,371
Mortgages and other housing related notes	71,909,084	83,081,899
	<u>276,848,854</u>	<u>256,879,270</u>
Less current portion	(1,318,859)	(932,227)
Noncurrent portion	<u>\$ 275,529,995</u>	<u>\$ 255,947,043</u>

A summary of activity of the discretely presented component units' notes payable is as follows:

<u>Balance</u> <u>January 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>December 31, 2017</u>
\$ 256,879,270	\$ 58,894,939	\$ (38,925,355)	\$ 276,848,854

  

<u>Balance</u> <u>January 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>December 31, 2016</u>
\$ 261,408,632	\$ 15,841,577	\$ (20,370,939)	\$ 256,879,270

**20. COMMITMENTS AND CONTINGENCIES**

**Leases** - At March 31, 2018, Home Forward has approximately 9,753 dwelling units under lease to Section 8 landlords. The terms of these leases extend up to one year. Housing assistance payments under these leases, including FSS program contributions, for the years ended March 31, 2018 and 2017 were approximately \$102,263,035 and \$88,981,546, respectively.

**Construction Commitments** - At March 31, 2018, Home Forward had construction commitments of approximately \$50,013,791.

**Contingent Liabilities** - Home Forward has entered into long-term use agreements with the City of Portland, Multnomah County and the State of Oregon in exchange for development funds for group homes and other projects. These agreements expire between 2019 and 2065. Repayment of an amortized portion of these funds is required if Home Forward does not use the properties according to their intended purposes. Home Forward has not and does not intend to violate those agreements. The exposure, if recorded, would be approximately \$3,645,304.

**General Partner Operating Deficit Guarantees** - In relation to the performance of the tax credit partnerships for which Home Forward is the general partner, Home Forward has agreed to provide certain levels of funding in the event of partnership operating deficits that exceed operating reserves. The maximum amount required to fund excess operating deficits ranges from zero to the total amount of the excess operating deficit for a single partnership. As of March 31, 2018, no additional liability existed relating to excess operating deficits for any of the partnerships.



**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2018 and 2017

**21. RISK MANAGEMENT**

Home Forward operates in an industry subject to various risks of loss related to torts, theft, damage, destruction, errors and omissions, injuries to employees or participants, and natural disasters. As such, Home Forward utilizes several insurance providers to reduce agency risk of loss.

For nearly three decades, Home Forward had participated in a regional housing authority insurance risk pool for its property, casualty/general liability, automotive, and financial and professional lines. Due to increased growth and complexities of Home Forward’s portfolios, a decision was made for Home Forward to exit the pools after March 31, 2017. Home Forward issued an informal RFP for insurance brokers and based on this body of work, Home Forward selected Marsh for broker services.

As opposed to the risk pools that provided the lines of coverage, Marsh had to market the agency’s insurance coverage needs to a wide variety of insurance markets. From this effort, Marsh’s comprehensive insurance program provides appropriate levels of insurance coverage for property, boiler & machinery equipment, casualty/general liability, automotive, umbrella, financial and professional lines, crime, and cyber/special risks.

Marsh’s comprehensive insurance provides coverage for 2,481 affordable properties, 1 New Market West property, 1,428 public housing properties, and 228 special needs properties.

Marsh coverage as of March 31, 2018, includes:

<u>Liabilities</u>	<u>Deductible</u>	<u>Coverage</u>
Property/Earthquake/Flood/Business Interruption	\$ 50,000	\$ 100,000,000
Boiler/Machinery/Equipment	5,000	100,000,000
General Liability	-	2,000,000
Automobile	500/1,000	1,000,000
Umbrella Liability	-	10,000,000
Public Officials Liability	100,000	2,000,000
Fidelity & Crime	25,000	1,000,000
Special Risks	-	1,000,000
Cyber Liability	25,000	2,000,000

Home Forward contracts with SAIF Corporation to provide Worker’s Compensation and Employer Liability coverage of \$1,000,000 per incident with no deductible.

As described above, there have been significant modifications in coverage in insurance coverage from the previous year. Settlements have not exceeded coverage during the last three years. Home Forward has no liability claims as of March 31, 2018.

**22. SUBSEQUENT EVENTS**

On April 16, 2018, Home Forward received approval from the Department of Housing and Urban Development for conversion of the remaining Public Housing units into project based voucher units under the Section 18 program. Home Forward anticipates converting its remaining public housing properties under the Department of Housing and Urban Development’s Section 18 and Rental Assistance Demonstration (RAD) program. Under these programs, the public housing units will convert into project based voucher funded units and will utilize the low income housing tax credit program with Home Forward as the general partner.

Home Forward has evaluated subsequent events through September 10, 2018, the date on which the financial statements were issued. Other than as discussed above, during this period no material subsequent events occurred which would require recognition or disclosure.\*\*\*\*\*

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**REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)**

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**HOME FORWARD**  
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
 Last Four Fiscal Years\*

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Year Ended March 31,	(a) Home Forward's proportion of the net pension liability (asset)	(b) Home Forward's proportionate share of the net pension liability (asset)	(c) Home Forward's covered payroll	(b/c) Home Forward's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.15329650%	\$ 20,664,424	\$ 13,868,333	149.00%	83.12%
2017	0.15888919%	23,852,957	13,704,448	174.05%	80.50%
2016	0.15526214%	8,914,316	14,627,116	60.94%	91.90%
2015	0.16124152%	(3,654,885)	13,397,903	-27.28%	103.60%

**SCHEDULE OF PENSION CONTRIBUTIONS**

Year Ended March 31,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) Home Forward's covered payroll	(b/c) Contributions as a percent of covered payroll
2018	\$ 1,755,769	\$ 1,755,769	\$ -	\$ 13,868,333	12.66%
2017	1,476,588	1,476,588	-	13,704,448	10.77%
2016	1,465,817	1,465,817	-	14,627,116	10.02%
2015	1,565,938	1,565,938	-	13,397,903	11.69%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

Since the December 31, 2013 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the Moro decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon State Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reduction the 2013 Oregon legislature made to future system Cost of Living Adjustments (COLA) through Senate Bill 822 and 861. The reversal increased the benefits projected to be paid by employers compared to those developed in the prior actuarial valuation, and consequently increased plan liabilities. The employers' projected long-term contribution effort has been adjusted for the estimated impact of the Moro Decision. In accordance with statute, a biennial review of actuarial methods and assumptions was completed in 2017 to be used for the December 31, 2016 actuarial valuation, which explains the significant increase in Home Forward's proportionate share of the net pension liability for the fiscal year ended March 31, 2017.

\* Fiscal year ended March 31, 2015 was the first year of implementation of GASB Statement No. 68, therefore only four years of information is shown.

**HOME FORWARD**  
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
 For One Fiscal Year\*

**OTHER POST EMPLOYMENT BENEFITS**

**Retirement Health Insurance Account (RHIA)**

*Schedule of Changes in Net OPEB Asset and Related Ratios \**

<u>Year Ended</u>	<u>Proportion of the net OPEB asset</u>	<u>Proportionate share of the net OPEB asset</u>	<u>Covered Payroll</u>	<u>Percentage of covered payroll</u>
3/31/2018	0.14%	\$ 59,006	\$ 15,368,318	0.38%

*Schedule of Home Forward's Contributions \**

(a) <u>Contractually required contribution **</u>	(b) <u>Contributions in relation to the contractually required contribution</u>	(a-b) <u>Contribution deficiency (excess)</u>	(c) <u>Covered payroll</u>	(b/c) <u>Percentage of covered payroll</u>
\$ 109,862	\$ 70,390	\$ 39,472	\$ 153,368,318	0.05%

***Notes to Required Supplementary Information:***

\* Schedule of Changes in OPEB Liability and Related Ratios and Schedule of Home Forward's contribution are presented in accordance with GASB Statement No. 75's reporting requirement. Fiscal year ended March 31, 2018 was the first year of implementation of GASB Statement No. 75, therefore only one year of information is shown.

\*\* Based on the actuarial report

**HOME FORWARD**  
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
 For One Fiscal Year\*

**Retiree access to Home Forward Health Benefit Retiree Program (Implicit Benefit subsidy)**

*Schedule of Changes in Total OPEB Liability and Related Ratios \**

	<u>Total OPEB Liability</u>
Beginning of year, April, 2017, as restated	\$ 1,384,796
Change for the year	
Service cost	67,210
Interest on total OPEB liability	51,747
Implicit rate subsidy benefit	(58,362)
Change in assumptions	(15,894)
Experience loss	(14,170)
Total changes	30,531
End of year, March 31, 2018	\$ 1,415,327
Covered payroll**	\$ 15,368,318
Total liability as a percentage of its covered payroll	9.21%

***Notes to Required Supplementary Information:***

\* Schedule of Changes in OPEB Liability and Related Ratios is presented in accordance with GASB Statement No. 75's reporting requirement. Fiscal year ended March 31, 2018 was the first year of implementation of GASB Statement No. 75, therefore only one year of information is shown.

\*\* Based on the actuarial report

**HOME FORWARD**  
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
 Last Three Fiscal Years

**SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS**

Schedule of funding progress presented below provides a consolidated review of Home Forward’s ability to meet current and future other postemployment benefits (OPEB) implicit benefit subsidy liabilities with the plan assets.

The last actuarial report performed as of:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as of Percentage of Covered Payroll</b>
3/31/2017	\$ -	\$ 1,485,213	\$ 1,485,213	0%	\$ 14,848,616	10%
3/31/2016	-	1,538,187	1,538,187	0%	14,997,634	10%
3/31/2015	-	1,813,482	1,813,482	0%	14,527,714	12%



## **OTHER SUPPLEMENTARY INFORMATION**

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**HOME FORWARD**  
**COMBINING SCHEDULE OF NET POSITION- AFFORDABLE HOUSING**  
As of March 31, 2018

	Grace Peck Terrace	Madrona	Multnomah Manor	Rosenbaum Plaza	Unthank Plaza	Fenwick Apts	Helen Swindells	Dawson Park	Pearl Court	Gretchen Kafoury	St. Francis
<b>ASSETS AND DEFERRED OUTFLOWS</b>											
<b>FALSE</b>											
<b>CURRENT ASSETS:</b>											
Cash and cash equivalents	\$ 4,102,525	\$ 339,706	\$ 2,728,544	\$ 2,193,912	\$ 2,585,549	\$ 53,916	\$ 392,733	\$ 506,605	\$ 501,736	\$ 693,476	\$ 381,059
Cash and cash equivalents - Restricted	-	143,699	-	-	-	115,716	513,992	397,444	1,164,177	713,630	629,590
Accounts receivable, net	620	18,433	-	4,330	5,879	2,803	2,469	4,652	2,066	5,981	382
Prepaid expenses	2,471	337	-	3,983	2,133	781	11,039	3,651	9,509	1,975	19,996
	<u>4,105,616</u>	<u>502,175</u>	<u>2,728,544</u>	<u>2,202,225</u>	<u>2,593,561</u>	<u>173,216</u>	<u>920,233</u>	<u>912,352</u>	<u>1,677,488</u>	<u>1,415,062</u>	<u>1,031,027</u>
<b>NON-CURRENT ASSETS:</b>											
Notes receivable and accrued interest receivable	-	-	-	-	-	-	-	-	-	-	-
Capital assets not being depreciated	157,489	579,600	-	53,086	68,201	292,240	432,880	138,456	952,468	533,869	1,016,855
Capital assets being depreciated, net	185,551	2,667,786	-	300,019	831,007	1,843,434	1,839,234	708,867	2,707,476	2,890,687	6,568,543
	<u>343,040</u>	<u>3,247,386</u>	<u>-</u>	<u>353,105</u>	<u>899,208</u>	<u>2,135,674</u>	<u>2,272,114</u>	<u>847,323</u>	<u>3,659,944</u>	<u>3,424,556</u>	<u>7,585,398</u>
<b>TOTAL ASSETS BEFORE DEFERRED OUTFLOWS</b>	<b>4,448,656</b>	<b>3,749,561</b>	<b>2,728,544</b>	<b>2,555,330</b>	<b>3,492,769</b>	<b>2,308,890</b>	<b>3,192,347</b>	<b>1,759,675</b>	<b>5,337,432</b>	<b>4,839,618</b>	<b>8,616,425</b>
Deferred outflows of resources, pension	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>4,448,656</b>	<b>3,749,561</b>	<b>2,728,544</b>	<b>2,555,330</b>	<b>3,492,769</b>	<b>2,308,890</b>	<b>3,192,347</b>	<b>1,759,675</b>	<b>5,337,432</b>	<b>4,839,618</b>	<b>8,616,425</b>
<b>LIABILITIES AND NET POSITION</b>											
<b>CURRENT LIABILITIES:</b>											
Accounts payable	19,147	87,116	-	8,840	3,837	84,491	168,337	148,969	42,839	13,244	15,004
Accrued interest payable	-	5,851	-	-	-	3,911	1,447,631	43,519	372,988	1,292,518	47,273
Other accrued liabilities	2,250	5,805	-	1,417	1,500	-	2,250	-	-	4,459	-
Deferred revenue	6,496	3,732	-	1,274	4,804	60	28,321	15,955	17,163	19,758	7,510
Deposits, payable from restricted assets	16,923	11,472	-	11,890	14,679	14,832	48,402	42,131	119,835	66,020	37,503
Current portion of notes and bonds payable	-	48,146	-	-	-	54,916	8,543	113,905	384,081	85,000	64,418
	<u>44,816</u>	<u>162,122</u>	<u>-</u>	<u>23,421</u>	<u>24,820</u>	<u>158,210</u>	<u>1,703,484</u>	<u>364,479</u>	<u>936,906</u>	<u>1,480,999</u>	<u>171,708</u>
<b>NON-CURRENT LIABILITIES:</b>											
Notes payable	-	1,231,529	-	-	-	2,397,039	2,140,629	496,620	586,287	2,664,000	9,003,777
Bonds payable	-	-	-	-	-	-	-	1,138,287	3,115,000	3,640,000	-
	<u>-</u>	<u>1,231,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,397,039</u>	<u>2,140,629</u>	<u>1,634,907</u>	<u>3,701,287</u>	<u>6,304,000</u>	<u>9,003,777</u>
<b>TOTAL LIABILITIES BEFORE DEFERRED INFLOWS</b>	<b>44,816</b>	<b>1,393,651</b>	<b>-</b>	<b>23,421</b>	<b>24,820</b>	<b>2,555,249</b>	<b>3,844,113</b>	<b>1,999,386</b>	<b>4,638,193</b>	<b>7,784,999</b>	<b>9,175,485</b>
Deferred inflows of resources, Pension	-	-	-	-	-	-	-	-	-	-	-
Deferred inflows of resources, OPEB	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>44,816</b>	<b>1,393,651</b>	<b>-</b>	<b>23,421</b>	<b>24,820</b>	<b>2,555,249</b>	<b>3,844,113</b>	<b>1,999,386</b>	<b>4,638,193</b>	<b>7,784,999</b>	<b>9,175,485</b>
<b>NET POSITION</b>	<b>\$ 4,403,840</b>	<b>\$ 2,355,910</b>	<b>\$ 2,728,544</b>	<b>\$ 2,531,909</b>	<b>\$ 3,467,949</b>	<b>\$ (246,359)</b>	<b>\$ (651,766)</b>	<b>\$ (239,711)</b>	<b>\$ 699,239</b>	<b>\$ (2,945,381)</b>	<b>\$ (559,060)</b>

(Continued)

**HOME FORWARD**  
**COMBINING SCHEDULE OF NET POSITION- AFFORDABLE HOUSING**  
As of March 31, 2018

	Ainsworth Court	Fairviews	Rockwood Station	Willow Tree	Ash Creek	Schiller Way	Peter Paulson	Kelly Place	Trouton Commercial	Commercial Space at Lloyd Housing	Yards at Union Station
<b>ASSETS AND DEFERRED OUTFLOWS</b>											
<b>FALSE</b>											
<b>CURRENT ASSETS:</b>											
Cash and cash equivalents	\$ 783,054	\$ 2,445,777	\$ 1,648,699	\$ 49,330	\$ 89,100	\$ 33,939	\$ 109,616	\$ 113,060	\$ 36,241	\$ 2,884,926	\$ 480,380
Cash and cash equivalents - Restricted	481,901	1,416,816	764,620	179,275	101,931	60,329	204,310	99,813	-	-	992,893
Accounts receivable, net	905	19,658	9,773	-	45	6,351	3,363	-	-	-	3,912
Prepaid expenses	1,780	-	-	-	-	-	2,414	375	271	-	15,167
	<u>1,267,640</u>	<u>3,882,251</u>	<u>2,423,092</u>	<u>228,605</u>	<u>191,076</u>	<u>100,619</u>	<u>319,703</u>	<u>213,248</u>	<u>36,512</u>	<u>2,884,926</u>	<u>1,492,352</u>
<b>NON-CURRENT ASSETS:</b>											
Notes receivable and accrued interest receivable	-	-	-	-	-	-	-	-	-	-	-
Capital assets not being depreciated	1,115,635	2,602,686	702,000	162,767	363,581	48,706	331,303	188,664	-	225,872	671,000
Capital assets being depreciated, net	1,582,899	10,579,857	4,954,997	1,324,324	1,292,171	1,247,098	1,937,222	616,862	5,707	-	3,043,127
	<u>2,698,534</u>	<u>13,182,543</u>	<u>5,656,997</u>	<u>1,487,091</u>	<u>1,655,752</u>	<u>1,295,804</u>	<u>2,268,525</u>	<u>805,526</u>	<u>5,707</u>	<u>225,872</u>	<u>3,714,127</u>
<b>TOTAL ASSETS BEFORE DEFERRED OUTFLOWS</b>	<u>3,966,174</u>	<u>17,064,794</u>	<u>8,080,089</u>	<u>1,715,696</u>	<u>1,846,828</u>	<u>1,396,423</u>	<u>2,588,228</u>	<u>1,018,774</u>	<u>42,219</u>	<u>3,110,798</u>	<u>5,206,479</u>
Deferred outflows of resources, pension	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>3,966,174</u>	<u>17,064,794</u>	<u>8,080,089</u>	<u>1,715,696</u>	<u>1,846,828</u>	<u>1,396,423</u>	<u>2,588,228</u>	<u>1,018,774</u>	<u>42,219</u>	<u>3,110,798</u>	<u>5,206,479</u>
<b>LIABILITIES AND NET POSITION</b>											
<b>CURRENT LIABILITIES:</b>											
Accounts payable	21,294	1,850,631	954,418	2,277	182,885	394,133	27,049	3,278	40,054	83,649	26,909
Accrued interest payable	9,029	32,705	13,788	2,118	5,999	1,760	1,684,181	1,337	-	-	85,170
Other accrued liabilities	-	5,840	-	-	-	-	692	-	-	-	-
Deferred revenue	20,195	76,409	34,355	1,086	-	11,381	5,465	27	-	-	8,741
Deposits, payable from restricted assets	55,432	216,802	104,232	5,000	12,072	8,501	44,624	5,950	-	-	112,278
Current portion of notes and bonds payable	89,042	219,241	103,723	21,392	-	55,887	-	22,854	-	-	356,464
	<u>194,992</u>	<u>2,401,628</u>	<u>1,210,516</u>	<u>31,873</u>	<u>200,956</u>	<u>471,662</u>	<u>1,762,011</u>	<u>33,446</u>	<u>40,054</u>	<u>83,649</u>	<u>589,562</u>
<b>NON-CURRENT LIABILITIES:</b>											
Notes payable	3,399,177	10,743,447	4,430,023	726,827	1,767,008	974,946	1,960,936	625,373	-	-	873,800
Bonds payable	-	-	-	-	-	-	-	-	-	-	3,940,000
	<u>3,399,177</u>	<u>10,743,447</u>	<u>4,430,023</u>	<u>726,827</u>	<u>1,767,008</u>	<u>974,946</u>	<u>1,960,936</u>	<u>625,373</u>	<u>-</u>	<u>-</u>	<u>4,813,800</u>
<b>TOTAL LIABILITIES BEFORE DEFERRED INFLOWS</b>	<u>3,594,169</u>	<u>13,145,075</u>	<u>5,640,539</u>	<u>758,700</u>	<u>1,967,964</u>	<u>1,446,608</u>	<u>3,722,947</u>	<u>658,819</u>	<u>40,054</u>	<u>83,649</u>	<u>5,403,362</u>
Deferred inflows of resources, Pension	-	-	-	-	-	-	-	-	-	-	-
Deferred inflows of resources, OPEB	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<u>3,594,169</u>	<u>13,145,075</u>	<u>5,640,539</u>	<u>758,700</u>	<u>1,967,964</u>	<u>1,446,608</u>	<u>3,722,947</u>	<u>658,819</u>	<u>40,054</u>	<u>83,649</u>	<u>5,403,362</u>
<b>NET POSITION</b>	<u>\$ 372,005</u>	<u>\$ 3,919,719</u>	<u>\$ 2,439,550</u>	<u>\$ 956,996</u>	<u>\$ (121,136)</u>	<u>\$ (50,185)</u>	<u>\$ (1,134,719)</u>	<u>\$ 359,955</u>	<u>\$ 2,165</u>	<u>\$ 3,027,149</u>	<u>\$ (196,883)</u>

(Continued)

**HOME FORWARD**  
**COMBINING SCHEDULE OF NET POSITION- AFFORDABLE HOUSING**  
As of March 31, 2018

	<u>Rockwood Landing</u>	<u>Hamilton West</u>	<u>Sequoia Square</u>	<u>Interstate Crossing</u>	<u>Lovejoy Station</u>	<u>Baldwin Interstate</u>	<u>Fountain Place</u>	<u>Affordable Housing Management</u>	<u>Totals</u>
<b>ASSETS AND DEFERRED OUTFLOWS</b>									
<b>FALSE</b>									
<b>CURRENT ASSETS:</b>									
Cash and cash equivalents	\$ 58,123	\$ 656,770	\$ 64,687	\$ 132,878	\$ 1,277,187	\$ 40,494	\$ 649,220	\$ 1,756,349	\$ 27,789,591
Cash and cash equivalents - Restricted	66,808	945,314	180,262	54,778	1,389,377	-	572,083	866,943	12,055,701
Accounts receivable, net	-	15,292	82	434	16,298	1	419	284,107	408,255
Prepaid expenses	675	10,401	1,921	-	11,206	1,800	2,347	653	104,885
	<u>125,606</u>	<u>1,627,777</u>	<u>246,952</u>	<u>188,090</u>	<u>2,694,068</u>	<u>42,295</u>	<u>1,224,069</u>	<u>2,908,052</u>	<u>40,358,432</u>
<b>NON-CURRENT ASSETS:</b>									
Notes receivable and accrued interest receivable	-	-	-	-	-	-	-	64,158	64,158
Capital assets not being depreciated	225,337	406,124	400,390	90,000	1,997,915	931,700	958,489	-	15,647,313
Capital assets being depreciated, net	1,256,685	4,006,719	2,022,886	946,877	8,918,170	958,121	3,141,159	-	68,377,485
	<u>1,482,022</u>	<u>4,412,843</u>	<u>2,423,276</u>	<u>1,036,877</u>	<u>10,916,085</u>	<u>1,889,821</u>	<u>4,099,648</u>	<u>64,158</u>	<u>84,088,956</u>
<b>TOTAL ASSETS BEFORE DEFERRED OUTFLOWS</b>	<u>1,607,628</u>	<u>6,040,620</u>	<u>2,670,228</u>	<u>1,224,967</u>	<u>13,610,153</u>	<u>1,932,116</u>	<u>5,323,717</u>	<u>2,972,210</u>	<u>124,447,388</u>
Deferred outflows of resources, pension	-	-	-	-	-	-	-	528,969	528,969
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>1,607,628</u>	<u>6,040,620</u>	<u>2,670,228</u>	<u>1,224,967</u>	<u>13,610,153</u>	<u>1,932,116</u>	<u>5,323,717</u>	<u>3,501,179</u>	<u>124,976,357</u>
<b>LIABILITIES AND NET POSITION</b>									
<b>CURRENT LIABILITIES:</b>									
Accounts payable	2,826	32,185	66,247	335,934	103,690	6,516	13,882	2,808,916	7,548,597
Accrued interest payable	1,437	34,232	89,408	1,547	72,331	-	62,822	-	5,311,555
Other accrued liabilities	4,070	-	810	1,659	-	-	-	1,918,053	1,948,805
Deferred revenue	2,001	12,615	3,649	2,249	17,548	4	2,212	840,453	1,143,463
Deposits, payable from restricted assets	15,343	79,696	18,648	1,400	156,879	5,130	18,161	-	1,243,835
Current portion of notes and bonds payable	32,138	113,997	54,664	18,983	669,211	-	85,696	-	2,602,301
	<u>57,815</u>	<u>272,725</u>	<u>233,426</u>	<u>361,772</u>	<u>1,019,659</u>	<u>11,650</u>	<u>182,773</u>	<u>5,567,422</u>	<u>19,798,556</u>
<b>NON-CURRENT LIABILITIES:</b>									
Notes payable	534,680	2,649,002	1,574,323	1,323,563	2,872,297	-	2,725,500	-	55,700,783
Bonds payable	-	3,135,000	-	-	8,869,076.00	-	2,326,744	-	26,164,107
	<u>534,680</u>	<u>5,784,002</u>	<u>1,574,323</u>	<u>1,323,563</u>	<u>11,741,373</u>	<u>-</u>	<u>5,052,244</u>	<u>-</u>	<u>81,864,890</u>
<b>TOTAL LIABILITIES BEFORE DEFERRED INFLOWS</b>	<u>592,495</u>	<u>6,056,727</u>	<u>1,807,749</u>	<u>1,685,335</u>	<u>12,761,032</u>	<u>11,650</u>	<u>5,235,017</u>	<u>5,567,422</u>	<u>101,663,446</u>
Deferred inflows of resources, Pension	-	-	-	-	-	-	-	29,377	29,377
Deferred inflows of resources, OPEB	-	-	-	-	-	-	-	27,015	27,015
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<u>592,495</u>	<u>6,056,727</u>	<u>1,807,749</u>	<u>1,685,335</u>	<u>12,761,032</u>	<u>11,650</u>	<u>5,235,017</u>	<u>5,623,814</u>	<u>101,719,838</u>
<b>NET POSITION</b>	<u>\$ 1,015,133</u>	<u>\$ (16,107)</u>	<u>\$ 862,479</u>	<u>\$ (460,368)</u>	<u>\$ 849,121</u>	<u>\$ 1,920,466</u>	<u>\$ 88,700</u>	<u>\$ (2,122,635)</u>	<u>\$ 23,256,519</u>

**HOME FORWARD**  
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - AFFORDABLE HOUSING  
Year Ended March 31, 2018

	Grace Peck Terrace	Madrona	Multnomah Manor	Rosenbaum Plaza	Unthank Plaza	Fenwick Apts	Helen Swindells	Dawson Park	Pearl Court	Gretchen Kafoury
<b>OPERATING REVENUES:</b>										
Dwelling rental	\$ 232,833	\$ 241,738	\$ 72,067	\$ 198,298	\$ 163,971	\$ 271,651	\$ 510,185	\$ 613,886	\$ 1,668,358	\$ 1,098,760
Non-dwelling rental	27,727	345	141	65,068	1,426	-	189,403	978	20,934	9,705
HUD operating subsidies	1,006,378	414,423	54,003	656,662	936,328	-	-	-	-	-
HUD grants	-	18,136	-	-	-	-	-	-	-	-
State, local and other grants	-	-	-	-	-	-	-	-	-	-
Other	5,690	13,464	3,748	14,102	8,959	8,846	56,743	20,811	67,312	30,585
	<u>1,272,628</u>	<u>688,106</u>	<u>129,959</u>	<u>934,130</u>	<u>1,110,684</u>	<u>280,497</u>	<u>756,331</u>	<u>635,675</u>	<u>1,756,604</u>	<u>1,139,050</u>
<b>OPERATING EXPENSES:</b>										
Housing assistance payments	521	-	229	-	2,285	-	-	-	-	-
Administration	234,780	172,715	54,962	270,340	242,205	46,739	264,776	119,257	332,571	320,964
Tenant services	-	2,201	-	-	-	-	7,199	-	-	-
Utilities	89,440	66,924	23,856	137,883	90,557	40,816	110,304	69,020	183,284	124,211
Maintenance	234,564	156,481	47,867	141,368	155,831	63,552	190,260	134,456	290,816	307,883
Depreciation	91,792	180,676	21,297	54,741	119,198	73,323	115,314	146,622	404,698	304,474
General	37,804	13,413	3,397	28,475	28,190	8,143	46,415	18,699	69,819	58,028
	<u>688,901</u>	<u>592,410</u>	<u>151,608</u>	<u>632,807</u>	<u>638,267</u>	<u>232,573</u>	<u>734,268</u>	<u>488,054</u>	<u>1,281,188</u>	<u>1,115,560</u>
<b>OPERATING INCOME (LOSS)</b>	<u>583,727</u>	<u>95,696</u>	<u>(21,649)</u>	<u>301,323</u>	<u>472,417</u>	<u>47,924</u>	<u>22,063</u>	<u>147,621</u>	<u>475,416</u>	<u>23,490</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>										
Investment income	1,271	52	(19)	900	825	159	2,562	4,717	22,938	3,535
Interest expense	-	(70,045)	(55,726)	-	-	(47,830)	(66,644)	(58,338)	(191,270)	(234,785)
Investment in partnership valuation charge	-	-	-	-	-	-	-	-	-	-
Gain (Loss) on Sale of Assets	-	(4,998)	783,283	-	-	-	-	(641)	(12,248)	(3,245)
	<u>1,271</u>	<u>(74,991)</u>	<u>727,538</u>	<u>900</u>	<u>825</u>	<u>(47,671)</u>	<u>(64,082)</u>	<u>(54,262)</u>	<u>(180,580)</u>	<u>(234,495)</u>
<b>CAPITAL CONTRIBUTIONS:</b>										
HUD nonoperating contributions	-	-	-	-	-	-	-	-	-	-
Other nonoperating contributions	(313,450)	3,246,265	1,289,668	(125,440)	(114,406)	(27,739)	-	(108,246)	(205,647)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	271,548	3,266,970	1,995,557	176,783	358,836	(27,486)	(42,019)	(14,887)	89,189	(211,005)
<b>NET POSITION-Beginning of year (as previously reported)</b>	4,132,292	-	732,987	2,355,126	3,109,113	(218,873)	(609,747)	(224,824)	610,050	(2,734,376)
<b>Retained Earnings Undesignated fund bal.</b>	-	(911,060)	-	-	-	-	-	-	-	-
<b>NET POSITION- Beginning of year (as restated)</b>	4,132,292	(911,060)	732,987	2,355,126	3,109,113	(218,873)	(609,747)	(224,824)	610,050	(2,734,376)
<b>NET POSITION-End of year</b>	<u>\$ 4,403,840</u>	<u>\$ 2,355,910</u>	<u>\$ 2,728,544</u>	<u>\$ 2,531,909</u>	<u>\$ 3,467,949</u>	<u>\$ (246,359)</u>	<u>\$ (651,766)</u>	<u>\$ (239,711)</u>	<u>\$ 699,239</u>	<u>\$ (2,945,381)</u>

(continued)

**HOME FORWARD**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - AFFORDABLE HOUSING**  
Year Ended March 31, 2018

	<u>St. Francis</u>	<u>Ainsworth Court</u>	<u>Fairview</u>	<u>Rockwood Station</u>	<u>Willow Tree</u>	<u>Ash Creek</u>	<u>Schiller Way</u>	<u>Peter Paulson</u>	<u>Kelly Place</u>	<u>Trouton Commercial</u>	<u>Commercial Space at Lloyd Housing</u>
<b>OPERATING REVENUES:</b>											
Dwelling rental	\$ 813,076	\$ 783,262	\$ 3,442,465	\$ 1,969,663	\$ 173,230	\$ 383,387	\$ 171,845	\$ 590,900	\$ 192,320	\$ -	\$ -
Non-dwelling rental	136,103	31,210	25,225	30,052	2,535	-	50,654	-	5	27,570	-
HUD operating subsidies	-	-	145,392	90,872	-	-	18,355	-	-	-	-
HUD grants	-	-	23,693	18,013	-	-	-	-	-	-	-
State, local and other grants	-	-	-	-	-	-	-	-	-	-	-
Other	21,933	16,883	103,161	50,658	3,934	1,670	6,895	18,491	949	35,976	-
	<u>971,112</u>	<u>831,355</u>	<u>3,739,936</u>	<u>2,159,258</u>	<u>179,699</u>	<u>385,057</u>	<u>247,749</u>	<u>609,391</u>	<u>193,274</u>	<u>63,546</u>	<u>-</u>
<b>OPERATING EXPENSES:</b>											
Housing assistance payments	-	-	8,773	-	-	-	-	-	-	-	-
Administration	295,315	106,437	338,471	334,474	50,048	37,667	37,817	256,006	35,506	7,498	-
Tenant services	-	-	-	-	15	-	-	-	-	-	-
Utilities	143,474	94,587	330,755	128,309	23,190	65,497	67,930	116,588	28,228	39,959	-
Maintenance	161,049	129,873	773,705	358,941	29,838	51,929	84,316	189,209	31,841	20,680	-
Depreciation	192,931	156,856	618,518	430,777	131,908	115,503	63,903	114,573	79,261	454	-
General	59,028	18,214	184,293	91,160	5,046	5,479	11,575	28,355	6,060	1,913	-
	<u>851,797</u>	<u>505,967</u>	<u>2,254,515</u>	<u>1,343,661</u>	<u>240,045</u>	<u>276,075</u>	<u>265,541</u>	<u>704,731</u>	<u>180,896</u>	<u>70,504</u>	<u>-</u>
<b>OPERATING INCOME (LOSS)</b>	<u>119,315</u>	<u>325,388</u>	<u>1,485,421</u>	<u>815,597</u>	<u>(60,346)</u>	<u>108,982</u>	<u>(17,792)</u>	<u>(95,340)</u>	<u>12,378</u>	<u>(6,958)</u>	<u>-</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>											
Investment income	779	1,838	33,902	12,962	190	131	27	364	142	-	-
Interest expense	(136,673)	(108,223)	(395,958)	(167,271)	(25,835)	(72,046)	(22,131)	(82,035)	(16,590)	-	-
Investment in partnership valuation charge	-	-	-	-	-	-	-	-	-	-	-
Gain (Loss) on Sale of Assets	(4,568)	-	(896,750)	-	-	-	-	(4,377)	-	-	-
	<u>(140,462)</u>	<u>(106,385)</u>	<u>(1,258,806)</u>	<u>(154,309)</u>	<u>(25,645)</u>	<u>(71,915)</u>	<u>(22,104)</u>	<u>(86,048)</u>	<u>(16,448)</u>	<u>-</u>	<u>-</u>
<b>CAPITAL CONTRIBUTIONS:</b>											
HUD nonoperating contributions	-	-	-	-	-	-	-	-	-	-	-
Other nonoperating contributions	(28,028)	(176,914)	82,088	(500,000)	-	-	30,000	45,453	-	-	3,027,149
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>(49,175)</u>	<u>42,089</u>	<u>308,703</u>	<u>161,288</u>	<u>(85,991)</u>	<u>37,067</u>	<u>(9,896)</u>	<u>(135,935)</u>	<u>(4,070)</u>	<u>(6,958)</u>	<u>3,027,149</u>
<b>NET POSITION-Beginning of year (as previously reported)</b>	<u>(509,885)</u>	<u>329,916</u>	<u>3,611,016</u>	<u>2,278,262</u>	<u>1,042,987</u>	<u>(158,203)</u>	<u>(40,289)</u>	<u>(998,784)</u>	<u>364,025</u>	<u>9,123</u>	<u>-</u>
<b>Retained Earnings Undesignated fund bal.</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION- Beginning of year (as restated)</b>	<u>(509,885)</u>	<u>329,916</u>	<u>3,611,016</u>	<u>2,278,262</u>	<u>1,042,987</u>	<u>(158,203)</u>	<u>(40,289)</u>	<u>(998,784)</u>	<u>364,025</u>	<u>9,123</u>	<u>-</u>
<b>NET POSITION-End of year</b>	<u>\$ (559,060)</u>	<u>\$ 372,005</u>	<u>\$ 3,919,719</u>	<u>\$ 2,439,550</u>	<u>\$ 956,996</u>	<u>\$ (121,136)</u>	<u>\$ (50,185)</u>	<u>\$ (1,134,719)</u>	<u>\$ 359,955</u>	<u>\$ 2,165</u>	<u>\$ 3,027,149</u>

(continued)

**HOME FORWARD**  
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - AFFORDABLE HOUSING  
Year Ended March 31, 2018

	<b>Yards at Union Station</b>	<b>Rockwood Landing</b>	<b>Hamilton West</b>	<b>Sequoia Square</b>	<b>Interstate Crossing</b>	<b>Lovejoy Station</b>	<b>Baldwin Interstate</b>	<b>Fountain Place</b>	<b>Affordable Housing Management</b>	<b>Total</b>
<b>OPERATING REVENUES:</b>										
Dwelling rental	\$ 1,422,185	\$ 267,037	\$ 1,125,577	\$ 499,417	\$ 140,879	\$ 1,822,448	\$ 78,074	\$ 61,317	\$ -	\$ 19,008,829
Non-dwelling rental	2,370	-	43,529	-	-	274,262	-	-	35,653	974,895
HUD operating subsidies	-	136	-	-	-	-	-	-	108,988	3,431,537
HUD grants	-	-	-	-	-	-	-	-	144,122	203,964
State, local and other grants	-	-	-	-	-	-	-	-	325,729	325,729
Other	41,433	14,817	64,660	44,240	8,092	110,784	999	174,784	1,147,414	2,098,033
	<u>1,465,988</u>	<u>281,990</u>	<u>1,233,766</u>	<u>543,657</u>	<u>148,971</u>	<u>2,207,494</u>	<u>79,073</u>	<u>236,101</u>	<u>1,761,906</u>	<u>26,042,987</u>
<b>OPERATING EXPENSES:</b>										
Housing assistance payments	-	-	-	-	-	-	-	-	-	11,808
Administration	240,130	60,779	329,399	124,678	24,743	323,542	14,395	32,555	2,528,235	7,237,004
Tenant services	-	-	-	-	-	-	-	-	1,368,040	1,377,455
Utilities	171,335	57,576	151,645	107,175	23,238	182,936	8,546	8,027	-	2,685,290
Maintenance	233,299	120,273	235,917	142,616	38,288	334,017	16,810	15,405	7,826	4,698,910
Depreciation	417,165	141,534	196,401	59,549	59,425	253,433	24,833	7,371	-	4,576,530
General	42,670	13,626	97,086	31,279	5,244	136,443	9,680	3,253	1,625,296	2,688,083
	<u>1,104,599</u>	<u>393,788</u>	<u>1,010,448</u>	<u>465,297</u>	<u>150,938</u>	<u>1,230,371</u>	<u>74,264</u>	<u>66,611</u>	<u>5,529,397</u>	<u>23,275,081</u>
<b>OPERATING INCOME (LOSS)</b>	<u>361,389</u>	<u>(111,798)</u>	<u>223,318</u>	<u>78,360</u>	<u>(1,967)</u>	<u>977,123</u>	<u>4,809</u>	<u>169,490</u>	<u>(3,767,491)</u>	<u>2,767,906</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>										
Investment income	22,840	27	3,562	338	17	34,085	4	279	-	148,427
Interest expense	(213,513)	(17,846)	(152,686)	(76,242)	(19,014)	(361,665)	-	(13,189)	-	(2,605,555)
Investment in partnership valuation charge	-	-	-	-	-	-	-	(67,880)	-	(67,880)
Gain (Loss) on Sale of Assets	(9,898)	-	-	-	(5,854)	-	-	-	-	(159,296)
	<u>(200,571)</u>	<u>(17,819)</u>	<u>(149,124)</u>	<u>(75,904)</u>	<u>(24,851)</u>	<u>(327,580)</u>	<u>4</u>	<u>(80,790)</u>	<u>-</u>	<u>(2,684,304)</u>
<b>CAPITAL CONTRIBUTIONS:</b>										
HUD nonoperating contributions	-	-	-	-	-	-	-	-	-	-
Other nonoperating contributions	(195,777)	337	(70,000)	(15,504)	-	(57,974)	(9,618)	-	2,421,378	8,193,595
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>(34,959)</u>	<u>(129,280)</u>	<u>4,194</u>	<u>(13,048)</u>	<u>(26,818)</u>	<u>591,569</u>	<u>(4,805)</u>	<u>88,700</u>	<u>(1,346,113)</u>	<u>8,277,197</u>
<b>NET POSITION-Beginning of year (as previously reported)</b>	<u>(161,924)</u>	<u>1,144,413</u>	<u>(20,301)</u>	<u>875,527</u>	<u>(433,550)</u>	<u>257,552</u>	<u>1,925,271</u>	<u>-</u>	<u>(776,522)</u>	<u>15,890,382</u>
<b>Retained Earnings Undesignated fund bal.</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(911,060)</u>
<b>NET POSITION- Beginning of year (as restated)</b>	<u>(161,924)</u>	<u>1,144,413</u>	<u>(20,301)</u>	<u>875,527</u>	<u>(433,550)</u>	<u>257,552</u>	<u>1,925,271</u>	<u>-</u>	<u>(776,522)</u>	<u>14,979,322</u>
<b>NET POSITION-End of year</b>	<u>\$ (196,883)</u>	<u>\$ 1,015,133</u>	<u>\$ (16,107)</u>	<u>\$ 862,479</u>	<u>\$ (460,368)</u>	<u>\$ 849,121</u>	<u>\$ 1,920,466</u>	<u>\$ 88,700</u>	<u>\$ (2,122,635)</u>	<u>\$ 23,256,519</u>



# HOME FORWARD

## COMBINING SCHEDULE OF NET POSITION - SPECIAL NEEDS HOUSING

As of March 31, 2018

	Carriage Hill	Project Open Door	Other Special Needs	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 7,911	\$ 59,567	\$ 1,638,227	\$ 1,705,705
Tenant security deposit-Restricted Cash	507	2,781	11,702	14,990
Cash and cash equivalents-restricted	19,740	78,097	1,961,480	2,059,317
Accounts receivable, net	634	3,715	40,522	44,871
Prepaid expenses	-	-	11,530	11,530
	28,792	144,160	3,663,461	3,836,413
<b>NONCURRENT ASSETS:</b>				
Note Receivable and accrued interest receivable	-	-	3,145,000	3,145,000
Capital assets not being depreciated	75,424	71,104	1,387,540	1,534,068
Capital assets being depreciated, net	260,412	369,020	14,556,594	15,186,026
	335,836	440,124	19,089,134	19,865,094
<b>TOTAL ASSETS</b>	364,628	584,284	22,752,595	23,701,507
<b>LIABILITIES AND NET POSITION</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	278	3,180	88,100	91,558
Accrued interest payable	76	139	373,366	373,581
Other accrued liabilities	7,971	728	5,683	14,382
Unearned revenue	873	7,831	25,775	34,479
Security Deposits, payable from restricted assets	500	2,250	9,642	12,392
Current portion of notes and bonds payable	1,690	16,571	55,490	73,751
	11,388	30,699	558,056	600,143
<b>NONCURRENT LIABILITIES:</b>				
Notes payable - long-term	209,754	150,773	7,537,178	7,897,705
Total liabilities	221,142	181,472	8,095,234	8,497,848
<b>NET POSITION</b>	\$ 143,486	\$ 402,812	\$ 14,657,361	\$ 15,203,659

# HOME FORWARD

## COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - SPECIAL NEEDS HOUSING

As of March 31, 2018

	Carriage Hill	Project Open Door	Other Special Needs	Total
<b>OPERATING REVENUES:</b>				
Dwelling rental	\$ 26,307	\$ 70,449	\$ 10,758	\$ 107,514
Non-dwelling rental	-	-	689,357	689,357
State, local and other grants	-	-	87,184	87,184
Other	35	442	27,596	28,073
	26,342	70,891	814,895	912,128
<b>OPERATING EXPENSES:</b>				
Administration	4,246	12,629	165,045	181,920
Utilities	7,857	10,287	79,893	98,037
Maintenance	5,104	31,665	75,925	112,694
Depreciation	12,389	26,366	684,214	722,969
General	1,202	6,019	98,701	105,922
	30,798	86,966	1,103,778	1,221,542
<b>OPERATING LOSS</b>	(4,456)	(16,075)	(288,883)	(309,414)
<b>NON-OPERATING REVENUE (EXPENSE):</b>				
Investment income	187	354	46,031	46,572
Interest expense	(939)	(1,833)	(49,484)	(52,256)
Loss on sale of assets	-	-	(9,007)	(9,007)
	(752)	(1,479)	(12,460)	(14,691)
<b>NET LOSS BEFORE CAPITAL CONTRIBUTIONS</b>	(5,208)	(17,554)	(301,343)	(324,105)
<b>CAPITAL CONTRIBUTIONS</b>				
Other non-operating contributions	-	-	148,972	148,972
<b>TOTAL CAPITAL CONTRIBUTIONS</b>	-	-	148,972	148,972
<b>INCREASE (DECREASE) IN NET POSITION</b>	(5,208)	(17,554)	(152,371)	(175,133)
<b>NET POSITION-Beginning of year</b>	148,694	420,366	14,809,732	15,378,792
<b>NET POSITION-End of year</b>	\$ 143,486	\$ 402,812	\$ 14,657,361	\$ 15,203,659



## Independent Auditor's Report Required by Oregon State Regulations

Members of the Board of  
Commissioners of Home Forward  
Portland, Oregon

We have audited the financial statements of the business-type activity (primary government) and the aggregate discretely presented component units of Home Forward, Oregon, as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise Home Forward's basic financial statements, and have issued our report thereon dated September 12, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Minimum Standards for Audits of Oregon Municipal Corporations*. Our report includes a reference to other auditors. Other auditors audited the financial statements of the aggregate discretely presented component units, as described in our report on Home Forward's basic financial statements. The financial statements of the discretely presented component units, except for the Gateway Park Limited Partnership, were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by the other auditors.

### Compliance

As part of obtaining reasonable assurance about whether Home Forward's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures, which included, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing, nothing came to our attention that caused us to believe Home Forward was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of ORS as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

### **OAR 162-10-0230 Internal Control**

In planning and performing our audit of the financial statements, we considered Home Forward's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Home Forward's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Home Forward's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

### **Purpose of this Report**

This report is intended solely for the information and use of the Board of Commissioners, management of Home Forward, and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these specified parties.



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Linda Hurley, Partner  
for Macias Gini & O'Connell LLP  
Newport Beach, California  
September 12, 2018

**HOME FORWARD**  
Schedule of Prior Year Findings  
For Year Ended March 31, 2018

**2017-002 Control Deficiency in Internal Control over Financial Reporting**

**Condition**

Home Forward is required to submit its annual financial statements to each nationally recognized municipal securities information repository designated by SEC in accordance with the rule and to a state information depository, if any, established in the state of Oregon and recognized by SEC, no later than the last day of the ninth month after the end of each fiscal year (currently, a fiscal year ending March 31) or a notice of a failure by Home Forward to provide required annual financial information on or before the deadline.

The annual financial information of Home Forward for fiscal year ended March 31, 2016 was submitted on January 26, 2017, which was after the due date of December 31, 2016.

**Recommendation**

Home Forward should establish procedures to monitor its compliance with the continuing disclosure requirements to ensure its trustees are fulfilling their contractual requirements and those of the debt covenants.

**Management Response**

Home Forward has implemented an annual calendar of all EMMA reporting with due dates, including reminders via Outlook, as well as a list of continuing disclosure responsibilities for all trustees with associated due dates.

**Status**

Corrected